CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Financial Statements

June 30, 2024

(With Independent Auditors' Report Thereon)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

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June 30, 2024

J&H JACOBY AND HANDLEY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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, 2024, 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, 2024, 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 Responsibilities 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, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

JACOBY AND HANDLEY, PLLC

September 17, 2024

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Statement of Financial Position

June 30, 2024
(with summarized information as of June 30, 2023)

Assets		2024	2023
Current assets:			
Cash and cash equivalents	$	1,373,711	1,523,532
Grants receivable (note 10)		140,000	125,000
Accounts receivable		256,048	101,316
Prepaid expenses		14,983	326,138
Total current assets		1,784,742	2,075,986
Endowment investments (note 5)		775,391	655,254
Assets held for capital projects (note 6)		1,869,240	3,540
Property and equipment, net (note 7)		7,445,754	1,145,868
Right-of-use-assets (note 9)		82,018	127,124
Other assets		18,558	12,782
Total assets	$	11,975,703	4,020,554
Liabilities and Net Assets			
Current liabilities:			
Notes payable to bank (note 8)		–	–
Current portion of lease liabilities (note 9)		45,779	45,111
Accounts payable and accrued expenses		122,514	122,451
Prepaid tuition fees and deposits		22,317	17,654
Deferred revenues		1,000	1,000
Total current liabilities		191,610	186,216
Long-term debt, net (note 8)		4,365,865	–
Lease liabilities, excluding current (note 9)		36,247	82,026
Total liabilities		4,593,722	268,242
Commitments (note 9)			
Net assets (note 11):			
Without donor restrictions:			
Designated		50,913	560,103
Undesignated		4,484,484	2,305,963
Total net assets without restrictions		4,535,397	2,866,066
With donor restrictions		2,846,584	886,246
Total net assets		7,381,981	3,752,312
Total liabilities and net assets	$	11,975,703	4,020,554

See accompanying notes to financial statements.

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Statement of Activities

Year ended June 30, 2024
(with summarized information for the year ended June 30, 2023)

		Without Donor Restrictions	With Donor Restrictions	All Funds Combined 2024	2023
Revenues and other support:					
Contributions	$	826,314	60,000	886,314	789,935
Grants (notes 10 and 11)		1,304,087	503,053	1,807,140	1,334,783
Donated facilities (note 9)		128,000	–	128,000	128,000
Endowment		–	35,000	35,000	–
Capital campaign		–	3,786,026	3,786,026	–
Program fees		419,889	–	419,889	450,341
Special events, net of direct costs of $64,717 and $53,262, respectively		332,697	–	332,697	278,113
Lease revenue		12,000	–	12,000	12,000
Investment income		30,834	85,137	115,971	64,814
		3,053,821	4,469,216	7,523,037	3,057,986
Net assets released from donor restrictions (note 11)		2,508,878	(2,508,878)	–	–
Total revenues and other support		5,562,699	1,960,338	7,523,037	3,057,986
Expenses and losses:					
Program services:					
Child care		214,569	–	214,569	321,348
Education Center		2,701,670	–	2,701,670	2,115,895
Family support		77,250	–	77,250	71,576
Outreach		242,336	–	242,336	165,226
Total program services		3,235,825	–	3,235,825	2,674,045
Supporting services:					
Management and general		267,768	–	267,768	276,381
Fund raising		389,775	–	389,775	324,252
Total supporting services		657,543	–	657,543	600,633
Total expenses		3,893,368	–	3,893,368	3,274,678
Change in net assets		1,669,331	1,960,338	3,629,669	(216,692)
Net assets at beginning of year		2,866,066	886,246	3,752,312	3,969,004
Net assets at end of year	$	4,535,397	2,846,584	7,381,981	3,752,312

See accompanying notes to financial statements.

