



CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Financial Statements

June 30, 2022

(With Independent Auditors' Report Thereon)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of Childcare Resources of Indian River, Inc., which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Childcare Resources of Indian River, Inc. as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit 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 Financial Statements section of our report. We are required to be independent of Childcare Resources of Indian River, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Childcare Resources of Indian River, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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.

(Continued)

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 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 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 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 Childcare Resources of Indian River, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Childcare Resources of Indian River, Inc.'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.

Report on Summarized Comparative Information

We have previously audited Childcare Resources of Indian River, Inc.'s June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 1, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

JACOBY AND HANBLEY, PLLC

September 20, 2022

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Statement of Financial Position

June 30, 2022

(with summarized information as of June 30, 2021)

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 1,708,377	1,065,920
Grants receivable (note 9)	223,750	225,000
Accounts receivable	257,327	293,141
Prepaid expenses	<u>12,250</u>	<u>10,297</u>
Total current assets	2,201,704	1,594,358
Endowment investments (note 5)	599,981	661,557
Assets held for capital projects (note 6)	7,373	13,905
Property and equipment, net (note 7)	1,256,658	1,359,646
Other assets	<u>12,782</u>	<u>12,782</u>
Total assets	\$ <u>4,078,498</u>	<u>3,642,248</u>
 <u>Liabilities and Net Assets</u> 		
Current liabilities:		
Notes payable to bank (note 8)	-	236,700
Accounts payable and accrued expenses	87,699	127,165
Prepaid tuition fees and deposits	20,795	19,419
Deferred revenues	<u>1,000</u>	<u>-</u>
Total current liabilities	109,494	383,284
Commitments (note 11)		
Net assets:		
Without donor restrictions	2,839,714	2,069,796
With donor restrictions (note 10)	<u>1,129,290</u>	<u>1,189,168</u>
Total net assets	<u>3,969,004</u>	<u>3,258,964</u>
Total liabilities and net assets	\$ <u>4,078,498</u>	<u>3,642,248</u>

See accompanying notes to financial statements.

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Statement of Activities

Year ended June 30, 2022
(with summarized information for the year ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	All Funds <u>2022</u>	Combined <u>2021</u>
Revenues and other support:				
Contributions	\$ 1,099,505	98,000	1,197,505	942,955
Grants (notes 9 and 10)	891,202	642,296	1,533,498	1,236,284
Other Federal assistance (note 8)	232,508	-	232,508	-
Endowment	-	74,500	74,500	1,000
Capital campaign	-	111	111	12
Program fees	381,527	-	381,527	320,702
Special events, net of direct costs of \$32,295 and \$6,501, respectively	216,059	-	216,059	145,912
Lease revenue	12,000	-	12,000	11,400
Investment income	666	(91,211)	(90,545)	125,177
	<u>2,883,467</u>	<u>723,696</u>	<u>3,557,163</u>	<u>2,783,442</u>
Net assets released from donor restrictions (note 10)	<u>783,574</u>	<u>(783,574)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>3,617,041</u>	<u>(59,878)</u>	<u>3,557,163</u>	<u>2,783,442</u>
Expenses and losses:				
Program services:				
Child care	353,880	-	353,880	325,617
Education Center	1,788,207	-	1,788,207	1,597,323
Family support	83,213	-	83,213	65,065
Outreach	136,824	-	136,824	126,914
Total program services	<u>2,362,124</u>	<u>-</u>	<u>2,362,124</u>	<u>2,114,919</u>
Supporting services:				
Management and general	189,989	-	189,989	170,658
Fund raising	295,010	-	295,010	224,653
Total supporting services	<u>484,999</u>	<u>-</u>	<u>484,999</u>	<u>395,311</u>
Total expenses	<u>2,847,123</u>	<u>-</u>	<u>2,847,123</u>	<u>2,510,230</u>
Loss on disposal of fixed assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>169</u>
Total expenses and losses	<u>2,847,123</u>	<u>-</u>	<u>2,847,123</u>	<u>2,510,399</u>
Change in net assets	769,918	(59,878)	710,040	273,043
Net assets at beginning of year	<u>2,069,796</u>	<u>1,189,168</u>	<u>3,258,964</u>	<u>2,985,921</u>
Net assets at end of year	\$ <u>2,839,714</u>	<u>1,129,290</u>	<u>3,969,004</u>	<u>3,258,964</u>

See accompanying notes to financial statements.

