Kindering Center

Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

Kindering Center

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Kindering Center

Contents

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Independent Auditor's Report

The Board of Directors
Kindering Center
Bellevue, Washington

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kindering Center and its wholly owned subsidiary, Lions Roar Property Holdings, LLC (collectively, Kindering Center), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Kindering Center as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Kindering Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in year ended December 31, 2022, Kindering Center adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases* (ASC 842). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kindering Center's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Kindering Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kindering Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, P.C.

September 29, 2023

Consolidated Financial Statements

Kindering Center

Consolidated Statements of Financial Position

December 31,		2022		2021
Assets				
Current Assets				
Cash	$	3,891,127	$	10,154,527
Accounts and insurance receivable, net of allowance for adjustments of $152,076 and $137,014 at December 31, 2022 and 2021, respectively		580,623		546,807
Grants receivable		1,429,358		1,369,905
Current portion of contributions receivable, net		680,549		705,290
Current portion - facility contribution receivable		59,700		59,700
Prepaid expenses and other assets		115,270		106,202
Total Current Assets		6,756,627		12,942,431
Investments		18,465,732		15,629,770
Unemployment Compensation Trust		329,497		420,807
Contributions Receivable, Net		207,833		677,579
Facility Contribution Receivable, Net		739,848		750,866
Operating Lease Right-of-Use Assets		4,066,519		-
Property and Equipment, Net		2,285,873		2,231,234
Total Assets	$	32,851,929	$	32,652,687
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$	202,393	$	157,330
Accrued payroll-related costs and other expenses		1,318,492		1,069,749
Operating lease liabilities, current portion		393,752		-
Total Current Liabilities		1,914,637		1,227,079
Operating Lease Liabilities, net of current portion		4,234,483		-
Deferred Rent Liability		-		198,045
Total Liabilities		6,149,120		1,425,124
Net Assets				
Without donor restrictions:				
Designated by the governing board for long-term investments and emergency operating expenses		300,000		300,000
Undesignated		20,524,336		24,204,090
Total Without Donor Restrictions		20,824,336		24,504,090
With donor restrictions		5,878,473		6,723,473
Total Net Assets		26,702,809		31,227,563
Total Liabilities and Net Assets	$	32,851,929	$	32,652,687

See accompanying notes to consolidated financial statements.

Kindering Center

Consolidated Statements of Activities

Year ended December 31,

	2022			2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Government fees and grants	**$ 14,228,494**	**$ -**	**$ 14,228,494**	$ 14,409,942	$ -	$ 14,409,942
Contributions	**561,081**	**581,011**	**1,142,092**	774,618	2,274,287	3,048,905
Program service fees	**3,321,883**	**-**	**3,321,883**	2,941,033	-	2,941,033
Special events	**1,161,724**	**-**	**1,161,724**	826,276	-	826,276
Less: direct expenses	**(182,365)**	**-**	**(182,365)**	(50,490)	-	(50,490)
United Way	**165,229**	**-**	**165,229**	164,682	-	164,682
In-kind contributions	**48,682**	**-**	**48,682**	136,115	-	136,115
Other income and expense	**(31,354)**	**-**	**(31,354)**	(1,799)	-	(1,799)
	19,273,374	**581,011**	**19,854,385**	19,200,377	2,274,287	21,474,664
Net Assets Released from Restrictions	**1,143,397**	**(1,143,397)**	**-**	678,993	(678,993)	-
Total Revenue and Support	**20,416,771**	**(562,386)**	**19,854,385**	19,879,370	1,595,294	21,474,664
Expenses						
Program services	**20,523,178**	**-**	**20,523,178**	17,310,133	-	17,310,133
Management and general	**466,743**	**-**	**466,743**	564,460	-	564,460
Fundraising	**1,127,950**	**-**	**1,127,950**	752,946	-	752,946
Total Expenses	**22,117,871**	**-**	**22,117,871**	18,627,539	-	18,627,539
Change in Net Assets, before investment income (loss) and non-operating activities	**(1,701,100)**	**(562,386)**	**(2,263,486)**	1,251,831	1,595,294	2,847,125
Investment Income (Loss)	**(1,978,654)**	**(282,614)**	**(2,261,268)**	1,195,731	197,852	1,393,583
Non-Operating Activities						
Paycheck Protection Program loan forgiveness	**-**	**-**	**-**	2,366,192	-	2,366,192
Change in Net Assets	**(3,679,754)**	**(845,000)**	**(4,524,754)**	4,813,754	1,793,146	6,606,900
Net Assets, beginning of year	**24,504,090**	**6,723,473**	**31,227,563**	19,690,336	4,930,327	24,620,663
Net Assets, end of year	**$ 20,824,336**	**$ 5,878,473**	**$ 26,702,809**	$ 24,504,090	$ 6,723,473	$ 31,227,563

See accompanying notes to consolidated financial statements.

