



CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Financial Statements

June 30, 2023

(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, 2023, 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, 2023, 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.

Change in Accounting Principle

As discussed in Note 2(j) to the financial statements, in 2023 and as retrospectively applied in 2022, the Organization adopted new accounting guidance for accounting for leases. Our opinion is not modified with respect to this matter.

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.

(Continued)



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.

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, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 20, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

JACOBY AND HANLEY, PLLC

September 28, 2023

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Statement of Financial Position

June 30, 2023

(with summarized information as of June 30, 2022)

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 1,523,532	1,708,377
Grants receivable (note 10)	125,000	223,750
Accounts receivable	101,316	257,327
Prepaid expenses	<u>326,138</u>	<u>12,250</u>
Total current assets	2,075,986	2,201,704
Endowment investments (note 5)	655,254	599,981
Assets held for capital projects (note 6)	3,540	7,373
Property and equipment, net (note 7)	1,145,868	1,256,658
Right-of-use-assets (note 9)	127,124	114,255
Other assets	<u>12,782</u>	<u>12,782</u>
Total assets	\$ <u>4,020,554</u>	<u>4,192,753</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Notes payable to bank (note 8)	—	—
Current portion of lease liabilities (note 9)	45,111	33,677
Accounts payable and accrued expenses	122,451	87,699
Prepaid tuition fees and deposits	17,654	20,795
Deferred revenues	<u>1,000</u>	<u>1,000</u>
Total current liabilities	186,216	143,171
Lease liabilities, excluding current (note 9)	<u>82,026</u>	<u>80,578</u>
Total liabilities	<u>268,242</u>	<u>223,749</u>
Commitments (note 9)		
Net assets (note 11):		
Without donor restrictions:		
Designated	560,103	—
Undesignated	<u>2,305,963</u>	<u>2,839,714</u>
Total net assets without restrictions	2,866,066	2,839,714
With donor restrictions	<u>886,246</u>	<u>1,129,290</u>
Total net assets	<u>3,752,312</u>	<u>3,969,004</u>
Total liabilities and net assets	\$ <u>4,020,554</u>	<u>4,192,753</u>

See accompanying notes to financial statements.

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Statement of Activities

Year ended June 30, 2023
(with summarized information for the year ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	All Funds Combined <u>2023</u>	<u>2022</u>
Revenues and other support:				
Contributions	\$ 723,735	66,200	789,935	1,069,505
Grants (notes 10 and 11)	767,422	567,361	1,334,783	1,533,498
Donated facilities (note 9)	128,000	—	128,000	128,000
Other Federal assistance (note 8)	—	—	—	232,508
Endowment	—	—	—	74,500
Capital campaign	—	—	—	111
Program fees	450,341	—	450,341	381,527
Special events, net of direct costs of \$53,262 and \$32,295, respectively	278,113	—	278,113	216,059
Lease revenue	12,000	—	12,000	12,000
Investment income	9,541	55,273	64,814	(90,545)
	<u>2,369,152</u>	<u>688,834</u>	<u>3,057,986</u>	<u>3,557,163</u>
Net assets released from donor restrictions (note 11)	<u>931,878</u>	<u>(931,878)</u>	<u>—</u>	<u>—</u>
Total revenues and other support	<u>3,301,030</u>	<u>(243,044)</u>	<u>3,057,986</u>	<u>3,557,163</u>
Expenses and losses:				
Program services:				
Child care	321,348	—	321,348	353,880
Education Center	2,115,895	—	2,115,895	1,788,207
Family support	71,576	—	71,576	83,213
Outreach	165,226	—	165,226	136,824
Total program services	<u>2,674,045</u>	<u>—</u>	<u>2,674,045</u>	<u>2,362,124</u>
Supporting services:				
Management and general	276,381	—	276,381	189,989
Fund raising	324,252	—	324,252	295,010
Total supporting services	<u>600,633</u>	<u>—</u>	<u>600,633</u>	<u>484,999</u>
Total expenses	<u>3,274,678</u>	<u>—</u>	<u>3,274,678</u>	<u>2,847,123</u>
Change in net assets	26,352	(243,044)	(216,692)	710,040
Net assets at beginning of year	<u>2,839,714</u>	<u>1,129,290</u>	<u>3,969,004</u>	<u>3,258,964</u>
Net assets at end of year	\$ <u>2,866,066</u>	<u>886,246</u>	<u>3,752,312</u>	<u>3,956,500</u>

See accompanying notes to financial statements.