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Statement of Functional Expenses

Year ended June 30, 2022
(with summarized information for the year ended June 30, 2021)

	Program Services				Total
	<u>Childcare</u>	<u>Education Center</u>	<u>Family Support</u>	<u>Outreach</u>	
Salaries	\$ 64,068	1,052,061	53,483	56,762	1,226,374
Employee benefits	989	2,981	608	621	5,199
Payroll taxes	4,559	76,417	3,832	4,100	88,908
Health insurance	<u>2,684</u>	<u>101,245</u>	<u>2,233</u>	<u>1,937</u>	<u>108,099</u>
Total employee expenses	72,300	1,232,704	60,156	63,420	1,428,580
Advertising and marketing	2,667	255	-	-	2,922
Center costs	269,967	-	-	-	269,967
Contract services	-	677	-	-	677
Dues and subscriptions	177	2,964	149	159	3,449
Fees	-	-	-	-	-
Insurance	1,130	39,963	1,074	620	42,787
Interest	-	-	-	-	-
Meeting support and supplies	2,158	-	-	-	2,158
Education Center supplies	-	138,938	-	-	138,938
Other	-	7,043	58	-	7,101
Postage	-	-	-	-	-
Printing and publications	-	4,018	-	128	4,146
Professional development	-	6,146	-	72,012	78,158
Professional fees	-	-	-	-	-
Psychological support	-	-	8,240	-	8,240
Rent	2,560	165,156	2,876	-	170,592
Repairs and maintenance	226	46,508	254	-	46,988
Supplies	-	901	8,093	407	9,401
Telephone	39	15,385	44	-	15,468
Travel	86	1,449	73	78	1,686
Utilities	223	14,424	251	-	14,898
Volunteer recognition	<u>616</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>616</u>
	352,149	1,676,531	81,268	136,824	2,246,772
Depreciation	<u>1,731</u>	<u>111,676</u>	<u>1,945</u>	<u>-</u>	<u>115,352</u>
Total expenses	\$ <u>353,880</u>	<u>1,788,207</u>	<u>83,213</u>	<u>136,824</u>	<u>2,362,124</u>

See accompanying notes to financial statements.

	Supporting Services			Totals	
	Management and General	Fund Raising	Total	2022	2021
\$	90,469	202,150	292,619	1,518,993	1,290,100
	734	2,091	2,825	8,024	8,697
	6,419	14,119	20,538	109,446	92,723
	5,372	14,052	19,424	127,523	130,539
	<u>102,994</u>	<u>232,412</u>	<u>335,406</u>	<u>1,763,986</u>	<u>1,522,059</u>
	1,365	19	1,384	4,306	14,900
	—	—	—	269,967	255,168
	—	22,750	22,750	23,427	7,320
	249	548	797	4,246	6,152
	4,108	—	4,108	4,108	3,619
	7,201	2,924	10,125	52,912	47,819
	60	—	60	60	—
	—	—	—	2,158	622
	—	—	—	138,938	116,316
	854	12,892	13,746	20,847	4,449
	899	898	1,797	1,797	950
	3,008	10,440	13,448	17,594	17,698
	—	—	—	78,158	73,333
	20,112	—	20,112	20,112	17,473
	—	—	—	8,240	4,800
	21,762	4,589	26,351	196,943	194,696
	1,924	405	2,329	49,317	57,974
	8,385	88	8,473	17,874	8,832
	330	70	400	15,868	11,224
	122	268	390	2,076	335
	1,901	401	2,302	17,200	15,718
	—	3,203	3,203	3,819	387
	<u>175,274</u>	<u>291,907</u>	<u>467,181</u>	<u>2,713,953</u>	<u>2,381,844</u>
	<u>14,715</u>	<u>3,103</u>	<u>17,818</u>	<u>133,170</u>	<u>128,386</u>
\$	<u>189,989</u>	<u>295,010</u>	<u>484,999</u>	<u>2,847,123</u>	<u>2,510,230</u>