Kindering Center

Consolidated Statement of Functional Expenses

Year ended December 31, 2022

	Program Services										
	Early Intervention	Foster Care (CHERISH)	Families in Transition	Child Care & Preschool Consultation	Parent Education and ParentChild+ Program	Family Support	Kids Clinic	Total Program Services	Management and General	Fundraising	Total
Salaries	$ 10,744,815	$ 1,125,040	$ 332,047	$ 632,441	$ 57,529	$ 107,966	$ 1,041,751	$ 14,041,589	$ 292,309	$ 785,202	$ 15,119,100
Benefits	1,536,491	125,652	28,934	72,928	23,648	18,632	139,923	1,946,208	20,264	98,154	2,064,626
Payroll taxes	972,613	73,638	22,333	37,616	11,899	21,682	94,380	1,234,161	21,099	75,128	1,330,388
Occupancy	714,179	84,954	22,105	41,999	3,818	7,134	69,228	943,417	92,132	52,147	1,087,696
Professional services	613,197	64,856	17,867	78,070	3,490	5,769	56,939	840,188	15,062	48,934	904,184
Supplies	512,764	112,888	15,294	36,088	10,028	9,791	60,159	757,012	13,954	34,763	805,729
Depreciation and amortization	201,866	21,129	6,248	11,871	1,079	2,016	19,567	263,776	5,481	14,740	283,997
Special event costs	-	-	-	-	-	-	-	-	-	182,365	182,365
Telephone	107,351	11,236	3,323	6,313	574	1,208	10,406	140,411	2,915	7,838	151,164
Printing and publications	100,756	4,119	1,124	17,032	194	363	5,680	129,268	986	5,119	135,373
Employee mileage and travel	88,020	10,880	21	40	4	7	66	99,038	546	384	99,968
Liability insurance	70,629	7,393	2,186	4,153	378	705	6,846	92,290	1,918	5,157	99,365
Equipment rental and maintenance	27,677	2,897	857	1,628	148	276	2,683	36,166	751	2,021	38,938
Continuing education	30,621	1,353	180	917	32	58	2,003	35,164	63	347	35,574
Postage	9,365	980	290	551	50	94	908	12,238	256	684	13,178
Meetings and conferences	2,228	233	69	131	12	22	216	2,911	60	163	3,134
Dues	600	63	19	35	3	6	58	784	16	44	844
Bad debt expense	(39,369)	(4,121)	(1,219)	(2,315)	(210)	(393)	(3,816)	(51,443)	(1,069)	(2,875)	(55,387)
	15,693,803	1,643,190	451,678	939,498	112,676	175,336	1,506,997	20,523,178	466,743	1,310,315	22,300,236
Less: special event direct expenses	-	-	-	-	-	-	-	-	-	(182,365)	(182,365)
Total Expenses Included in the Expenses Section on the Consolidated Statements of Activities	$ 15,693,803	$ 1,643,190	$ 451,678	$ 939,498	$ 112,676	$ 175,336	$ 1,506,997	$ 20,523,178	$ 466,743	$ 1,127,950	$ 22,117,871

See accompanying notes to consolidated financial statements.

Kindering Center

Consolidated Statement of Functional Expenses

Year ended December 31, 2021

	Program Services										
	Early Intervention	Foster Care (CHERISH)	Families in Transition	Child Care & Preschool Consultation	Parent Education and ParentChild+ Program	Family Support	Kids Clinic	Total Program Services	Management and General	Fundraising	Total
Salaries	$ 9,440,609	$ 768,990	$ 222,155	$ 673,060	$ 180,155	$ 163,510	$ 838,769	$ 12,287,248	$ 433,477	$ 539,551	$ 13,260,276
Benefits	1,177,820	86,588	14,413	92,979	23,620	20,777	98,926	1,515,123	22,926	49,963	1,588,012
Payroll taxes	792,543	58,981	10,593	75,243	17,663	13,425	69,384	1,037,832	31,450	49,270	1,118,552
Occupancy	637,304	62,112	14,997	45,436	12,162	11,038	56,622	839,671	28,453	36,423	904,547
Professional services	316,153	27,519	6,759	63,208	5,881	4,975	25,521	450,016	12,022	26,760	488,798
Supplies	298,957	30,786	7,306	20,957	13,438	5,159	34,646	411,249	13,527	15,014	439,790
Depreciation and amortization	168,678	15,014	4,337	13,141	3,517	3,192	16,376	224,255	8,229	10,534	243,018
Bad debt expense	91,073	7,418	2,143	6,493	1,738	1,577	8,092	118,534	4,066	5,205	127,805
Telephone	82,349	6,708	1,938	5,871	1,571	1,623	7,316	107,376	3,676	4,706	115,758
Printing and publications	81,834	4,395	1,471	6,130	585	531	4,639	99,585	1,369	8,972	109,926
Liability insurance	50,876	4,144	1,197	3,627	971	881	4,520	66,216	2,271	2,908	71,395
Equipment rental and maintenance	48,377	3,941	1,138	3,449	923	838	4,298	62,964	2,160	2,765	67,889
Special event costs	-	-	-	-	-	-	-	-	-	50,490	50,490
Employee mileage and travel	37,572	4,855	1,231	791	448	267	128	45,292	134	121	45,547
Continuing education	27,780	2,127	16	1,191	238	95	3,287	34,734	356	313	35,403
Postage	6,760	550	159	482	129	117	600	8,797	302	386	9,485
Dues	611	50	14	44	12	11	54	796	27	35	858
Meetings and conferences	342	28	8	24	7	6	30	445	15	20	480
	13,259,638	1,084,206	289,875	1,012,126	263,058	228,022	1,173,208	17,310,133	564,460	803,436	18,678,029
Less: special event direct expenses	-	-	-	-	-	-	-	-	-	(50,490)	(50,490)
Total Expenses Included in the Expenses Section on the Consolidated Statements of Activities	$ 13,259,638	$ 1,084,206	$ 289,875	$ 1,012,126	$ 263,058	$ 228,022	$ 1,173,208	$ 17,310,133	$ 564,460	$ 752,946	$ 18,627,539

See accompanying notes to consolidated financial statements.

