



CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Financial Statements

June 30, 2020

(With Independent Auditors' Report Thereon)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

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**Morgan • Jacoby • Thurn • Boyle
& Associates, P.A.**
Certified Public Accountants

Independent Auditors' Report

The Board of Directors
Childcare Resources of Indian River, Inc.:

We have audited the accompanying financial statements of the Childcare Resources of Indian River, Inc., which comprise the statement of financial position as of June 30, 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 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 the Childcare Resources of Indian River, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)



Report on Summarized Comparative Information

The prior year summarized comparative information presented herein has been derived from the Organization's June 30, 2019 financial statements and, in our report dated October 16, 2019, we expressed an unqualified opinion on those financial statements.

MORGAN, JACOBY, THURN, BOYLE & ASSOCIATES, P.A.

November 12, 2020

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Statement of Financial Position

June 30, 2020

(with summarized information as of June 30, 2019)

	<u>Assets</u>	<u>2020</u>	<u>2019</u>
Current assets:			
Cash and cash equivalents		\$ 951,874	500,060
Grants receivable (note 10)		187,774	528,417
Accounts receivable		160,029	124,928
Prepaid expenses		<u>9,126</u>	<u>13,274</u>
Total current assets		1,308,803	1,166,679
Endowment investments (note 5)		536,006	535,278
Assets held for capital projects (note 6)		22,612	429,072
Property and equipment, net (note 7)		1,432,340	1,065,454
Other assets		<u>13,319</u>	<u>7,599</u>
Total assets		\$ <u>3,313,080</u>	<u>3,204,082</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Notes payable to bank (note 8)		236,700	—
Accounts payable and accrued expenses		72,922	66,831
Prepaid tuition fees and deposits		15,537	15,025
Deferred revenues		<u>2,000</u>	<u>4,000</u>
Total current liabilities		327,159	85,856
Commitments (note 11)			
Net assets:			
Without donor restrictions		2,010,278	1,518,876
With donor restrictions (note 10)		<u>975,643</u>	<u>1,599,350</u>
Total net assets		2,985,921	3,118,226
Total liabilities and net assets		\$ <u>3,313,080</u>	<u>3,204,082</u>

See accompanying notes to financial statements.

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Statement of Activities

Year ended June 30, 2020
(with summarized information for the year ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	All Funds <u>2020</u>	Combined <u>2019</u>
Revenues and other support:				
Contributions	\$ 856,324	101,225	957,549	534,403
Grants (notes 9 and 10)	421,954	211,774	633,728	1,690,555
Endowment	—	—	—	10,000
Capital campaign	—	188	188	7,510
Program fees	288,454	—	288,454	340,948
Special events, net of direct costs of \$51,382 and \$31,968, respectively	147,792	—	147,792	145,179
Lease revenue	12,000	—	12,000	12,000
Investment income	<u>11,557</u>	<u>18,564</u>	<u>30,121</u>	<u>25,969</u>
	<u>1,738,081</u>	<u>331,751</u>	<u>2,069,832</u>	<u>2,766,564</u>
Net assets released from donor restrictions (note 10)	<u>955,458</u>	<u>(955,458)</u>	<u>—</u>	<u>—</u>
Total revenues and other support	<u>2,693,539</u>	<u>(623,707)</u>	<u>2,069,832</u>	<u>2,766,564</u>
Expenses and losses:				
Program services:				
Child care	289,431	—	289,431	374,792
Education Center	1,484,253	—	1,484,253	1,142,052
Family support	46,447	—	46,447	49,626
Outreach	<u>99,412</u>	<u>—</u>	<u>99,412</u>	<u>116,795</u>
Total program services	<u>1,919,543</u>	<u>—</u>	<u>1,919,543</u>	<u>1,683,265</u>
Supporting services:				
Management and general	153,051	—	153,051	138,700
Fund raising	<u>129,457</u>	<u>—</u>	<u>129,457</u>	<u>168,400</u>
Total supporting services	<u>282,508</u>	<u>—</u>	<u>282,508</u>	<u>307,100</u>
Total expenses	<u>2,202,051</u>	<u>—</u>	<u>2,202,051</u>	<u>1,990,365</u>
Loss on disposal of fixed assets	<u>86</u>	<u>—</u>	<u>86</u>	<u>4,219</u>
Total expenses and losses	<u>2,202,137</u>	<u>—</u>	<u>2,202,137</u>	<u>1,994,584</u>
Change in net assets	491,402	(623,707)	(132,305)	771,980
Net assets at beginning of year	<u>1,518,876</u>	<u>1,599,350</u>	<u>3,118,226</u>	<u>2,346,246</u>
Net assets at end of year	\$ <u>2,010,278</u>	<u>975,643</u>	<u>2,985,921</u>	<u>3,118,226</u>