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Statement of Cash Flows

Year ended June 30, 2022

(with summarized information for the year ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 710,040	273,043
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted to capital projects	(111)	(27,874)
Contributions restricted for endowment	(74,500)	(1,000)
Endowment earnings	91,211	(124,551)
Depreciation expense	133,170	128,386
Loss on disposal of fixed asset	-	169
Gain on forgiveness of PPP loan	(232,508)	-
(Increase) decrease in:		
Grants receivable	1,250	(37,226)
Accounts receivable	35,814	(133,112)
Prepaid expenses	(1,953)	(1,170)
Other assets	-	536
Increase in:		
Accounts payable and accrued expenses	5,949	8,828
Prepaid tuition fees and deferred revenues	<u>2,376</u>	<u>1,882</u>
Net cash provided by operating activities	<u>670,738</u>	<u>87,911</u>
Cash flows from investing activities:		
Cash received from endowment	44,865	-
Cash invested in endowment	(74,500)	(1,000)
Purchase of property and equipment	<u>(75,597)</u>	<u>(10,446)</u>
Net cash used by investing activities	<u>(105,232)</u>	<u>(11,446)</u>
Cash flows financing activities:		
Repayment of note payable to bank	(4,192)	-
Contributions received and restricted for capital projects	10,920	28,512
Contributions restricted to endowment	<u>74,500</u>	<u>1,000</u>
Net cash provided by financing activities	<u>81,228</u>	<u>29,512</u>
Net increase in cash, cash equivalents and restricted cash	646,734	105,977
Cash, cash equivalents, and restricted cash at beginning of year	<u>1,067,063</u>	<u>961,086</u>
Cash, cash equivalents, and restricted cash at end of year	\$ <u>1,713,797</u>	<u>1,067,063</u>

Noncash investing and financing activities – During 2021, the Organization acquired certain equipment with accounts payable totaling \$45,415.

See accompanying notes to financial statements.

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

June 30, 2022

(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

Contributions and promises to give - All contributions/donations are considered available for unrestricted use unless specifically restricted by the donor. Contributions/donations are considered restricted if a donor imposes a restriction that may be satisfied by the passage of time or the actions of the Organization. A permanently restricted contribution/donation stipulates that the contribution/donation be maintained permanently but may allow the organization to use all or part of the income derived from the underlying asset for unrestricted purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue from contracts with customers - The Organization accounts for program fees (student tuition charges) as exchange transactions in the statements of activities and changes in net assets. Revenue from contracts with customers are treated as revenues without donor restrictions. Funds received in advance from customers for services that have not been performed have been recorded as contract liabilities and recorded as prepaid tuition fees and deposits in the statements of financial position.

Other revenues are obtained from rental income, investment and other income. These revenues are used to offset program, management and general, and fundraising expenses. Revenue from these sources are recognized when earned. Certain investment income has been classified as with donor restrictions based on donor stipulations.

The Organization presents revenues in the accompanying financial statements in accordance with Financial Accounting Standards Board (FASB) Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), which establishes a core principle 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 an entity expects to be entitled in exchange for those goods or services. The majority of the Organization's revenue is recognized at a point in time based on the transfer of control. Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less. In addition, the majority of the Organization's contracts do not contain variable consideration and contract modifications are generally minimal.

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

The Organization also presents revenues in accordance with the provisions of ASU Statement No. 2018-08, *Not-for-Profit Entities – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, which clarifies whether a transfer of assets is a non-exchange contribution or an exchange transaction.

The timing of revenue recognition, billings and cash collections results in contract liabilities which are shown as prepaid tuition fees and deposits on the statement of financial position. Contract liabilities as of June 30, 2022 and 2021 were \$20,796 and \$19,419, respectively, and are reflected as prepaid tuition fees and deposits and deferred revenue in the statement of financial position.

(d) Cash, Cash Equivalents, and Restricted Cash

For purposes of the statement of cash flows, cash, cash equivalents, and restricted cash include cash on hand, time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less. Temporary cash held in the Organization's endowment investment fund are classified as investments and not considered to be cash for purposes of the statement of cash flows.