Kindering Center

Consolidated Statements of Cash Flows

Year ended December 31,	2022	2021
Cash Flows from Operating Activities		
Change in net assets	$ (4,524,754)	$ 6,606,900
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	283,997	243,018
Loss on disposal of fixed assets	36,049	19,629
Realized and unrealized losses (gains) on investments	2,560,435	(1,162,651)
Contributed stock	20,311	-
Contributed facilities	11,018	10,394
Changes in allowance and discounts on receivables	(26,008)	(26,008)
Forgiveness of Paycheck Protection Program loan	-	(2,366,192)
Non-cash operating lease expense	418,833	-
Changes in operating assets and liabilities:		
Receivables	427,226	(970,082)
Prepaid expenses and other assets	(9,068)	(31,142)
Unemployment compensation trust	91,310	(51,655)
Accounts payable	45,063	83,766
Accrued payroll-related costs and other expenses	248,743	(306,144)
Principal reduction in operating lease liabilities	(375,031)	-
Deferred rent liability	-	74,851
Net Cash Provided by (Used in) Operating Activities	(791,876)	2,124,684
Cash Flows from Investing Activities		
Purchase of property and equipment	(54,816)	(219,018)
Purchase of investments	(25,243,351)	(16,695,228)
Proceeds from sale of investments	19,826,643	16,379,791
Net Cash Used in Investing Activities	(5,471,524)	(534,455)
Net Change in Cash	(6,263,400)	1,590,229
Cash, beginning of year	10,154,527	8,564,298
Cash, end of year	$ 3,891,127	$ 10,154,527
Supplemental Disclosure of Non-Cash Activities		
Operating lease assets obtained in exchange for operating lease liabilities - upon adoption	$ 4,485,352	$ -

See accompanying notes to consolidated financial statements.

1. Organization, Structure, and Significant Accounting Policies

Kindering Center and its wholly owned subsidiary, Lions Roar Property Holdings, LLC (collectively, Kindering Center), founded in 1962, is a not-for-profit neurodevelopmental center helping infants and children with special needs throughout East King and South Snohomish Counties. Kindering Center provides comprehensive evaluations, special education, infant mental health therapies, physical/occupational and speech therapies, nutrition, foster care, a statewide fathers' network, and childcare consultation for infants and young children with diverse abilities and their families. Kindering Center's facilities are located in Bellevue, Bothell, Redmond, and Renton, Washington. Kindering Center's programs are as follows:

Early Intervention – This program includes the following services:

- Comprehensive, standardized developmental assessments evaluate each child's individual abilities and special health care needs.
- Physical and occupational therapy assists children in reaching motor milestones (sitting, crawling, walking, reaching, grasping) as well as functional skills such as dressing and eating. Specialized equipment and environmental adaptations may be provided, such as custom seating or orthotics, to provide safety, support, and optimal progress toward independence and motor success.
- Speech and language therapy develops and enhances communication skills through spoken or sign language, picture exchange, computers, and other communication devices.
- Special education enhances cognitive and social development while developing self-confidence, independence, and the foundations for all future learning for children. This program supports the parent-child relationship, creates safe and secure learning environments, and provides opportunities for children to socialize with their peers.
- Infant mental health therapy supports families facing the emotional impact and unique challenges of parenting a child with special needs. Licensed therapists provide individualized therapies, facilitate group programs, and collaborate with treatment teams to promote healthy family relationships.
- The Nutrition/Feeding Team evaluates and treats children's nutritional and feeding difficulties.
- Family Resource Coordination links families with appropriate community resources, helps with funding and eligibility requirements, and coordinates services.
- Communication, Understanding, Behaviors, and Socialization (CUBS) combines a high-quality multi-disciplinary early intervention program, applied behavior analysis, technical and social support for families, collaboration across services, and transition support for children with autism spectrum disorder.

Foster Care (CHERISH) – Children Encouraged by Relationships in Secure Homes (CHERISH) addresses the attachment and developmental needs of infants and young children in foster and kinship homes.

Families in Transition (FIT) – This provides individualized services for children and families who are homeless or in transitional housing.

Fathers' Network (Family Support) – This support group provides male peer support, resources and education, father-child interaction sessions, and family social occasions. The focus is on helping fathers become more competent and compassionate caregivers for their children with special needs. This program produces a newsletter, magazine column, videos, and national speakers.

Sibling Support Project (Family Support) – Sibshops are lively programs for young brothers and sisters of children with special needs. Through activities, arts, games, and discussions, children of ages five to nine share their experiences and learn that they are not alone in facing the challenges of being a brother or sister of a child with disabilities. There are more than 200 Sibshops in eight countries, all established by this Kindering Center project. The project also created and supports SibKids and SibNet, no-cost services for young and adult brothers and sisters that allow hundreds of siblings from around the world to connect with their peers.

Child Care & Preschool Consultation – This program assists children from birth to six years of age, families, and childcare providers. Consultants provide free, on site visits to childcare programs in order to observe children, conduct development screenings, consult with childcare staff and parents, make appropriate referrals as needed, and develop strategies in order to ensure and support all children's successes in childcare. Washington-State-approved training and support individualized to the unique needs of the providers is also offered.

