



**CHILDCARE RESOURCES OF INDIAN RIVER, INC.**

Financial Statements

June 30, 2018

(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.:

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, 2018, 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, 2018, 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.

### *Report on Summarized Comparative Information*

The prior year summarized comparative information presented herein has been derived from the Organization's June 30, 2017 financial statements and, in our report dated January 15, 2018, we expressed an unqualified opinion on those financial statements.

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

October 16, 2018

**CHILDCARE RESOURCES OF INDIAN RIVER, INC.**

Statement of Financial Position

June 30, 2018

(with summarized information as of June 30, 2017)

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 570,252	758,055
Grants receivable	57,918	42,681
Accounts receivable	78,672	14,776
Prepaid expenses	<u>7,554</u>	<u>8,608</u>
Total current assets	714,396	824,120
Endowment investments (note 3)	511,501	199,876
Cash held for capital projects	1,269	10,744
Capital campaign promises to give (note 4)	64,367	307,937
Property and equipment, net (note 5)	1,135,749	1,205,794
Other assets	<u>7,599</u>	<u>7,599</u>
Total assets	\$ <u>2,434,881</u>	<u>2,556,070</u>
 <b><u>Liabilities and Net Assets</u></b>  		
Current liabilities:		
Accounts payable and accrued expenses	74,258	35,479
Prepaid tuition fees and deposits	10,377	8,365
Deferred revenues	<u>4,000</u>	<u>4,000</u>
Total current liabilities	88,635	47,844
Commitments (note 9)		
Net assets:		
Unrestricted	1,659,963	1,810,158
Temporarily restricted (note 8)	199,173	510,958
Permanently restricted (note 3)	<u>487,110</u>	<u>187,110</u>
Total net assets	<u>2,346,246</u>	<u>2,508,226</u>
Total liabilities and net assets	\$ <u>2,434,881</u>	<u>2,556,070</u>

See accompanying notes to financial statements.

**CHILDCARE RESOURCES OF INDIAN RIVER, INC.**

Statement of Activities

Year ended June 30, 2018

(with summarized information for the year ended June 30, 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>All Funds Combined 2018</u>	<u>2017</u>
Revenues and other support:					
Contributions	\$ 338,817	108,626	—	447,443	538,004
Grants (notes 7 and 8)	666,255	84,448	—	750,703	635,293
Capital campaign	—	713	—	713	110,195
Program fees	313,355	—	—	313,355	309,372
Special events, net of direct costs of \$32,095 and \$42,354, respectively	145,170	—	—	145,170	135,168
Lease revenue	12,000	—	—	12,000	12,000
Investment income	320	11,625	—	11,945	13,205
	<u>1,475,917</u>	<u>205,412</u>	<u>—</u>	<u>1,681,329</u>	<u>1,753,237</u>
Net assets released from donor restrictions and transfer to endowment fund (note 8)	<u>217,197</u>	<u>(517,197)</u>	<u>300,000</u>	<u>—</u>	<u>—</u>
Total revenues and other support	<u>1,693,114</u>	<u>(311,785)</u>	<u>300,000</u>	<u>1,681,329</u>	<u>1,753,237</u>
Expenses and losses:					
Program services:					
Child care	353,210	—	—	353,210	324,643
Education Center	1,007,194	—	—	1,007,194	896,957
Family support	53,760	—	—	53,760	32,240
Outreach	153,616	—	—	153,616	71,633
Total program services	<u>1,567,780</u>	<u>—</u>	<u>—</u>	<u>1,567,780</u>	<u>1,325,473</u>
Supporting services:					
Management and general	122,540	—	—	122,540	112,660
Fund raising	152,989	—	—	152,989	121,348
Total supporting services	<u>275,529</u>	<u>—</u>	<u>—</u>	<u>275,529</u>	<u>234,008</u>
Total expenses	<u>1,843,309</u>	<u>—</u>	<u>—</u>	<u>1,843,309</u>	<u>1,559,481</u>
Loss on disposal of fixed assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>46,235</u>
Total expenses and losses	<u>1,843,309</u>	<u>—</u>	<u>—</u>	<u>1,843,309</u>	<u>1,605,716</u>
Change in net assets	(150,195)	(311,785)	300,000	(161,980)	147,521
Net assets at beginning of year	<u>1,810,158</u>	<u>510,958</u>	<u>187,110</u>	<u>2,508,226</u>	<u>2,360,705</u>
Net assets at end of year	\$ <u>1,659,963</u>	<u>199,173</u>	<u>487,110</u>	<u>2,346,246</u>	<u>2,508,226</u>