The Organization presents restricted cash in accordance with FASB Statement ASU 2016-18, Statement of Cash Flows, which requires restricted cash to be included with cash and cash equivalents. Restricted cash consists of cash held for capital projects of \$5,420 and \$1,143 as of June 30, 2022 and 2021.

(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, 2022 and 2021, 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 2019 to 2022.

(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, 2021, from which the summarized information was derived.

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

(3) Risks and Uncertainties

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 available as resources as of June 30, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 1,531,153	777,215
Grants receivable	223,750	225,000
Accounts receivable	257,327	293,141
Endowment spending-rate distributions	<u>24,000</u>	<u>22,000</u>
Total financial assets	<u>2,036,230</u>	<u>1,317,356</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>2,036,230</u>	<u>1,317,356</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.

(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.

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to 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, 2022 and 2021.

		June 30, 2022			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short term fixed income pool	\$	—	—	131,881	131,881
Intermediate fixed income pool		—	—	87,282	87,282
Domestic equity pool		—	—	250,542	250,542
International equity pool		—	—	99,012	99,012
Cash equivalents pool		<u>—</u>	<u>—</u>	<u>31,264</u>	<u>31,264</u>
Total investments	\$	<u>—</u>	<u>—</u>	<u>599,981</u>	<u>599,981</u>

		June 30, 2021			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short term fixed income pool	\$	—	—	137,387	137,387
Intermediate fixed income pool		—	—	92,232	92,232
Domestic equity pool		—	—	288,901	288,901
International equity pool		—	—	110,827	110,827
Cash equivalents pool		<u>—</u>	<u>—</u>	<u>32,210</u>	<u>32,210</u>
Total investments	\$	<u>—</u>	<u>—</u>	<u>661,557</u>	<u>661,557</u>

The following table summarizes activity in the endowment fund's Level 3 pooled funds during the years ended June 30, 2022 and 2021:

		<u>2022</u>	<u>2021</u>
Balance as of beginning of year	\$	661,557	536,006
Contributions received		74,500	1,000
Investment earnings during the year		(91,211)	124,551
Distributions to operations		<u>(44,865)</u>	<u>—</u>
Total investments as of end of year	\$	<u>599,981</u>	<u>661,557</u>

Conditional Pledges

As of June 30, 2022, 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, 2022 and 2021:

		<u>2022</u>	<u>2021</u>
Cash	\$	5,420	1,143
Pledges receivable, net		<u>1,953</u>	<u>12,762</u>
Total assets held for capital projects	\$	<u>7,373</u>	<u>13,905</u>

Unconditional promises to give associated with the Organization's capital campaign as of June 30, 2022 and 2021 consisted of the following:

		<u>2022</u>	<u>2021</u>
Gross amounts due within one year	\$	1,975	12,895
Less unamortized discounts		<u>(22)</u>	<u>(133)</u>
Net promises to give – capital campaign	\$	<u>1,953</u>	<u>12,762</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, 2022 and 2021, property and equipment consisted of the following:

		<u>2022</u>	<u>2021</u>
Building and improvements	\$	32,996	30,496
Leasehold improvements		1,509,507	1,483,262
Furniture and equipment		<u>402,907</u>	<u>401,470</u>
		1,945,410	1,915,228
Less accumulated depreciation		<u>688,752</u>	<u>555,582</u>
	\$	<u>1,256,658</u>	<u>1,359,646</u>

Depreciation expense for the years ended June 30, 2022 and 2021 amounted to \$133,170 and \$128,386, respectively.

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

(8) Notes Payable to Bank

Line of Credit

The Organization maintains 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 (4.75% and 3.25% as of June 30, 2022 and 2021, respectively) plus 1.98%. As of June 30, 2022 and 2021, 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 provided 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.

Disposition of the PPP loan is subject to FASB's ASC Topic 470, whereby a loan may be extinguished either by payment to the creditor or by legal release from such payment as the debtor. On September 9, 2021, \$232,508 of the Organization's PPP loan balance of \$236,700, and related interest, was extinguished through forgiveness by the SBA. The remaining balance of \$4,192 was repaid to the bank.