See accompanying notes to financial statements.

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Statement of Functional Expenses

Year ended June 30, 2020
(with summarized information for the year ended June 30, 2019)

	Program Services				
	Childcare	Education Center	Family Support	Outreach	Total
Salaries	\$ 41,530	890,575	30,617	27,535	990,257
Employee benefits	856	3,778	554	410	5,598
Payroll taxes	3,008	64,503	2,218	1,994	71,723
Health insurance	3,369	97,234	2,807	2,526	105,936
Total employee expenses	48,763	1,056,090	36,196	32,465	1,173,514
Advertising and marketing	—	—	—	—	—
Center costs	229,872	—	—	—	229,872
Dues and subscriptions	106	2,283	78	71	2,538
Fees	—	—	—	—	—
Insurance	442	22,075	439	99	23,055
Meeting support and supplies	5,768	—	—	—	5,768
Education Center supplies	—	78,238	—	—	78,238
Other	—	9,969	25	—	9,994
Postage	—	—	—	—	—
Printing and publications	—	2,563	169	196	2,928
Professional development	—	1,744	—	66,543	68,287
Professional fees	—	—	—	—	—
Psychological support	—	—	4,640	—	4,640
Rent	2,486	160,370	2,792	—	165,648
Repairs and maintenance	258	38,747	290	—	39,295
Supplies	—	—	—	—	—
Telephone	16	9,899	17	—	9,932
Travel	57	1,207	41	38	1,343
Utilities	209	13,499	235	—	13,943
Volunteer recognition	97	—	—	—	97
	288,074	1,396,684	44,922	99,412	1,829,092
Depreciation	1,357	87,569	1,525	—	90,451
Total expenses	\$ 289,431	1,484,253	46,447	99,412	1,919,543

See accompanying notes to financial statements.

Supporting Services			Totals	
	Management and General	Fund Raising	Total	
				2020
				2019
\$	52,419	95,525	147,944	1,138,201
	791	1,556	2,347	7,945
	3,797	6,918	10,715	82,438
	4,210	5,614	9,824	115,760
	<u>61,217</u>	<u>109,613</u>	<u>170,830</u>	<u>1,344,344</u>
	457	652	1,109	1,109
	—	—	—	229,872
	134	245	379	2,917
	6,611	—	6,611	6,611
	4,747	868	5,615	28,670
	—	—	—	5,768
	—	—	—	78,238
	—	—	—	9,994
	1,120	1,120	2,240	2,240
	3,044	9,047	12,091	15,019
	—	—	—	68,287
	33,058	—	33,058	33,058
	—	—	—	4,640
	21,131	4,456	25,587	191,235
	2,192	463	2,655	41,950
	5,817	—	5,817	5,817
	134	28	162	10,094
	71	129	200	1,543
	1,779	375	2,154	16,097
	—	28	28	125
	<u>141,512</u>	<u>127,024</u>	<u>268,536</u>	<u>2,097,628</u>
	<u>11,539</u>	<u>2,433</u>	<u>13,972</u>	<u>104,423</u>
\$	<u>153,051</u>	<u>129,457</u>	<u>282,508</u>	<u>1,990,365</u>