See accompanying notes to financial statements.

**CHILDCARE RESOURCES OF INDIAN RIVER, INC.**

Statement of Functional Expenses

Year ended June 30, 2018  
(with summarized information for the year ended June 30, 2017)

	Program Services				
	<u>Childcare</u>	<u>Education Center</u>	<u>Family Support</u>	<u>Outreach</u>	<u>Total</u>
Salaries	\$ 37,226	588,521	26,076	23,020	674,843
Employee benefits	861	3,596	590	524	5,571
Payroll taxes	2,799	44,248	1,961	1,731	50,739
Health insurance	<u>3,285</u>	<u>65,224</u>	<u>2,485</u>	<u>2,218</u>	<u>73,212</u>
Total employee expenses	44,171	701,589	31,112	27,493	804,365
Advertising and marketing	-	420	-	-	420
Center costs	297,911	-	-	-	297,911
Contract services	-	4,490	-	-	4,490
Dues and subscriptions	322	5,090	226	199	5,837
Fees	-	-	-	-	-
Insurance	508	20,408	462	157	21,535
Interest expense	-	-	-	-	-
Meeting support and supplies	7,323	-	-	-	7,323
Education Center supplies	-	78,800	-	-	78,800
Other	-	2,836	-	-	2,836
Postage	-	-	-	-	-
Printing and publications	-	2,360	62	-	2,422
Professional development	-	10	163	125,647	125,820
Professional fees	-	-	-	-	-
Psychological support	-	-	18,989	-	18,989
Rent	496	32,034	558	-	33,088
Repairs and maintenance	194	42,859	218	-	43,271
Supplies	-	-	-	-	-
Telephone	18	9,030	20	-	9,068
Travel	195	3,082	137	120	3,534
Utilities	344	22,203	386	-	22,933
Volunteer recognition	<u>457</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>457</u>
	351,939	925,211	52,333	153,616	1,483,099
Depreciation	<u>1,271</u>	<u>81,983</u>	<u>1,427</u>	<u>-</u>	<u>84,681</u>
Total expenses	\$ <u>353,210</u>	<u>1,007,194</u>	<u>53,760</u>	<u>153,616</u>	<u>1,567,780</u>

See accompanying notes to financial statements.

	Supporting Services			Totals	
	Management and General	Fund Raising	Total	<u>2018</u>	<u>2017</u>
\$	39,648	110,888	150,536	825,379	685,857
	1,016	1,677	2,693	8,264	7,951
	2,981	8,337	11,318	62,057	52,818
	<u>3,631</u>	<u>10,250</u>	<u>13,881</u>	<u>87,093</u>	<u>62,532</u>
	47,276	131,152	178,428	982,793	809,158
	94	3,167	3,261	3,681	2,238
	—	—	—	297,911	275,399
	—	—	—	4,490	5,756
	343	959	1,302	7,139	5,747
	5,142	—	5,142	5,142	4,471
	4,483	1,209	5,692	27,227	30,871
	—	—	—	—	11,614
	—	—	—	7,323	9,786
	—	—	—	78,800	79,173
	—	—	—	2,836	3,007
	826	826	1,652	1,652	2,497
	3,755	10,497	14,252	16,674	15,473
	—	—	—	125,820	49,430
	31,018	—	31,018	31,018	15,300
	—	—	—	18,989	4,159
	4,221	890	5,111	38,199	37,220
	1,649	348	1,997	45,268	41,745
	9,643	—	9,643	9,643	6,860
	155	33	188	9,256	8,674
	207	581	788	4,322	5,651
	2,926	617	3,543	26,476	27,900
	—	<u>432</u>	<u>432</u>	<u>889</u>	<u>422</u>
	<u>111,738</u>	<u>150,711</u>	<u>262,449</u>	<u>1,745,548</u>	<u>1,452,551</u>
	<u>10,802</u>	<u>2,278</u>	<u>13,080</u>	<u>97,761</u>	<u>106,930</u>
\$	<u>122,540</u>	<u>152,989</u>	<u>275,529</u>	<u>1,843,309</u>	<u>1,559,481</u>