Parent Education and Parent Child+ – This program focuses on health and safety, nutrition, communication, self-esteem, and behavioral management. Parenting+ provides free nine-week parenting education courses in several different languages for families who may be experiencing difficulties. Monthly support groups are offered to program graduates. Parent Child+ works with families who have not had access to educational and economic opportunities. Home visitors address early literacy, parenting, and school readiness.

Kids Clinic – This focuses on Kindering Center's offering of physical, occupational, feeding, and speech therapies on a fee for service basis for infants and children up to 11 years old who are not eligible for the Early Intervention Program.

Kindering Center is dependent on various government entities to cover the cost of these programs. Total government support was 72% and 67% of total revenue and support in 2022 and 2021, respectively.

Structure

The consolidated financial statements include the accounts of Kindering Center and its wholly owned subsidiary, Lions Roar Property Holdings, LLC. There were no transactions during 2022 or 2021 in Lions Roar Property Holdings, LLC. All inter-entity transactions and accounts have been eliminated. The life of Lions Roar Property Holdings, LLC is perpetual unless earlier terminated by written consent of Kindering Center. The liability associated with a limited liability company (LLC) is generally limited to the amounts invested into it.

Consolidated Financial Statement Presentation

Kindering Center reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Grants and contributions are recorded without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions and grants are reported as unrestricted revenue if donor restrictions are met in the year the contribution or grant is received.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) includes the use of estimates that affect the consolidated financial statements. Actual results could differ from those estimates.

Cash

Cash is held in a checking account at a major bank. On occasion, Kindering Center has amounts deposited with a financial institution in excess of federally insured limits. Kindering Center has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash. Money market funds held in investment accounts are classified as investments.

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

Level 1 **-** This level consists of observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - This level consists of observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly.

Level 3 **-** This level consists of unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

Investments

Kindering Center records its investments in equity mutual funds, fixed-income mutual funds, and U.S. Treasury notes at their fair values in the consolidated statements of financial position. Money market funds are stated at cost plus accrued interest. The fair value of the rest of the investments was determined using Level 1 observable market inputs within the fair value hierarchy consisting of quoted prices in active markets (such as national exchanges) for identical assets. Kindering Center classifies its investments as long-term assets because it does not intend to use its investments in the next fiscal year and because a portion is associated with the endowment corpus, to be held in perpetuity.

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Investments consist of the following:

December 31,		**2022**		2021
Money market funds	$	**403,243**	$	2,000,588
Certificates of deposit		**248,480**		749,715
U.S. Treasury notes		**5,415,790**		-
Equity mutual funds:				
U.S. large cap blend		**5,045,631**		5,864,912
Foreign large cap blend		**3,619,759**		3,382,932
Fixed income mutual funds:				
Intermediate-term bond funds		**3,732,829**		3,631,623
	$	**18,465,732**	$	15,629,770

Unrealized gains and losses are included in the change in net assets in the consolidated statements of activities. Investment income consists of the following:

Year ending December 31,		**2022**		2021
Interest and dividends	$	**330,527**	$	260,349
Unrealized gains (losses)		**(2,557,987)**		1,130,659
Realized gains (losses)		**(2,448)**		31,992
Investment fees		**(31,360)**		(29,417)
	$	**(2,261,268)**	$	1,393,583

Accounts and Insurance Receivable

Receivables consist of program service fees earned but not received and insurance receivables that are due from insurance providers for therapeutic services. Receivables are stated at the amount management expects to collect from outstanding balances. Management reviews receivables regularly for collectability. Accounts that are deemed uncollectible are written off against an allowance. The allowance is based on historical collection rates.

Grants Receivable

Grants receivable consist of grants and contracts administered by various local governments and school districts awarded or earned but not yet received. At December 31, 2022 and 2021, 43% and 47% of total grants receivable were due from King County, respectively.

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Property and Equipment

Property and equipment are stated at cost, if purchased, or at fair market value at the date of receipt, if donated. Kindering Center's policy is to capitalize assets with a cost or donated value greater than $3,000 and a useful life in excess of one year. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of the assets. Property and equipment consist of the following:

December 31,		**2022**		2021
Office equipment	**$**	**177,245**	$	234,912
Furniture and equipment		**172,375**		172,375
Program equipment		**56,826**		56,826
Building improvements		**6,273,629**		5,816,444
Property and Equipment		**6,680,075**		6,280,557
Accumulated depreciation and amortization		**(4,394,202)**		(4,171,545)
Construction in progress		**-**		122,222
Property and Equipment, Net	**$**	**2,285,873**	$	2,231,234

Depreciation expense was $283,997 and $243,018 for the years ended December 31, 2022 and 2021, respectively.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. The direct allocation method has been used whenever possible. Direct costs are allocated directly to the activities on which they are expended. Certain costs, including rent expense and depreciation expense, are allocated among the programs and supporting services benefited based upon the allocation of salaries expense. Wages, benefits, and payroll taxes are allocated to the function where work is being performed.

Leases (effective January 1, 2022)

Kindering Center determines if an arrangement is a lease at inception. Assets and obligations related to operating leases are included in operating lease right-of-use (ROU) assets; operating lease liabilities, current portion; and operating lease liabilities, net of current portion in the consolidated statements of financial position.