(9) Grants and Contracts Without Restrictions

Grants and contracts revenues without restrictions during the years ended June 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Indian River County Children in Centers	\$ 252,238	290,428
Indian River County Community and Family Services	126,659	102,796
Indian River County Professional Development	-	20,200
Indian River County Psychological Service	-	1,920
Indian River County Hospital District Wellness Program	86,810	65,269
USDA – food services	90,689	78,890
Other grants	<u>334,806</u>	<u>167,058</u>
Total	\$ <u>891,202</u>	<u>726,561</u>

Effective October 1, 2021, the Organization received notification of Indian River County awards of \$250,000 for subsidized high quality childcare and \$134,536 for community and family services for the year ending September 30, 2022. The Organization reflects these grant revenues as they are earned.

Effective October 1, 2020, the Organization received notification of Indian River County awards of \$250,000 for subsidized high quality childcare and \$134,536 for community and family services, for the year ending September 30, 2021. The Organization reflects these grant revenues as they are earned.

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

Effective October 1, 2021, the Organization received notification of Indian River County Hospital District grant award of \$116,791 for a wellness and early intervention program for the year ending September 30, 2022. 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. The Organization reflects these grant revenues as they are earned.

During June 2022, the Organization received a notification of a United Way of Indian River County award of \$213,750 for the Children in Centers program and \$10,000 for the Wellness and Early Intervention program for the year ending June 30, 2023.

During June 2019, the Organization received a two-year notification of a 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.

(10) Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2022 and 2021 are available for the following specific purposes:

	<u>2022</u>	<u>2021</u>
Specific purpose:		
Capital projects	\$ 1,953	13,905
Teacher sponsorship	63,338	58,975
Case manager	38,337	46,660
Therapy sessions	5,420	5,506
Family support – COVID-19	2,673	5,159
Literacy	8,947	–
Passage of time:		
Future operations – time restricted	408,641	397,406
Endowment:		
Original gift value to be held in perpetuity	572,610	498,110
Unappropriated endowment earnings	<u>27,371</u>	<u>163,447</u>
Total	\$ <u>1,129,290</u>	<u>1,189,168</u>

(Continued)

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. During 2021 and 2020, the Organization received awards of \$241,402 and \$236,860, respectively, for the third and second years under the grant, providing for program operations. The grant provides for certain performance measures and therefore, the Organization is expected to receive the remaining balance with grant awards of \$249,533 in 2023 and \$258,222 in 2024.

Revenues with donor restrictions received during the years ended June 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Future operations	\$ 622,296	503,861
Capital projects	111	27,874
Teacher sponsorship	70,000	70,000
Case manager	38,000	49,000
Literacy Fund	10,000	14,720
Endowment contribution	74,500	1,000
Endowment earnings	<u>(91,211)</u>	<u>124,551</u>
Total	\$ <u>723,696</u>	<u>791,006</u>

Net assets released from donor restrictions by incurring expenses or by otherwise satisfying restrictions during the years ended June 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Future operations	\$ 611,061	461,794
Capital projects	12,063	36,581
Teacher sponsorship	65,637	64,244
Case manager	46,323	2,340
Literacy Fund	1,053	53
Therapy capital improvements and sessions	86	620
Family support – COVID-19	2,486	11,849
Endowment earnings utilized	<u>44,865</u>	<u>—</u>
Total	\$ <u>783,574</u>	<u>577,481</u>

(Continued)

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.

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.

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 years ended June 30, 2022 and 2021 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, 2022 are as follows:

2023	\$	36,890
2024		36,890
2025		36,890
2026		16,020
2027		8,004
Thereafter		<u>35,729</u>
	\$	<u>170,423</u>

Total rental expense amounted to \$68,943 and \$67,641, including common area maintenance charges of \$33,943 and \$32,070, for the years ended June 30, 2022 and 2021, 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 the years ended June 30, 2022 and 2021, the Organization received sublease revenue of \$12,000 and \$11,400, respectively.

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

(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, 2022 and 2021, the Organization contributed \$8,024 and \$8,697, 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.

(13) Subsequent Events

In preparing these financial statements, management has evaluated subsequent events and transactions for potential disclosure through September 20, 2022, the date the financial statements were available to be issued.