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Statement of Functional Expenses

Year ended June 30, 2023
(with summarized information for the year ended June 30, 2022)

		Program Services				
		Childcare	Education Center	Family Support	Outreach	Total
Salaries	\$	56,433	1,357,986	49,038	44,771	1,508,228
Employee benefits		1,096	6,398	665	665	8,824
Payroll taxes		4,295	109,210	3,751	3,437	120,693
Health insurance		2,875	68,567	2,875	2,875	77,192
Total employee expenses		64,699	1,542,161	56,329	51,748	1,714,937
Advertising and marketing		—	533	—	—	533
Center costs		240,849	—	—	—	240,849
Contract services		—	4,357	—	—	4,357
Dues and subscriptions		294	7,477	257	235	8,263
Fees		—	—	—	—	—
Insurance		1,122	49,523	1,113	468	52,226
Interest		—	—	—	—	—
Meeting support and supplies		9,279	—	—	—	9,279
Education Center supplies		—	147,690	—	—	147,690
Other		—	9,680	—	313	9,993
Postage		—	—	—	—	—
Printing and publications		—	857	—	33	890
Professional development		—	2,927	—	109,279	112,206
Professional fees		—	—	—	—	—
Psychological support		—	—	7,200	—	7,200
Rent		2,586	166,827	2,904	—	172,317
Repairs and maintenance		255	37,206	286	—	37,747
Supplies		—	1,286	1,114	3,004	5,404
Telephone		25	15,310	29	—	15,364
Travel		183	4,648	160	146	5,137
Utilities		293	18,887	329	—	19,509
Volunteer recognition		112	—	—	—	112
		319,697	2,009,369	69,721	165,226	2,564,013
Depreciation		1,651	106,526	1,855	—	110,032
Total expenses	\$	321,348	2,115,895	71,576	165,226	2,674,045

See accompanying notes to financial statements.

Supporting Services			Totals	
	Management and General	Fund Raising	Total	
				<u>2023</u>
				<u>2022</u>
\$	122,865	228,004	350,869	1,859,097
	714	2,307	3,021	11,845
	9,552	17,585	27,137	147,830
	<u>9,263</u>	<u>10,221</u>	<u>19,484</u>	<u>96,676</u>
	142,394	258,117	400,511	2,115,448
	2,931	744	3,675	4,208
	—	—	—	240,849
	25,697	32,841	58,538	62,895
	654	1,204	1,858	10,121
	22,817	—	22,817	22,817
	8,374	3,355	11,729	63,955
	—	—	—	—
	—	—	—	9,279
	—	—	—	147,690
	1,984	3,710	5,694	15,687
	517	517	1,034	1,034
	119	14,393	14,512	15,402
	—	—	—	112,206
	16,480	—	16,480	16,480
	—	—	—	7,200
	21,982	4,635	26,617	198,934
	2,169	457	2,626	40,373
	13,115	—	13,115	18,519
	217	46	263	15,627
	406	748	1,154	6,291
	2,488	525	3,013	22,522
	—	—	—	112
	262,344	321,292	583,636	3,147,649
	<u>14,037</u>	<u>2,960</u>	<u>16,997</u>	<u>127,029</u>
\$	<u>276,381</u>	<u>324,252</u>	<u>600,633</u>	<u>3,274,678</u>
				<u>2,847,123</u>

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Statement of Cash Flows

Year ended June 30, 2023

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

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (216,692)	710,040
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted to capital projects	—	(111)
Contributions restricted for endowment	—	(74,500)
Endowment earnings	(55,273)	91,211
Depreciation expense	127,029	133,170
Write off of receivables	1,953	—
Gain on forgiveness of PPP loan	—	(232,508)
Noncash lease expense	13	—
(Increase) decrease in:		
Grants receivable	98,750	1,250
Accounts receivable	156,011	35,814
Prepaid expenses	(13,888)	(1,953)
Increase (decrease) in:		
Accounts payable and accrued expenses	80,167	5,949
Prepaid tuition fees and deferred revenues	(3,141)	2,376
Net cash provided by operating activities	<u>174,929</u>	<u>670,738</u>
Cash flows from investing activities:		
Cash received from endowment	—	44,865
Cash invested in endowment	—	(74,500)
Purchase of property and equipment	(61,654)	(75,597)
Deposits paid	<u>(300,000)</u>	<u>—</u>
Net cash used by investing activities	<u>(361,654)</u>	<u>(105,232)</u>
Cash flows financing activities:		
Repayment of note payable to bank	—	(4,192)
Contributions received and restricted for capital projects	—	10,920
Contributions restricted to endowment	<u>—</u>	<u>74,500</u>
Net cash provided by financing activities	<u>—</u>	<u>81,228</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	(186,725)	646,734
Cash, cash equivalents, and restricted cash at beginning of year	<u>1,713,797</u>	<u>1,067,063</u>
Cash, cash equivalents, and restricted cash at end of year	\$ <u>1,527,072</u>	<u>1,713,797</u>