ROU assets represent Kindering Center's right to use an underlying asset for the lease term and lease liabilities represent Kindering Center's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. As Kindering Center's leases do not provide an implicit rate, the discount rate utilized is management's estimated incremental borrowing rate based on the information available at commencement date is used in determining the present value of the lease payments. Certain lease terms may include options to extend or terminate the lease, and these are included when it is reasonably certain that Kindering Center will exercise those options.

Kindering Center's agreements with lease and non-lease components are all accounted for as a single lease component. For leases with an initial term of 12 months or less, Kindering Center elected the exemption from recording ROU assets and lease liabilities for all leases that qualify, and records rent expense on a straight-line basis over the lease term.

Certain leases may include variable payments, which may vary based upon changes in facts or circumstances after the start of the lease. Kindering Center excludes variable payments from lease ROU assets and lease liabilities to the extent not considered fixed, and instead expenses as incurred. Current leases did not have variable lease costs for the year ended December 31, 2022.

Leases (through December 31, 2021)

Prior to January 1, 2022, for operating leases, rent expense was recognized on a straight-line basis over the term of the lease. Rent expense amounted to $489,147 for operating leases during the year ended December 31, 2021.

Net Assets with Donor Restrictions

Some net assets with donor restrictions are temporary in nature and consist of unexpended contributions restricted for particular programs or time periods. Other net assets have perpetual donor restrictions, where the principal of the contributions is restricted in perpetuity and the income from which is utilized for the purposes specified by the donors. Net assets with donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted programs or as time restrictions are met.

Net assets with donor restrictions are as follows:

December 31,	**2022**	2021
Purpose-Restricted		
CHERISH program	**$ 1,130,318**	$ 1,431,683
Renton campus expansion project	**241,321**	495,214
Best Starts for Kids - Child Care Health Consultation Project	**160,103**	242,243
Mimi Siegel Fellowship	**127,536**	121,099
General expansion	**10,013**	62,500
Families in Transition program	**23,719**	36,525
Other	**135,305**	94,174
Total Purpose-Restricted	**1,828,315**	2,483,438
Time-Restricted		
Contributed facilities (restricted for time)	**799,548**	810,566
Future periods	**218,985**	155,230
Total Time-Restricted	**1,018,533**	965,796
Endowment Funds (Note 8)		
Accumulated earnings (included with endowment but restricted until appropriated)	**836,254**	1,118,868
Corpus to be held in perpetuity	**2,195,371**	2,155,371
Total Endowment Funds	**3,031,625**	3,274,239
	$ 5,878,473	$ 6,723,473

Revenue Recognition

Kindering Center recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606 (Topic 606). The core principle of Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

- *Step 1* - Identify the contract with the customer.
- *Step 2* - Identify the performance obligations in the contract.
- *Step 3* - Determine the transaction price.
- *Step 4* - Allocate the transaction price to the performance obligations in the contract.
- *Step 5* - Recognize revenue when, or as, the entity satisfies a performance obligation.

Kindering Center only applies the five-step model to contracts with customers when it is probable that Kindering Center will collect the consideration it is entitled to in exchange for the goods and services transferred to the customer.

Program service fees revenue represents revenue earned under contracts in which Kindering Center bills and collects for physical, occupational, speech, and feeding therapies; preschool; sibling support; childcare resources; and other support services rendered to clients. These services are distinct as the patient can benefit from the individual services on their own, and they do not need to be bundled with any other goods or services. As the client accepts and receives the benefit of the services when they are performed, the performance obligation is satisfied at a point in time when the services are provided, and no contract assets or liabilities are recognized.

Program service fee revenue is recorded net of an allowance for contractual adjustments using the output method, which represents the net revenue expected to be collected from third-party payors (including commercial and governmental payors such as Medicare and Medicaid) and clients. These expected collections are based on fees and negotiated payment rates in the case of third-party payors, the specific benefits provided for under an individual client's healthcare plan, mandated payment rates in the case of Medicare and Medicaid programs, and historical cash collections (net of recoveries).

The transaction price from program service fee arrangements is variable in nature because fees are based on client encounters and reimbursement of provider costs, all of which can vary from period to period. Kindering Center generally estimates the transaction price using the most likely methodology and amounts are only included in the net transaction price to the extent that it is probable that a significant reversal of cumulative revenue will not occur once any uncertainty is resolved. As a practical expedient, Kindering Center adopted a portfolio approach based on the types of services provided and payor type to determine the transaction price for the services provided under program service fee arrangements.

Kindering Center periodically assesses the net transaction price by analyzing actual results, including cash collections, against estimates. Significant changes in payor mix, contractual arrangements with payors, general economic conditions, and health care coverage provided by federal or state governments or private insurers may have a significant impact on estimates and significantly affect the results of activities and cash flows.

Government fees and grants revenue is treated as conditional contributions, and revenue is recognized when amounts allowed to be billed for reimbursement according to the terms of the grant award have been expended. The outstanding balance of conditional grant revenue not recognized as of December 31, 2022 and 2021 was $622,467 and $544,716, respectively. Contributions are recognized as revenue when an unconditional promise to give is made.

Revenues and sponsorships related to fundraising events are recorded as special events revenue. Special events revenue is recognized when the event occurs. Any affiliated performance obligations granted to attendees are fulfilled at a point in time, and thus direct expenses are presented to reduce the transaction price associated with special events.