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Statement of Functional Expenses

Year ended June 30, 2024
(with summarized information for the year ended June 30, 2023)

		Program Services				
		Child Care	Education Center	Family Support	Outreach	Total
Salaries	$	62,412	1,726,683	54,532	51,551	1,895,178
Employee benefits		863	8,033	535	535	9,966
Payroll taxes		4,458	129,637	3,927	3,716	141,738
Health insurance		3,060	114,283	3,060	3,060	123,463
Total employee expenses		70,793	1,978,636	62,054	58,862	2,170,345
Advertising and marketing		–	1,318	–	210	1,528
Center costs		125,535	–	–	–	125,535
Contract services		–	123,414	–	52,697	176,111
Dues and subscriptions		130	3,792	115	109	4,146
Fees		–	–	–	–	–
Insurance		1,068	53,721	1,096	356	56,241
Interest		–	–	–	–	–
Meeting support and supplies		12,278	–	–	–	12,278
Education Center supplies		–	186,572	–	–	186,572
Other		–	6,191	674	–	6,865
Postage		–	–	–	–	–
Printing and publications		–	337	664	45	1,046
Professional development		–	3,038	–	127,724	130,762
Professional fees		–	–	–	–	–
Psychological support		–	–	7,460	–	7,460
Rent		2,600	167,675	2,919	–	173,194
Repairs and maintenance		196	47,248	220	–	47,664
Supplies		–	2,883	–	2,269	5,152
Telephone		25	12,442	28	–	12,495
Travel		77	2,243	68	64	2,452
Utilities		296	19,037	331	–	19,664
Volunteer recognition		127	–	–	–	127
		213,125	2,608,547	75,629	242,336	3,139,637
Depreciation		1,444	93,123	1,621	–	96,188
Total expenses	$	214,569	2,701,670	77,250	242,336	3,235,825

See accompanying notes to financial statements.

	Supporting Services			Totals	
	Management and General	Fund Raising	Total	**2024**	**2023**
	$ 135,645	193,981	329,626	2,224,804	1,859,097
	489	1,468	1,957	11,923	11,845
	9,884	14,070	23,954	165,692	147,830
	10,317	9,297	19,614	143,077	96,676
	156,335	218,816	375,151	2,545,496	2,115,448
	4,509	4,465	8,974	10,502	4,208
	–	–	–	125,535	240,849
	340	133,850	134,190	310,301	62,895
	289	412	701	4,847	10,121
	6,321	–	6,321	6,321	22,817
	8,990	2,496	11,486	67,727	63,955
	10,877	–	10,877	10,877	–
	–	–	–	12,278	9,279
	–	–	–	186,572	147,690
	963	–	963	7,828	15,687
	900	900	1,800	1,800	1,034
	7,750	11,211	18,961	20,007	15,402
	–	–	–	130,762	112,206
	22,323	–	22,323	22,323	16,480
	–	–	–	7,460	7,200
	22,094	4,659	26,753	199,947	198,934
	1,667	4,851	6,518	54,182	40,373
	9,247	399	9,646	14,798	18,519
	212	45	257	12,752	15,627
	171	243	414	2,866	6,291
	2,509	529	3,038	22,702	22,522
	–	4,312	4,312	4,439	112
	255,497	387,188	642,685	3,782,322	3,147,649
	12,271	2,587	14,858	111,046	127,029
	$ 267,768	389,775	657,543	3,893,368	3,274,678

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Statement of Cash Flows

Year ended June 30, 2024
(with summarized information for the year ended June 30, 2023)