Supplemental schedule of noncash investing and financing activities — During 2023, the Organization acquired right-of-use assets under operating lease obligations of \$55,534.

See accompanying notes to financial statements.

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

June 30, 2023

(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 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.

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.

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.**Notes to Financial Statements**

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, 2023 and 2022 were \$18,654 and \$21,796, 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 \$3,540 and \$5,420 as of June 30, 2023 and 2022.

(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, 2023 and 2022, 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

In February 2016, the Financial Accounting Standards Board issued ASC Topic 842, Leases, resulting in the recognition of right-of-use assets and lease liabilities on the balance sheet for all leases, including operating leases previously reflected as off-balance sheet transactions. The Company adopted Topic 842 effective July 1, 2022 and recognized and measured leases existing at July 1, 2021 (the earliest period presented herein) using a modified retrospective approach. All the Organization's leases are treated as operating leases.

As a result of the adoption of the new lease accounting guidance, the Company recognized on July 1, 2021 an operating lease right-of-use asset and related liability of \$147,455, representing the present value of the remaining operating lease payments discounted using risk-free interest rate of 1.47%.

(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 2020 to 2023.

(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.

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

(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.

(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, 2022, 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, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 1,421,079	1,531,153
Grants receivable	125,000	223,750
Accounts receivable	101,316	257,327
Endowment spending-rate distributions	<u>25,500</u>	<u>24,000</u>
Total financial assets	<u>1,672,895</u>	<u>2,036,230</u>
Less amounts unavailable for general expenditures – designated net assets without restrictions	<u>560,103</u>	<u>—</u>
Financial assets available to meet general expenditures during the next twelve months	\$ <u>1,112,792</u>	<u>2,036,230</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.

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

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.

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, 2023 and 2022.

		June 30, 2023			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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		<u>—</u>	<u>—</u>	<u>31,220</u>	<u>31,220</u>
Total investments	\$	<u>—</u>	<u>—</u>	<u>655,254</u>	<u>655,254</u>

		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>

The following table summarizes activity in the endowment fund's Level 3 pooled funds during the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Balance as of beginning of year	\$ 599,981	661,557
Contributions received	—	74,500
Investment earnings during the year	55,273	(91,211)
Distributions to operations	<u>—</u>	<u>(44,865)</u>
Total investments as of end of year	\$ <u>655,254</u>	<u>599,981</u>

Conditional Pledges

As of June 30, 2023, 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, 2023 and 2022:

		<u>2023</u>	<u>2022</u>
Cash	\$	3,540	5,420
Pledges receivable, net		<u>—</u>	<u>1,953</u>
Total assets held for capital projects	\$	<u>3,540</u>	<u>7,373</u>

Unconditional promises to give associated with the Organization's capital campaign as of June 30, 2023 and 2022 consisted of the following:

		<u>2023</u>	<u>2022</u>
Gross amounts due within one year	\$	—	1,975
Less unamortized discounts		<u>—</u>	<u>(22)</u>
Net promises to give – capital campaign	\$	<u>—</u>	<u>1,953</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, 2023 and 2022, property and equipment consisted of the following:

		<u>2023</u>	<u>2022</u>
Building and improvements	\$	32,996	32,996
Leasehold improvements		1,520,419	1,509,507
Furniture and equipment		<u>408,234</u>	<u>402,907</u>
		1,961,649	1,945,410
Less accumulated depreciation		<u>815,781</u>	<u>688,752</u>
	\$	<u>1,145,868</u>	<u>1,256,658</u>

Depreciation expense for the years ended June 30, 2023 and 2022 amounted to \$127,029 and \$133,170, 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 (8.25% and 4.75% as of June 30, 2023 and 2022, respectively) plus 1.98% and maturing on April 1, 2024. As of June 30, 2023 and 2022, the balance outstanding was \$-0-.