In-Kind Contributions

Contributions of facility use and professional services have been recorded in the accompanying consolidated financial statements based on the fair value at the time of contribution. The facility contribution is discussed further in Note 4. The following is a summary of in-kind contributions received:

Year ended December 31,		**2022**		2021
Donated facility	**$**	**48,682**	$	49,307
Supplies		**-**		73,814
Donated professional services		**-**		12,994
	$	**48,682**	$	136,115

Income Tax

Kindering Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Lions Roar Property Holdings, LLC is wholly owned by Kindering Center, so it is not considered a separate entity for tax purposes.

Adoption of ASC Topic 842, Leases

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASC Topic 842) and subsequent amendments to the initial guidance (collectively, ASC 842). ASC 842 requires lessees to generally recognize on the statement of financial position operating and finance lease liabilities and corresponding ROU assets for leases. Lessor accounting is largely unchanged under ASC 842. Entities are required to use a modified retrospective approach on adoption, with the option of applying the requirements of the standard either (1) retrospectively to each prior comparative reporting period presented or (2) retrospectively at the beginning of the period of adoption, through a cumulative-effect adjustment to net assets, if any. Kindering Center adopted the standard on January 1, 2022 using the modified retrospective approach at the beginning of the period of adoption. Consequently, periods before January 1, 2022 will continue to be reported in accordance with the prior accounting guidance in ASC 840. Kindering Center elected the package of practical expedients permitted under the transition guidance within the new standard, which, among other things, allows Kindering Center to carry forward the historical lease classification for leases that commenced before January 1, 2022.

The disclosure requirements of ASC 842 are included within Note 6. Adoption of the standard had no impact on the consolidated statements of activities or cash flows. Adoption of ASC 842 resulted in increases in assets and liabilities in Kindering Center's consolidated statements of financial position as follows:

	Balance, December 31, 2021	Transition Adjustment	Balance, January 1, 2022
Assets			
Operating lease right-of-use assets	$ -	$ 4,485,352	$ 4,485,352
Liabilities			
Operating lease liabilities, current portion	$ -	$ 375,031	$ 375,031
Operating lease liabilities, net of current portion	-	4,628,235	4,628,235
Deferred lease liability	198,045	(198,045)	-

New Accounting Pronouncements

During the year ended December 31, 2022, Kindering Center retrospectively adopted the provisions of FASB ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, issued by the FASB. The pronouncement was issued to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. ASU 2020-07 does not change the existing recognition and measurement requirements for contributed nonfinancial assets. The new standard requires that contributed nonfinancial assets are presented separately in the statement of activities. New disclosures are also required to disaggregate contributed nonfinancial assets by category type and other qualitative information about utilization, policies, and valuation techniques. Adoption of ASU 2020-07 did not have an impact on the consolidated financial statements of Kindering Center for the years ended December 31, 2022, or 2021.

New Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, which changes the impairment model for most financial assets and certain other instruments. For trade and other receivables; contract assets recognized as a result of applying ASC Topic 606, *Revenue from Contracts with Customers*; loans; and certain other instruments, entities will be required to use a new forward-looking "expected-loss" model that generally will result in an earlier recognition of credit losses than under today's incurred-loss model. The revised effective date is for annual periods beginning after December 15, 2022, and should be adopted using a modified retrospective approach, which applies a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective. A prospective approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date and loans and debt securities acquired with deteriorated credit quality. Early adoption is permitted. Management is currently evaluating the effect that adoption of this new standard will have on Kindering Center's consolidated financial statements.

Reclassification

Certain items from prior-year consolidated financial statements have been reclassified to conform to the current-year presentation. These reclassifications had no impact on net assets or changes in net assets previously reported.

Subsequent Events

Kindering Center has evaluated subsequent events through the date these consolidated financial statements were available to be issued, which was September 29, 2023.

2. Liquidity and Availability of Resources

Kindering Center strives to maintain liquid financial assets sufficient to cover 60 days of general expenditures. Liquid financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds, and other short-term investments, and are classified as long-term investments on the consolidated statements of financial position as Kindering Center intends to hold the investments for more than a year. Other financial assets are held in equity and fixed-income investments and are classified as long-term investments on the consolidated statements of financial position.

The following table reflects Kindering Center's financial assets as of December 31, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the consolidated statement of financial position date because of contractual restrictions or internal board designations. Long-term investments are available for general expenditure if such need arose.

Amounts not available include a board-designated special-projects fund that is intended to fund special board initiatives not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also include net assets with donor restrictions that are restricted in perpetuity, or with purpose restrictions that are not associated with day-to-day operations and/or programs operated by Kindering Center.

Year ended December 31,	**2022**	2021
Cash	**$ 3,891,127**	$ 10,154,527
Investments	**18,465,732**	15,629,770
Accounts and insurance receivable, net	**580,623**	546,807
Grants receivable	**1,429,358**	1,369,905
Current portion of contributions receivable, net	**680,549**	705,290
	25,047,389	28,406,299
Net assets with donor restrictions, not for day-to-day operations	**(5,878,473)**	(6,723,473)
Board-designated funds	**(300,000)**	(300,000)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	**$ 18,868,916**	$ 21,382,826

3. Contributions Receivable

Contributions receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at fair value, which is measured as the present value of the future cash flows. The discount on those amounts is computed using a risk-adjusted interest rate, which is applicable to the year in which the promise was received.