		2024	2023
Cash flows from operating activities:			
Change in net assets	$	3,629,669	(216,692)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Contributions restricted to capital projects		(3,786,026)	–
Contributions restricted for endowment		(35,000)	–
Endowment earnings		(85,137)	(55,273)
Loss on disposal of property and equipment		15	–
Depreciation expense		111,046	127,029
Amortization expense		1,827	–
Write off of receivables		–	1,953
Noncash lease expense		(5)	13
(Increase) decrease in:			
Grants receivable		(15,000)	98,750
Accounts receivable		(154,732)	156,011
Prepaid expenses		11,155	(13,888)
Other assets		(5,776)	–
Increase (decrease) in:			
Accounts payable and accrued expenses		63	80,167
Prepaid tuition fees and deferred revenues		4,663	(3,141)
Net cash provided by operating activities		(323,238)	174,929
Cash flows from investing activities:			
Cash invested in endowment		(35,000)	–
Purchase of property and equipment		(2,035,947)	(61,654)
Deposits refunded (paid)		300,000	(300,000)
Net cash used by investing activities		(1,770,947)	(361,654)
Cash flows financing activities:			
Loan costs paid		(10,962)	–
Contributions received and restricted for capital projects		2,163,077	–
Contributions restricted to endowment		35,000	–
Net cash provided by financing activities		2,187,115	–
Net increase (decrease) in cash, cash equivalents and restricted cash		92,930	(186,725)
Cash, cash equivalents, and restricted cash at beginning of year		1,527,072	1,713,797
Cash, cash equivalents, and restricted cash at end of year	$	1,620,002	1,527,072
Supplemental schedule of noncash investing and financing activities:			
Building purchase funded by mortgage note payable		4,375,000	–
Right-of-use asset funded by lease liability		–	55,534

See accompanying notes to financial statements.

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

June 30, 2024

(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.

(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.

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to 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 of 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.

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.

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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, 2024 and 2023 were \$23,317 and \$18,654, 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 \$246,291 and \$3,540 as of June 30, 2024 and 2023.

(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, 2024 and 2023, 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) Leases

The Organization's leases are presented in accordance with FASB ASC Topic 842, Leases, which recognizes right-of-use assets and lease liabilities on the balance sheet for all leases.

(k) 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 2021 to 2024.

(l) 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.

(m) 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.

(n) 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.

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

(o) 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, 2023, from which the summarized information was derived.

(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, 2024 and 2023.

		2024	2023
Financial assets:			
Cash and cash equivalents	$	1,311,757	1,421,079
Grants receivable		140,000	125,000
Accounts receivable		256,048	101,316
Endowment spending-rate distributions		–	–
Total financial assets		1,707,805	1,647,395
Less amounts unavailable for general expenditures – designated net assets without restrictions		50,913	560,103
Financial assets available to meet general expenditures during the next twelve months	$	1,656,892	1,087,292

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, as discussed in note 5. While such distributions are available, the Organization is currently withholding distributions for the purpose of growing the endowment fund.

Additionally, the Organization maintains a line of credit with an available balance of $100,000 as of June 30, 2024, as discussed in note 8, which is available to meet cash flow needs.

(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.

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

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.

The following tables presents the Organization's investments that are measured at fair value on a recurring basis at June 30, 2024 and 2023.

		June 30, 2024			
		Level 1	Level 2	Level 3	Total
Short term fixed income pool	$	–	–	161,840	161,840
Intermediate fixed income pool		–	–	108,099	108,099
Domestic equity pool		–	–	338,500	338,500
International equity pool		–	–	128,787	128,787
Cash equivalents pool		–	–	38,165	38,165
Total investments	$	–	–	775,391	775,391

		June 30, 2023			
		Level 1	Level 2	Level 3	Total
Short term fixed income pool	$	–	–	132,496	132,496
Intermediate fixed income pool		–	–	88,152	88,152
Domestic equity pool		–	–	291,140	291,140
International equity pool		–	–	112,246	112,246
Cash equivalents pool		–	–	31,220	31,220
Total investments	$	–	–	655,254	655,254

The following table summarizes activity in the endowment fund's Level 3 pooled funds during the years ended June 30, 2024 and 2023:

		2024	2023
Balance as of beginning of year	$	655,254	599,981
Contributions received		35,000	–
Investment earnings during the year		85,137	55,273
Distributions to operations		–	–
Total investments as of end of year	$	775,391	655,254

Conditional Pledges

As of June 30, 2024, 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, 2024 and 2023:

		2024	2023
Cash	$	246,291	3,540
Pledges receivable, net		1,622,949	–
Total assets held for capital projects	$	1,869,240	3,540

The Organization launched a capital campaign in 2023 for the purpose of raising funds to acquire and develop a building (see note 7). As of June 30, 2024, unconditional campaign pledges totaling $3,895,352 had been received, of which $1,732,275 are outstanding as pledges receivable. In conjunction with the capital campaign, the Organization entered into a contract to provide for capital campaign consulting, which provides for total payments of $113,715 through March 2025, of which $47,772 was paid as of June 30, 2024.