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Statement of Cash Flows

Year ended June 30, 2020

(with summarized information for the year ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (132,305)	771,980
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Contributions restricted to capital projects	(24,188)	(419,607)
Contributions restricted for endowment	—	(10,000)
Endowment earnings	(18,564)	(25,347)
Depreciation expense	104,423	96,992
Loss on disposal of fixed asset	86	4,219
(Increase) decrease in:		
Grants receivable	340,643	(470,499)
Accounts receivable	(35,101)	(46,256)
Prepaid expenses	4,148	(5,720)
Other assets	(5,720)	—
Increase (decrease) in:		
Accounts payable and accrued expenses	6,091	(7,427)
Prepaid tuition fees	(1,488)	4,648
Net cash provided (used) by operating activities	<u>238,025</u>	<u>(107,017)</u>
Cash flows from investing activities:		
Cash received from endowment	17,836	11,570
Cash invested in endowment	—	(10,000)
Decrease in cash held for capital projects	430,648	1,269
Increase in cash held for capital projects	(415,400)	(24,460)
Proceeds on sale of property and equipment	—	1,091
Purchase of property and equipment	(471,395)	(32,007)
Net cash used by investing activities	<u>(438,311)</u>	<u>(52,537)</u>
Cash flows financing activities:		
Proceeds from note payable to bank	236,700	—
Contributions received and restricted for capital projects	415,400	79,362
Contributions restricted to endowment	—	10,000
Net cash provided by financing activities	<u>652,100</u>	<u>89,362</u>
Net increase (decrease) in cash and cash equivalents	451,814	(70,192)
Cash and cash equivalents at beginning of year	<u>500,060</u>	<u>570,252</u>
Cash and cash equivalents at end of year	\$ <u>951,874</u>	<u>500,060</u>

Noncash investing and financing activities - During 2019, the Organization received a grant award of \$385,437 for capital projects, which was included in assets held for capital projects.

See accompanying notes to financial statements.

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

June 30, 2020

(1) *Organization*

Childcare Resources of Indian River, Inc. is a not-for-profit organization formed in July 1994. The Organization receives grants and contributions from governmental entities, charitable foundations, organizations, and individuals in Indian River County, Florida. The Organization assists working families with pre-school aged children by contracting with local child care centers to provide quality child care in addition to its Education Center, which provides quality child care services and opened in 2010. The Organization also provides other family support services.

(2) *Summary of Significant Accounting Policies*

(a) *Basis of Presentation*

The Organization presents its financial statements in accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. Topic 958 addresses the complexity and understandability of net asset 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.

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting into funds established according to their nature and purpose and in accordance with activities or objectives specified by donors. Fund balances and transactions have been classified into two classes of net assets – without donor restrictions or with donor restrictions as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

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

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

(b) *Basis of Accounting*

Basis of accounting is used to describe when revenues and expenses are recognized in the accounts and reported in the financial statements.

The Organization prepares its financial statements on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Assets and related revenue are recorded when earned and related liabilities and expenses are recognized as incurred.

(c) *Revenue Recognition*

All contributions/donations are considered available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, donor-restricted contributions whose restrictions are met in the same fiscal year may be reported as support without donor restrictions.

(d) *Cash Equivalents*

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

(e) *Investments*

Investments are reported at fair market value. Contributed investments are recorded at fair value on the date of the donation. Investment interest, dividends, gains and losses on sales of securities and unrealized gains are reflected in the statement of activities as unrestricted revenue except for the interest and dividends that are restricted by donor for use toward a particular purpose. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See note 2(f) for a discussion of fair value measurements.

(f) *Fair Value Measurements*

Financial Accounting Standards Board Topic 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- Cash and cash equivalents – the carrying amounts, at face value or cost plus accrued interest, approximate fair value because of the short maturity and/or the market rates earned on these instruments. At June 30, 2020 and 2019, the Organization's cash and cash equivalents were held in demand and money market accounts that were Level 1 fair value assets.
- Endowment investments – endowment investments, consisting of pooled funds with the Indian River Community Foundation, are valued using fair value information on the pooled funds' underlying investments, which are Level 3 investments.

(g) *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 recorded at present value of their estimated future cash flows. The discount on these amounts is computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included in support until the conditions are substantially met.