**CHILDCARE RESOURCES OF INDIAN RIVER, INC.**

Statement of Cash Flows

Year ended June 30, 2018

(with summarized information for the year ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (161,980)	147,521
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Investments received for contributions	—	20,195
Contributions restricted to capital campaign	(713)	(110,195)
Contributions restricted for endowment	—	(187,110)
Endowment earnings	(11,625)	(12,766)
Depreciation expense	97,761	106,930
Loss on disposal of fixed asset	—	46,235
(Increase) decrease in:		
Grants receivable	(15,237)	(23,357)
Accounts receivable	(63,896)	5,063
Prepaid expenses	1,054	11,095
Other assets	—	24
Increase (decrease) in:		
Accounts payable and accrued expenses	38,779	(10,792)
Prepaid tuition fees	<u>2,012</u>	<u>1,213</u>
Net cash used by operating activities	<u>(113,845)</u>	<u>(5,944)</u>
Cash flows from investing activities:		
Investment in endowment	(300,000)	(187,110)
Decrease in cash held for capital projects	9,475	29,365
Proceeds on sale of property and equipment	—	205,568
Purchase of property and equipment	<u>(27,716)</u>	<u>(78,749)</u>
Net cash used by investing activities	<u>(318,241)</u>	<u>(30,926)</u>
Cash flows financing activities:		
Contributions received and restricted for capital campaign	244,283	234,865
Contributions restricted to endowment	—	187,110
Repayments of long term debt	<u>—</u>	<u>(471,599)</u>
Net cash provided (used) by financing activities	<u>244,283</u>	<u>(49,624)</u>
Net decrease in cash and cash equivalents	(187,803)	(86,494)
Cash and cash equivalents at beginning of year	<u>758,055</u>	<u>844,549</u>
Cash and cash equivalents at end of year	\$ <u>570,252</u>	<u>758,055</u>

See accompanying notes to financial statements.



**CHILDCARE RESOURCES OF INDIAN RIVER, INC.**

## Notes to Financial Statements

June 30, 2018

**(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 accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues and expenses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor imposed stipulations. Funds designated by the Board for specific purposes are reported as unrestricted net assets since the Board has the ability to release any restrictions on these funds.

Temporarily Restricted net assets – Net assets subject to donor imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Support that is restricted by the donor is reported as an increase in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Permanently Restricted net assets – Net assets subject to donor imposed stipulations that must be maintained in perpetuity. The Organization accounts for its endowment fund under this classification.

**(b) 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.

(Continued)

**CHILDCARE RESOURCES OF INDIAN RIVER, INC.**

## Notes to Financial Statements

**(c) 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(d) for a discussion of fair value measurements.

**(d) 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).

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, 2018 and 2017, 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.

(Continued)

**CHILDCARE RESOURCES OF INDIAN RIVER, INC.**

## Notes to Financial Statements

**(e) 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.

**(f) 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.

**(g) 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.

**(h) Contributions**

Contributions are recorded when made. All contributions are available for unrestricted use unless specifically restricted by the donor.

**(i) 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 2015 to 2018.

**(j) 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.

(Continued)

**CHILDCARE RESOURCES OF INDIAN RIVER, INC.**

## Notes to Financial Statements

**(k) *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.

**(l) *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.

**(m) *Concentrations of Credit Risk***

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.