Paycheck Protection Program (PPP) Loan

On April 25, 2020, the Organization obtained a PPP loan provided by the Small Business Administration totaling \$236,700. The promissory note provided for monthly payments of \$13,150 plus interest at 1% beginning November 15, 2020 through April 15, 2022, unless forgiven in accordance with the provisions of the CARES Act. 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) *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, 2023 and 2022 in the accompanying statement of activities.

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

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, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Operating lease obligations:		
2024	\$ 46,677	
2025	46,677	
2026	26,677	
2027	11,527	
2028	<u>1,921</u>	
Total future minimum lease payments	133,479	120,575
Less imputed interest cost	<u>6,342</u>	<u>6,320</u>
Total operating lease liability	127,137	114,255
Less current portion	<u>45,111</u>	<u>33,677</u>
Total operating lease liability, noncurrent	\$ <u>82,026</u>	<u>80,578</u>
Weighted average remaining lease term - years	<u>3.01</u>	<u>3.34</u>
Weighted average discount rate	<u>1.47%</u>	<u>1.47%</u>
Unamortized right-of-use assets	\$ <u>127,124</u>	<u>114,255</u>

Total rent expense for facilities and equipment for 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Operating lease costs	\$ 44,756	35,125
Variable lease costs	35,842	33,943
Short-term and other lease costs	859	5,161
Noncash GAAP lease expense	<u>13</u>	<u>—</u>
Total rent expense	\$ <u>81,470</u>	<u>74,229</u>

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, 2023 and 2022, the Organization received sublease revenue of \$12,000.

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

(10) *Grants and Contracts Without Restrictions*

Grants and contracts revenues without restrictions during the years ended June 30, 2023 and 2022 were as follows:

		<u>2023</u>	<u>2022</u>
Indian River County Children in Centers	\$	240,900	252,238
Indian River County Community and Family Services		135,185	126,659
Indian River County Hospital District Wellness Program		142,492	86,810
USDA – food services		103,193	90,689
Other grants		<u>145,652</u>	<u>334,806</u>
Total	\$	<u>767,422</u>	<u>891,202</u>

Effective October 1, 2022, 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, 2023. The Organization reflects these grant revenues as they are earned.

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, 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. 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. The Organization reflects these grant revenues as they are earned.

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. 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.

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

(11) *Net Assets*

Designated Net Assets Without Donor Restrictions

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

	<u>2023</u>
University of Florida Lastinger project	\$ 487,307
Capital projects	69,012
Tuition assistance	<u>3,784</u>
Total	\$ <u>560,103</u>

Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2023 and 2022 are available for the following specific purposes:

	<u>2023</u>	<u>2022</u>
Specific purpose:		
Capital projects	\$ —	1,953
Teacher sponsorship	24,844	63,338
Case manager	3,239	38,337
Therapy sessions	3,540	5,420
Family support – COVID-19	1,974	2,673
Literacy	7,933	8,947
Passage of time:		
Future operations – time restricted	189,462	408,641
Endowment:		
Original gift value to be held in perpetuity	572,610	572,610
Unappropriated endowment earnings	<u>82,644</u>	<u>27,371</u>
Total	\$ <u>886,246</u>	<u>1,129,290</u>

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 2022, 2021, and 2020, the Organization received awards of \$249,533, \$241,402 and \$236,860, respectively, for the fourth, 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 a grant award \$258,222 in 2024. 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.

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

Revenues with donor restrictions received during the years ended June 30, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Future operations	\$ 547,361	622,296
Capital projects	16,200	111
Teacher sponsorship	70,000	70,000
Case manager	—	38,000
Literacy Fund	—	10,000
Endowment contribution	—	74,500
Endowment earnings (loss)	<u>55,273</u>	<u>(91,211)</u>
Total	\$ <u>688,834</u>	<u>723,696</u>

Net assets released from donor restrictions by incurring expenses or by otherwise satisfying restrictions during the years ended June 30, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Future operations	\$ 766,540	611,061
Capital projects	18,153	12,063
Teacher sponsorship	108,494	65,637
Case manager	35,098	46,323
Literacy Fund	1,014	1,053
Therapy capital improvements and sessions	1,880	86
Family support – COVID-19	699	2,486
Endowment earnings utilized	<u>—</u>	<u>44,865</u>
Total	\$ <u>931,878</u>	<u>783,574</u>

(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, 2023 and 2022, the Organization contributed \$11,845 and \$8,024, 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 28, 2023, the date the financial statements were available to be issued.