The Organization uses the direct charge off method to account for uncollectible promises to give. The method does not result in a material difference from the allowance method.

(h) *Accounts Receivable*

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through the direct charge-off method based on its assessment of the current status of individual accounts. The direct charge-off method does not result in a material difference from the allowance method.

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

(i) *Property and Equipment*

The Organization capitalizes expenditures for equipment and property improvements at cost. The fair value of donated fixed assets is similarly capitalized. Depreciation is provided over the estimated useful lives of the assets, which range from 3 to 39 years, using the straight line method.

(j) *Income Taxes*

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation.

The Organization's income tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are 2017 to 2020.

(k) *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 and expenses during the reporting period. Actual results could differ from those estimates.

(l) *Functional Allocation of Expenses*

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification.

(m) *Contributed Materials, Services and Facilities*

Contributed materials and services are reflected in the financial statements at the fair value of the property contributed or services received. The Organization has adopted a policy of not implying a time restriction on gifts of long-lived assets and, therefore, records donated assets as increases in unrestricted net assets. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

(n) *Prior Period Information*

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

(3) *Risks and Uncertainties*

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, has effectively curtailed in-person work activities and operations for most businesses and industries. The extent of the ultimate impact of the pandemic on the Organization's operational and financial performance cannot be reasonably predicted at this time. While management reasonably expects the COVID-19 outbreak to minimally impact the Organization's financial position, the related financial consequences and duration are uncertain.

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash deposits in excess of insured limits. Cash balances maintained in financial institutions may at times be in excess of the FDIC limit. The Organization has not experienced any losses on such amounts and does not believe it is exposed to any significant risk with respect to such balances.

(4) *Liquidity and Availability of Resources*

The following represents the Organization's financial assets as of June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 951,874	500,060
Grants receivable	187,774	528,417
Accounts receivable	160,029	124,928
Endowment spending-rate distributions	<u>21,100</u>	<u>17,729</u>
Total financial assets	<u>1,320,777</u>	<u>1,171,134</u>
Less amounts not available to be used for general expenditures	<u>—</u>	<u>—</u>
Financial assets available to meet general expenditures during the next twelve months	\$ <u>1,320,777</u>	<u>1,171,134</u>

Financial assets are available for general expenditures within one year of the balance sheet date, other than noted above. Grants receivable subject to time restrictions are considered available as they will be collected within one year.

The Organization's endowment fund policy provides for annual distributions from endowment funds to fund general operations equal to 4% of the fund's average market value over the preceding 12 quarters.

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

(5) *Endowment Investments*

The Organization has engaged the Indian River Community Foundation (the Community Foundation) to accept charitable contributions on their behalf and invest those funds for a nominal administration fee. The Community Foundation maintains the investments as agent for the Organization and, accordingly, the endowment investments have been presented in the accompanying financial statements.

The Organization has adopted Florida's Uniform Prudent Management of Institutional Funds Act (UPMIFA). Accordingly, the Organization classifies amounts in its donor-restricted endowment as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. The net assets are also subjected to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions.

The Organization has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to the endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of the initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. Accordingly, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The terms of the endowment agreement, which document contributor wishes
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- Current investment policies

The endowment investment objective of the Organization is to provide for the Organization's long-term principal value of the investments and to support Organization programming as budgeted and directed by the Board of Directors on an annual basis. The investment goals for the funds of the endowment are: meet the payout requirements of the endowment, provide sufficient liquidity to meet distribution requirements, and earn a reasonable return on investment. Investment goals and performance are to be computed net of investment management fees.

The Organization's policy is to withhold distributions from the endowment investments until such time as the fund has been in existence for 12 consecutive quarters or has reached an average market value of \$250,000 for two consecutive quarters, whichever is first. The Organization has established an amount available for distribution equal to 4% of the fund's average market value over the preceding 12 quarters.

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

The following tables presents the Organization's investments that are measured at fair value on a recurring basis at June 30, 2020 and 2019.