**(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, 2017, from which the summarized information was derived.

**(3) *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 complies with the Florida Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Organization's Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

(Continued)

**CHILDCARE RESOURCES OF INDIAN RIVER, INC.**

Notes to Financial Statements

As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the historical dollar value of gifts donated to the permanent endowment, (b) the historical dollar value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA or unless there is a deficiency in the endowment fund.

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, 2018 and 2017.

<b>June 30, 2018</b>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short term fixed income pool	\$ —	—	138,298	138,298
Intermediate fixed income pool	—	—	92,144	92,144
Equity pool	—	—	204,624	204,624
Cash equivalents pool	<u>—</u>	<u>—</u>	<u>76,435</u>	<u>76,435</u>
Total investments	\$ <u>—</u>	<u>—</u>	<u>511,501</u>	<u>511,501</u>

<b>June 30, 2017</b>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short term fixed income pool	\$ —	—	53,803	53,803
Intermediate fixed income pool	—	—	35,814	35,814
Equity pool	—	—	80,483	80,483
Cash equivalents pool	<u>—</u>	<u>—</u>	<u>29,776</u>	<u>29,776</u>
Total investments	\$ <u>—</u>	<u>—</u>	<u>199,876</u>	<u>199,876</u>

(Continued)

**CHILDCARE RESOURCES OF INDIAN RIVER, INC.**

Notes to Financial Statements

The following table summarizes activity in the endowment fund's level 3 pooled funds during the year ended June 30, 2018:

	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Balance as of June 30, 2017	\$ 12,766	187,110	199,876
Contributions reclassified from capital campaign during the year	-	300,000	300,000
Investment earnings during the year	<u>11,625</u>	<u>-</u>	<u>11,625</u>
Total investments as of June 30, 2018	\$ <u>24,391</u>	<u>487,110</u>	<u>511,501</u>

**(4) Promises to Give**

Unconditional Pledges

Unconditional promises to give associated with the Organization's capital campaign as of June 30, 2018 and 2017 consisted of the following:

	<b><u>2018</u></b>	<b><u>2017</u></b>
Gross amounts due in:		
Less than one year	\$ 52,639	114,125
One to five years	<u>19,570</u>	<u>202,366</u>
Total gross promises to give	72,209	316,491
Less unamortized discounts	<u>(7,842)</u>	<u>(8,554)</u>
Net promises to give – capital campaign	\$ <u>64,367</u>	<u>307,937</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.

The Organization launched a capital campaign during the year ended June 30, 2015. As of June 30, 2018, unconditional pledges approximating \$1,460,000 have been recorded, of which \$64,367 are outstanding as pledges receivable.

Conditional Pledges

As of June 30, 2018, the Organization has received conditional bequests and pledges for the endowment fund totaling \$405,000.

(Continued)

**CHILDCARE RESOURCES OF INDIAN RIVER, INC.**

Notes to Financial Statements

**(5) Property and Equipment**

As of June 30, 2018 and 2017, property and equipment consisted of the following:

	<u>2018</u>	<u>2017</u>
Building and improvements	\$ 29,251	29,251
Leasehold improvements	1,076,331	1,058,422
Furniture and equipment	271,247	259,518
Construction in progress	—	1,922
	<u>1,376,829</u>	<u>1,349,113</u>
Less accumulated depreciation	<u>241,080</u>	<u>143,319</u>
	<u>\$ 1,135,749</u>	<u>1,205,794</u>

Depreciation expense for the years ended June 30, 2018 and 2017 amounted to \$97,761 and \$106,930, respectively.

**(6) Long-Term Debt**

During July 2015, the Organization entered into a \$500,000 loan agreement with a bank to provide for construction funding of its new facility. The agreement provided for draws of up to \$500,000 and interest at prime plus 0.50%. The loan was converted into an amortizing loan on January 29, 2016, payable in 78 monthly installments of \$7,257, including interest at 3.8%, through July 29, 2022. The loan was collateralized by a mortgage and security interest in the Organization's assets. The loan was paid off during the year ended June 30, 2017.