Contributions receivable are summarized as follows:

December 31,		**2022**		2021
Amounts Due In				
Less than one year	**$**	**757,177**	$	791,108
One to five years		**230,925**		752,865
Total Gross Contributions Receivable		**988,102**		1,543,973
Less: unamortized discount (0.25%-5.0%)		**(710)**		(6,707)
Allowance for uncollectible contributions		**(99,010)**		(154,397)
	$	**888,382**	$	1,382,869

These amounts are included in the consolidated statements of financial position as follows:

December 31,		**2022**		2021
Contributions receivable – current portion	**$**	**680,549**	$	705,290
Contributions receivable – long-term portion		**207,833**		677,579
	$	**888,382**	$	1,382,869

4. Facility Contribution Receivable

Kindering Center occupies a building that is owned by the City of Bellevue, Washington. Kindering Center receives the use of its facilities under a lease as a contribution from the City of Bellevue. Under the terms of the lease, Kindering Center will lease the land and building from the city for a period of up to 50 years (through 2050 at Kindering Center's option) at a rate of $1 per year. The value of the contribution through the term of the agreement has been recorded at the estimated fair value, which is measured as the present value of Kindering Center's cash savings. The discount on those amounts is computed using a risk-adjusted interest rate of 6%, which is applicable to the year in which the lease was executed.

These amounts are included in the consolidated statements of financial position as follows:

December 31,		**2022**		2021
Facility contribution - current	**$**	**59,700**	$	59,700
Facility contribution - long-term portion		**739,848**		750,866
	$	**799,548**	$	810,566

The total facility contribution receivable, discounted to present value, is due to be received as follows:

December 31,	2022	2021
Amounts Due In		
Less than one year	$ **59,700**	$ 59,700
One to five years	**238,500**	238,500
Thereafter	**1,373,100**	1,433,100
	1,671,300	1,731,300
Less: present value discount (6%)	**(871,752)**	(920,734)
	$ **799,548**	$ 810,566

5. Unemployment Compensation Trust

Kindering Center participates in an unemployment compensation trust covering all employees as provided in the Northwest Employment Security Act of the State of Washington. Payments made to the trust are used to reimburse the State of Washington for unemployment benefits paid to employees who have terminated their employment with Kindering Center. The goal of the program is that payments to the trust are less than what would be paid to the State of Washington for unemployment insurance.

6. Leases

Kindering Center has operating leases for classrooms and office space. Operating leases expire at various dates through February 2028 with options to renew for varying terms at Kindering Center and the respective landlord's discretion. Kindering has included specific options to extend or terminate the lease in the calculation of ROU assets or lease liabilities for leases for which Kindering Center is reasonably certain they will exercise these options. Operating leases are summarized as follows:

Northcreek Bothell Lease - The lease was amended for the period beginning February 2021 and expires in February 2028 with an option to extend likely to be exercised by management extending the lease through February 2033. The monthly lease payments range from $35,259 to $47,394 based on current agreed-upon rates. The Bothell lease agreement included tenant improvement allowances that were utilized by management of approximately $319,000, as well as an additional $91,889 spent by management.

Together Center Redmond - The lease commenced on January 1, 2019 and expired in July 2023. The lease will not be extended, as Kindering Center is expected to move into a newly built and renovated space in July 2023. The monthly lease payments are $4,926.

St. Matthews Renton - The lease commenced on December 2020, was amended on July 1, 2020, and expires July 2024 with an option to extend through June 2027 that management is reasonably certain to exercise. The monthly lease payments, through extension period, range from $5,740 to $6,654 based on current agreed-upon rates.

The weighted-average remaining lease term at December 31, 2022 is 9.71 years for operating leases. The weighted-average discount rate at December 31, 2022 is 3.34%.

The components of occupancy expense recorded in the consolidated statements of functional expenses include $586,011 in operating lease costs.

Cash paid for amounts included in the measurement of lease liabilities during the year ended December 31, 2022, includes $535,569 of operating cash flows related to operating leases.

Maturities of lease liabilities are as follows:

Year ending December 31,		
2023	$	540,746
2024		521,980
2025		538,218
2026		554,975
2027		529,309
Thereafter		2,771,011
Less: amount representing interest		828,004
Total Lease Liability		4,628,235
Less: current portion		393,752
Long-Term Portion	$	4,234,483

In October 2022, Kindering Center signed an operating lease agreement in relation to space located in Redmond, Washington for a 120 month term, commencing when Kindering is able to occupy the space for services. The monthly lease payments per lease agreement are $12,520. As of December 31, 2022, Kindering Center has not received control of the underlying asset from the landlord. Subsequent to year end, Kindering Center took possession of the premises to construct leasehold improvements. There is no ROU asset and lease liability as of December 31, 2022.

7. Retirement Plan

Kindering Center has a 403(b) retirement plan for the exclusive benefit of its employees. Under the plan, Kindering Center will match up to 4% of the compensation of eligible employees who have made salary reduction contributions to the plan. Participants may elect to make additional contributions in excess of 4% within the limitations set forth in the plan. Kindering Center's expense for the years ended December 31, 2022 and 2021, was $347,658 and $304,818, respectively.