Unconditional promises to give associated with the Organization's capital campaign as of June 30, 2024 and 2023 consisted of the following:

		2024	2023
Gross amounts due in:			
Less than one year	$	1,003,945	–
Two to five years		728,330	–
Total gross amounts due within one year		1,732,275	–
Less unamortized discounts		109,326	–
Net promises to give – capital campaign	$	1,622,949	–

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 (4.33%). The Organization anticipates collection on all accounts and pledges receivable; therefore, no allowance for doubtful accounts has been established.

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

(7) Property and Equipment

As of June 30, 2024 and 2023, property and equipment consisted of the following:

		2024	2023
Building and improvements	$	6,354,139	–
Leasehold improvements		1,568,964	1,553,415
Furniture and equipment		442,965	408,234
		8,366,068	1,961,649
Less accumulated depreciation		920,314	815,781
	$	7,445,754	1,145,868

During March 2024, the Organization purchased a building for $6,214,876, inclusive of acquisition costs and improvement credits, for the purpose of moving their children's education center and administrative offices. During 2024, the Organization began a redevelopment project for the building, currently consisting of the pre-construction design and permitting phase. As of June 30, 2024, the Organization had incurred $58,715 in costs for the project and capitalized $80,548 in interest costs.

Depreciation expense for the years ended June 30, 2024 and 2023 amounted to $111,046 and $127,029, respectively.

(8) Notes Payable

Note Payable to Bank under 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 (8.5% as of June 30, 2024 and 2023) plus 1.98% and maturing on October 1, 2024. As of June 30, 2024 and 2023, the balance outstanding was $-0-.

Long-Term Debt - Mortgage Note Payable

During March 2024, the Organization entered into a $4,375,000 mortgage note agreement with a bank for the purpose of acquiring a building (see note 7). The agreement provides for monthly interest-only payments at 7% beginning in April 2024, with all outstanding principal and interest due on March 31, 2026. The loan is secured by a first mortgage on the underlying property. The outstanding balance of the mortgage note payable is $4,365,865, net of related unamortized loan costs of $9,135.

Interest expense for the year ended June 30, 2024 totaled $80,546, which was capitalized into the building redevelopment project (see note 7).

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CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

(9) Leases

The Organization leases property for its child care facility and administrative offices over a 5 year period ending November 2, 2020, with two available five-year options to extend. 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. The lease agreement also required a security deposit of $7,500.

Effective September 1, 2019, the Organization entered into a lease to expand its early childhood education facility, that provided 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 lease provides for option periods consistent with the primary facility lease discussed above.

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, 2024 and 2023 in the accompanying statement of activities.

The Organization leases various facilities for its operations, as described above, and certain equipment under operating lease agreements. Future minimum lease payments under non-cancelable operating leases, including options to extend where reasonably certain to be extended, as of June 30, 2024 and 2023 are as follows:

		2024	2023
Operating lease obligations:			
2025	$	44,756	
2026		26,677	
2027		11,527	
2028		1,921	
Total future minimum lease payments		84,881	133,479
Less imputed interest cost		2,855	6,342
Total operating lease liability		82,026	127,137
Less current portion		45,779	45,111
Total operating lease liability, noncurrent	$	36,247	82,026
Weighted average remaining lease term - years		2.13	3.01
Weighted average discount rate		1.47%	1.47%
Unamortized right-of-use assets	$	82,018	127,124

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

Total rent expense for facilities and equipment for 2024 and 2023 was as follows:

		2024	2023
Operating lease costs	$	46,527	44,756
Variable lease costs		32,118	35,842
Short-term and other lease costs		217	859
Noncash GAAP lease expense		(5)	13
Total rent expense	$	78,857	81,470

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, 2024 and 2023, the Organization received sublease revenue of $12,000.