		June 30, 2020			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short term fixed income pool	\$	—	—	110,915	110,915
Intermediate fixed income pool		—	—	74,294	74,294
Domestic equity pool		—	—	231,728	231,728
International equity pool		—	—	93,186	93,186
Cash equivalents pool		<u>—</u>	<u>—</u>	<u>25,883</u>	<u>25,883</u>
Total investments	\$	<u>—</u>	<u>—</u>	<u>536,006</u>	<u>536,006</u>

		June 30, 2019			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short term fixed income pool	\$	—	—	141,274	141,274
Intermediate fixed income pool		—	—	94,911	94,911
Domestic equity pool		—	—	160,913	160,913
International equity pool		—	—	60,532	60,532
Cash equivalents pool		<u>—</u>	<u>—</u>	<u>77,648</u>	<u>77,648</u>
Total investments	\$	<u>—</u>	<u>—</u>	<u>535,278</u>	<u>535,278</u>

The following table summarizes activity in the endowment fund's Level 3 pooled funds during the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Balance as of beginning of year	\$ 535,278	511,501
Contributions received	—	10,000
Investment earnings during the year	18,564	25,347
Distributions to operations	<u>(17,836)</u>	<u>(11,570)</u>
Total investments as of end of year	\$ <u>536,006</u>	<u>535,278</u>

Conditional Pledges

As of June 30, 2020, the Organization has received conditional bequests and pledges for the endowment fund totaling \$340,000.

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

(6) *Assets Held for Capital Projects*

Assets held for capital projects consisted of the following as of June 30, 2020 and 2019:

		<u>2020</u>	<u>2019</u>
Cash	\$	9,212	24,460
Pledges receivable, net		13,400	19,175
Grants receivable – note 10		<u>—</u>	<u>385,437</u>
Total assets held for capital projects	\$	<u>22,612</u>	<u>429,072</u>

Unconditional promises to give associated with the Organization's capital campaign as of June 30, 2020 and 2019 consisted of the following:

		<u>2020</u>	<u>2019</u>
Gross amounts due in:			
Less than one year	\$	13,545	11,162
One to five years		<u>—</u>	<u>8,345</u>
Total gross promises to give		13,545	19,507
Less unamortized discounts		<u>(145)</u>	<u>(332)</u>
Net promises to give – capital campaign	\$	<u>13,400</u>	<u>19,175</u>

Pledges receivable due within one year are recognized at net realizable value. Pledges receivable due longer than one year are discounted to the present value of estimated future cash flows using a risk-free rate of return (ranging from 1.01% to 1.89%). The Organization anticipates collection on all accounts and pledges receivable; therefore, no allowance for doubtful accounts has been established.

(7) *Property and Equipment*

As of June 30, 2020 and 2019, property and equipment consisted of the following:

		<u>2020</u>	<u>2019</u>
Building and improvements	\$	30,496	30,496
Leasehold improvements		1,456,381	1,098,284
Furniture and equipment		<u>381,567</u>	<u>271,240</u>
		1,868,444	1,400,020
Less accumulated depreciation		<u>436,104</u>	<u>334,566</u>
	\$	<u>1,432,340</u>	<u>1,065,454</u>

Depreciation expense for the years ended June 30, 2020 and 2019 amounted to \$104,423 and \$96,992, respectively.

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CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

(8) Notes Payable to Bank

Line of Credit

On April 1, 2020, the Organization established a note payable to bank under a line of credit arrangement providing for total available borrowings of up to \$100,000 and interest at the prime rate (3.25% as of June 30, 2020) plus 1.98%. As of June 30, 2020, the balance outstanding was \$-0-.

Paycheck Protection Program (PPP) Loan

On April 25, 2020, in consideration of economic uncertainties related to the outbreak of COVID-19, the Organization obtained a PPP loan provided by the Small Business Administration totaling \$236,700. The promissory note bears interest at 1% and provides for monthly payments of \$13,150 plus interest beginning November 15, 2020 through April 15, 2022, unless forgiven in accordance with the provisions of the CARES Act. The Organization also obtained an Economic Disaster Injury Loan grant of \$10,000, which has been included in the accompanying statements of activities as grant revenues. Management anticipates the entire balance due, less \$10,000 equal to the EIDL advance (see note 9), will qualify for forgiveness under the current terms of the loan.