8. Endowment

Kindering Center's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors of Kindering Center (quasi-endowments). Donor-restricted endowment funds consist of funds established for the maintenance and operations of Kindering Center. As required by GAAP, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Income is allocated to the donor-restricted endowment fund based on the pro rata balance of total investments held.

Interpretation of Relevant Law

The Board has interpreted the State of Washington 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 absent explicit donor stipulations to the contrary. As a result of this interpretation, Kindering Center classifies as endowment net assets (a) the original value of gifts donated to the permanent endowment, plus (b) the original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, Kindering Center considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the endowment fund.
- The purposes of Kindering Center and the donor-restricted endowment fund.
- General economic conditions.
- The possible effects of inflation or deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of Kindering Center.
- The investment policies of Kindering Center.

Endowment net assets with donor restrictions included in total investments consist of the following:

December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds to be held in perpetuity	$ -	$ 2,195,371	$ 2,195,371
Accumulated earnings	-	836,254	836,254
Board-designated funds	300,000	-	300,000
Unrestricted reserve funds	15,134,107	-	15,134,107
Total Investments	$ 15,434,107	$ 3,031,625	$ 18,465,732

December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds to be held in perpetuity	$ -	$ 2,155,371	$ 2,155,371
Accumulated earnings	-	1,118,868	1,118,868
Board-designated funds	300,000	-	300,000
Unrestricted reserve funds	12,055,531	-	12,055,531
Total Investments	$ 12,355,531	$ 3,274,239	$ 15,629,770

Changes in endowment net assets with donor restrictions included in total investments are as follows:

December 31, 2022

		Without Donor Restrictions		With Donor Restrictions		Total
Total Investments, beginning of year	$	12,355,531	$	3,274,239	$	15,629,770
Investment return:						
Interest and dividends, net of fees		264,289		34,878		299,167
Realized and unrealized losses		(2,242,943)		(317,492)		(2,560,435)
Total Investment Return		(1,978,654)		(282,614)		(2,261,268)
Contributions		-		40,000		40,000
Transfers into the endowment		5,057,230		-		5,057,230
Total Investments, end of year	$	15,434,107	$	3,031,625	$	18,465,732

December 31, 2021

		Without Donor Restrictions		With Donor Restrictions		Total
Total Investments, beginning of year	$	11,075,295	$	3,076,387	$	14,151,682
Investment return:						
Interest and dividends, net of fees		197,253		32,655		229,908
Realized and unrealized gains		997,454		165,197		1,162,651
Total Investment Return		1,194,707		197,852		1,392,559
Transfers into the endowment		85,529		-		85,529
Total Investments, end of year	$	12,355,531	$	3,274,239	$	15,629,770

Return Objectives and Risk Parameters

Kindering Center’s return objectives of the donor-restricted endowment assets held in perpetuity reflect the tradeoff between the risk and expected return considered the most appropriate for the total endowment assets as differentiated from the individual objectives of any one fund. The overall portfolio objectives are sufficient growth of capital, income, and protection of principal to maintain or improve the purchasing power of the endowment assets over time while allowing distributions to fund desired gifting programs in accordance with the desires of contributors to the endowment. In addition to preserving and enhancing the value of the endowment, the endowment assets are administered and managed in such a manner as to be responsible to the needs of the donors and to maintain the highest standards of professionalism and responsibility.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Kindering Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Kindering Center targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

Kindering Center has a policy of appropriating endowment funds for distribution each year of up to 4% of its endowment fund value based on the trailing three-year average of the portfolio as of September 30th. Unrestricted funds are appropriated as needed to help fund current operations. In establishing this policy, Kindering Center considered the long-term expected return on its endowment. This is consistent with Kindering Center's objective to maintain the purchasing power of the endowment assets held in perpetuity for a specified term as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies

From time to time, the fair value of assets associated with the donor-restricted portion of the endowment funds may fall below the level that the donors or UPMIFA requires the endowment to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of December 31, 2022 or 2021.

9. Paycheck Protection Program Loan Forgiveness

In April 2020, Kindering Center applied for and received a Paycheck Protection Program (PPP) loan totaling $2,366,192. The PPP loan incurred interest at 1% and was unsecured. The principal and interest were forgivable if the proceeds were spent on certain qualifying costs during the 24-week period following the date the note was issued. Qualified costs were considered as at least 60% of the loan amount on payroll costs, and up to 40% on non-payroll costs, including rent and utilities. Interest payments were deferred for the first ten months of the period following the 24-week period. The full balance of the PPP loan and related interest was forgiven by the Small Business Administration (SBA) on June 11, 2021. This is recognized as income from non-operating activities on the 2021 consolidated statement of activities.

The application for these funds requires Kindering Center to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of Kindering Center. This certification further requires Kindering Center to take into account its current business activity and the ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on Kindering Center having initially qualified for the loan and qualifying for the forgiveness of such loan based on future adherence to the forgiveness criteria.

The SBA has stated that all PPP loans in excess of $2,000,000, and other PPP loans as appropriate, will be subject to review by the SBA for compliance with program requirements. If the SBA determines in the course of its review that a borrower lacked an adequate basis for the required certification concerning the necessity of the loan request or the subsequent use of loan proceeds, the SBA will seek repayment of the PPP loan, including interest and potential penalties. While Kindering Center believes the loan was properly obtained and forgiven, there can be no assurance regarding the outcome of an SBA review. Kindering Center has not accrued any liability associated with the risk of an adverse SBA review.