(10) Grants and Contracts Without Restrictions

Grants and contracts revenues without restrictions during the years ended June 30, 2024 and 2023 were as follows:

		2024	2023
Indian River County Children in Centers	$	270,102	240,900
Indian River County Community and Family Services		139,972	135,185
Indian River County Hospital District Wellness Program		279,143	142,492
USDA – food services		137,548	103,193
Other grants		193,412	145,652
Total	$	1,020,177	767,422

Effective October 1, 2023 and 2022, the Organization received notifications of Indian River County awards of $250,000 and $250,000 for subsidized high quality childcare and $152,478 and $134,536 for community and family services for the years ending September 30, 2024 and 2023, respectively. The Organization reflects these grant revenues as they are earned.

Effective October 1, 2023, the Organization received notification of Indian River County Hospital District grant award of $279,878 for a wellness and early intervention program for the year ending September 30, 2024. Effective October 1, 2022, the Organization received notification of Indian River County Hospital District grant award of $211,096 for a wellness and early intervention program for the year ending September 30, 2023. The Organization reflects these grant revenues as they are earned.

During June 2024, the Organization received a notification of a United Way of Indian River County award of $115,000 for the Children in Centers program and $25,000 for the Wellness and Early Intervention program for the year ending June 30, 2025. During June 2023, the Organization received a notification of a United Way of Indian River County award of $115,000 for the Children in Centers program and $10,000 for the Wellness and Early Intervention program for the year ending June 30, 2024.

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CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

(11) Net Assets

Designated Net Assets Without Donor Restrictions

During 2024 and 2023, the Organization's Board of Directors designated resources from net assets without donor restrictions for the following purposes:

		2024	2023
University of Florida Lastinger project	$	47,129	487,307
Capital projects		–	69,012
Tuition assistance		3,784	3,784
Total	$	50,913	560,103

Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2024 and 2023 are available for the following specific purposes:

		2024	2023
Specific purpose:			
Capital projects	$	1,869,240	–
Literacy		6,976	7,933
Teacher sponsorship		1,742	24,844
Family support – COVID-19		922	1,974
Therapy sessions		–	3,540
Case manager		–	3,239
Passage of time:			
Future operations – time restricted		192,313	189,462
Endowment:			
Original gift value to be held in perpetuity		607,610	572,610
Unappropriated endowment earnings		167,781	82,644
Total	$	2,846,584	886,246

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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 receives and records awards on an annual basis as the measures are met. During 2024, 2022, 2021, and 2020, the Organization received awards of \$258,222, \$249,533, \$241,402 and \$236,860, respectively, for the fifth, fourth, third, and second years under the grant, providing for program operations. During May 2023, the Organization received a two-year extension of this grant providing for additional grant awards of \$276,326 in 2025 and \$158,952 in 2026 under continuing performance measure requirements.

Revenues with donor restrictions received during the years ended June 30, 2024 and 2023 were as follows:

		2024	2023
Future operations	$	408,222	547,361
Capital projects		3,820,857	16,200
Teacher sponsorship		70,000	70,000
Conscious discipline		50,000	–
Endowment contribution		35,000	–
Endowment earnings		85,137	55,273
Total	$	4,469,216	688,834

Net assets released from donor restrictions by incurring expenses or by otherwise satisfying restrictions during the years ended June 30, 2024 and 2023 were as follows:

		2024	2023
Future operations	$	405,371	766,540
Capital projects		1,951,617	18,153
Teacher sponsorship		93,102	108,494
Conscious discipline		50,000	–
Case manager		3,239	35,098
Literacy Fund		957	1,014
Therapy capital improvements and sessions		3,540	1,880
Family support – COVID-19		1,052	699
Total	$	2,508,878	931,878

(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, 2024 and 2023, the Organization contributed $11,923 and $11,845, 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 17, 2024, the date the financial statements were available to be issued.