(9) Grants and Contracts Without Restrictions

Grants and contracts revenues without restrictions during the years ended June 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Indian River County Children in Centers	\$ 173,317	199,997
Indian River County Conscious Discipline	7,873	28,426
Indian River County Professional Development	61,344	24,300
Indian River County Psychological Service	2,860	7,520
Indian River County Hospital District Wellness Program	57,384	—
USDA – food services	57,566	71,689
United Way of Indian River County Children in Centers	(16,132)	200,000
U.S. SBA EIDL Advance	10,000	—
Impact 100 Credentialing Program for Early Educators	—	33,074
Other grants	<u>67,742</u>	<u>129,595</u>
Total	\$ <u>421,954</u>	<u>694,601</u>

Effective October 1, 2019, the Organization received notification of Indian River County awards of \$225,000 for subsidized high quality childcare, \$100,000 for professional development, and \$6,600 for the Psychological Service program for the year ending September 30, 2020. The Organization reflects these grant revenues as they are earned.

Effective October 1, 2018, the Organization received notification of Indian River County awards of \$200,000 for subsidized high quality childcare, \$31,006 for conscious discipline, \$24,300 for professional development, and \$6,600 for the Psychological Service program for the year ending September 30, 2019. The Organization reflects these grant revenues as they are earned.

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CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

Effective October 1, 2019, the Organization received notification of Indian River County Hospital District grant award of \$73,522 for a wellness and early intervention program for the year ending September 30, 2020. The Organization reflects these grant revenues as they are earned.

During June 2019, the Organization received a two-year notification of United Way of Indian River County award of \$193,581 for the Children in Centers program for each of the years ending June 30, 2020 and 2021, with the funding for the year ending June 30, 2021 conditional until June 2020. During June 2020 and as a result of COVID-19, the Organization received notification of reduction of \$16,132 in grant revenues for the year ending June 30, 2020 and a modified award of \$187,774 for the year ending June 30, 2021. The Organization reflected the grant awards as revenues when awarded – see note 8.

In April 2020, the Organization received a \$10,000 advance under the U.S. Small Business Administration Economic Injury Disaster Loan (EIDL) program. The advance is considered grant proceeds and has been included in revenues in the accompanying statement of activities. As a result of this advance, \$10,000 of the PPP loan (see note 8) cannot be forgiven.

During May 2017, the Organization received a two-year notification of United Way of Indian River County award of \$200,000 for the Children in Centers program for each of the years ending June 30, 2018 and 2019. These grants were reimbursable grants and therefore, the Organization reflected these grant revenues as they were earned.

During April, 2017, the Organization was awarded a \$100,000 grant from Indian River Impact 100 for its Credentialing Program for Early Educators for the two-year period ending May 31, 2019. The Organization reflects these grant revenues as they are earned.

(10) Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2020 and 2019 are available for the following specific purposes:

	<u>2020</u>	<u>2019</u>
Specific purpose:		
Capital projects	\$ 22,612	429,072
Teacher sponsorship	53,219	55,983
Therapy sessions	6,126	8,547
Family support – COVID-19	2,288	–
Summer tuition	53	53
Passage of time:		
2020/2021 operations – time restricted	355,339	570,417
Endowment:		
Original gift value to be held in perpetuity	497,110	497,110
Unappropriated endowment earnings	<u>38,896</u>	<u>38,168</u>
Total	\$ <u>975,643</u>	<u>1,599,350</u>

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CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

During May 2019, the Organization received a 5-year grant providing for a total of \$1,706,290, consisting of \$415,262 for capital expenditure improvements associated with expanding its early childhood education facility projects and \$1,291,028 for program operations, as subsequently modified. During 2019, the Organization received an award of \$720,273 for the first year under the grant, providing for \$415,262 of capital expenditure funding and \$305,011 for program operations, as subsequently modified. The grant provides for certain performance measures and therefore, the Organization is expected to receive the remaining balance with grant awards of \$236,860 in December 2020, \$241,402 in 2021, \$249,533 in 2022, and \$258,222 in 2023.