During the year ended June 30, 2017, interest expense totaled \$11,614.

**(7) Unrestricted Grants and Contracts**

Unrestricted grants and contracts revenue during the years ended June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Indian River County Children in Centers	\$ 188,476	170,000
Indian River County Psychological Service	4,400	2,213
Indian River County Professional Development	24,300	24,300
Indian River County Conscious Discipline	47,141	—
United Way of Indian River County Children in Centers	200,000	175,000
Impact 100 Credentialing Program for Early Educators	66,926	—
USDA – food services	56,850	50,642
Other grants	<u>78,162</u>	<u>84,439</u>
Total	<u>\$ 666,255</u>	<u>506,594</u>

(Continued)

## CHILDCARE RESOURCES OF INDIAN RIVER, INC.

### Notes to Financial Statements

Effective October 1, 2017, the Organization received notification of Indian River County awards of \$190,000 for subsidized high quality childcare, \$52,960 for conscious discipline, \$24,300 for professional development, and \$6,600 for the Psychological Service program for the year ending September 30, 2018. The Organization reflects these grant revenues as they are earned.

During May 2017, the Foundation 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, with the funding for the year ending June 30, 2019 conditional until June 2018. The Organization reflects these grant revenues as they are 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. There were no grant revenues earned during the year ended June 30, 2017.

#### (8) *Temporarily Restricted Net Assets*

Temporarily restricted net assets as of June 30, 2018 and 2017 are available for the following specific purposes:

	<u>2018</u>	<u>2017</u>
Capital projects	\$ 65,635	318,681
Teacher sponsorship	45,488	44,729
Wellness coordinator	25,000	39,652
Unappropriated endowment earnings	24,391	12,766
Professional development	24,153	56,762
Therapy sessions	9,219	23,768
Summer tuition	5,287	—
Classroom support	<u>—</u>	<u>14,600</u>
Total	\$ <u>199,173</u>	<u>510,958</u>

Temporarily restricted revenues received during the years ended June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Capital projects	\$ 2,816	130,345
Teacher sponsorship	120,133	75,000
Wellness coordinator	25,000	51,759
Unappropriated endowment earnings	11,625	12,766
Professional development	27,390	59,640
Summer tuition	13,448	7,200
Classroom support	<u>5,000</u>	<u>15,350</u>
Total	\$ <u>205,412</u>	<u>352,060</u>

(Continued)



**CHILDCARE RESOURCES OF INDIAN RIVER, INC.**

Notes to Financial Statements

Net assets released from donor restrictions by incurring expenses or by otherwise satisfying restrictions during the years ended June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Capital projects	\$ 255,861	284,380
Teacher sponsorship	119,374	51,641
Wellness coordinator	39,652	12,107
Professional development	59,999	77,655
Therapy capital improvements and sessions	14,550	100,000
Summer tuition	8,161	9,615
Classroom support	<u>19,600</u>	<u>750</u>
Total	\$ <u>517,197</u>	<u>536,148</u>

**(9) Leases**

Effective February 2015, the Organization leased property for its child care facility and administrative offices over a 5 year period. 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.

Future minimum lease payments under non-cancellable operating leases for the above facility lease and certain equipment leases as of June 30, 2018 are as follows:

2019		\$ 28,474
2020		33,339
2021		12,669
2022		<u>1,729</u>
		\$ <u>76,211</u>

Total rental expense amounted to \$38,199 and \$37,220 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017, the Organization received sublease revenue of \$12,000.

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**CHILDCARE RESOURCES OF INDIAN RIVER, INC.**

## Notes to Financial Statements

**(10) 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, 2018 and 2017, the Organization contributed \$8,264 and \$7,951, 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.

**(11) Subsequent Events**

In preparing these financial statements, management has evaluated subsequent events and transactions for potential disclosure through October 16, 2018, the date the financial statements were available to be issued.

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.