Revenues with donor restrictions received during the years ended June 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
2020/2021 operations	\$ 187,774	570,417
Capital projects	27,413	419,607
Teacher sponsorship	95,000	130,586
Family support – COVID-19	3,000	—
Wellness coordinator	—	25,000
Professional development	—	12,340
Conscious discipline tuition	—	3,000
Endowment contribution	—	10,000
Endowment earnings	<u>18,564</u>	<u>25,347</u>
Total	\$ <u>331,751</u>	<u>1,196,297</u>

Net assets released from donor restrictions by incurring expenses or by otherwise satisfying restrictions during the years ended June 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
2019/2020 operations	\$ 402,852	—
Capital projects	433,873	56,170
Teacher sponsorship	97,764	120,092
Wellness coordinator	—	50,000
Professional development	—	36,493
Summer tuition	—	5,287
Conscious discipline tuition	—	2,946
Therapy capital improvements and sessions	2,421	672
Family support – COVID-19	712	—
Endowment earnings utilized	<u>17,836</u>	<u>11,570</u>
Total	\$ <u>955,458</u>	<u>283,230</u>

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CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

(11) Leases

The Organization leases property for its child care facility and administrative offices over a 5 year period ending November 2, 2020. Annual base rentals amount to \$14,596 in each of the first three years and \$29,192 in each of years four and five, plus common area maintenance charges. The lease agreement provides for a security deposit of \$7,500, which was paid in September 2014, and two additional renewal options of 5 years each.

Effective September 1, 2019, the Organization entered into a lease to expand its early childhood education facility, that provides for base annual lease payments totaling \$5,000 for each of the two years ending August 31, 2021, \$5,150 for each of the five years ending August 31, 2026, and \$8,575 for each of the five years ending August 31, 2031, plus common area maintenance costs.

The Organization received a contribution of support whereby the above lease terms are considered less than the relative fair market value of the leases. Accordingly, the Organization reflected contribution revenue and rent expense of \$128,000 for the year ended June 30, 2020 in the accompanying statement of activities.

Future minimum lease payments under non-cancellable operating leases for the above facility lease and certain equipment leases as of June 30, 2020 are as follows:

2021	\$	17,669
2022		6,854
2023		5,150
2024		5,150
2025		<u>5,150</u>
	\$	<u>39,973</u>

Total rental expense amounted to \$67,382 and \$53,740, including common area maintenance charges of \$30,163 and \$25,141, for the years ended June 30, 2020 and 2019, respectively.

The Organization subleases a portion of its facilities under a year-to-year lease, with an automatic renewal in November of each year, for \$1,000 per month. During each of the years ended June 30, 2020 and 2019, the Organization received sublease revenue of \$12,000.

(12) Retirement Plan

The Organization maintains a Simplified Employee Pension Plan for its eligible employees. The plan is noncontributory and the Organization may make discretionary contributions to the plan for its employees. During the years ended June 30, 2020 and 2019, the Organization contributed \$7,944 and \$8,113, respectively, to the plan.

In addition, the Organization maintains a 403(b) Tax Deferred Annuity plan for eligible employees wherein employees may make deferral contributions to the plan. The Organization makes no contributions to this plan.

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CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

(13) *Subsequent Events*

In preparing these financial statements, management has evaluated subsequent events and transactions for potential disclosure through November 12, 2020, the date the financial statements were available to be issued.

Effective October 1, 2020, the Organization received notification of Indian River County awards of \$250,000 for subsidized high quality childcare, \$134,536 for community and family services for the year ending September 30, 2021.

Effective October 1, 2020, the Organization received notification of Indian River County Hospital District grant award of \$60,237 for a wellness and early intervention program for the year ending September 30, 2021.

During October 2020, the Organization exercised the option to extend their child care and administrative office lease for an additional five years through November 2, 2025, for \$30,000 per year plus common area maintenance charges. See note 11.