CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Financial Statements

June 30, 2021

(With Independent Auditors' Report Thereon)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

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JACOBY AND HANDLEY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

We have audited the accompanying financial statements of the Childcare Resources of Indian River, Inc., which comprise the statement of financial position as of June 30, 2021, 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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matter

The prior year summarized comparative information presented herein has been derived from the Organization's June 30, 2020 financial statements, which were audited by another auditor who expressed an unmodified opinion of those statements on November 12, 2020.

JACOBY AND HANDLEY, PLLC

November 1, 2021

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Statement of Financial Position

June 30, 2021
(with summarized information as of June 30, 2020)

Assets		**2021**	**2020**
Current assets:			
Cash and cash equivalents	$	1,065,920	951,874
Grants receivable (note 10)		225,000	187,774
Accounts receivable		293,141	160,029
Prepaid expenses		10,296	9,126
Total current assets		1,594,357	1,308,803
Endowment investments (note 5)		661,557	536,006
Assets held for capital projects (note 6)		13,905	22,612
Property and equipment, net (note 7)		1,359,646	1,432,340
Other assets		12,783	13,319
Total assets	$	3,642,248	3,313,080
Liabilities and Net Assets			
Current liabilities:			
Notes payable to bank (note 8)		236,700	236,700
Accounts payable and accrued expenses		127,165	72,922
Prepaid tuition fees and deposits		19,419	15,537
Deferred revenues		–	2,000
Total current liabilities		383,284	327,159
Commitments (note 11)			
Net assets:			
Without donor restrictions		2,069,796	2,010,278
With donor restrictions (note 10)		1,189,168	975,643
Total net assets		3,258,964	2,985,921
Total liabilities and net assets	$	3,642,248	3,313,080

See accompanying notes to financial statements.

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Statement of Activities

Year ended June 30, 2021
(with summarized information for the year ended June 30, 2020)

		Without Donor Restrictions	With Donor Restrictions	All Funds Combined 2021	All Funds Combined 2020
Revenues and other support:					
Contributions	$	787,235	155,720	942,955	957,549
Grants (notes 9 and 10)		726,561	509,723	1,236,284	633,728
Endowment		–	1,000	1,000	–
Capital campaign		–	12	12	188
Program fees		320,702	–	320,702	288,454
Special events, net of direct costs of $6,501 and $51,382, respectively		145,912	–	145,912	147,792
Lease revenue		11,400	–	11,400	12,000
Investment income		626	124,551	125,177	30,121
		1,992,436	791,006	2,783,442	2,069,832
Net assets released from donor restrictions (note 10)		577,481	(577,481)	–	–
Total revenues and other support		2,569,917	213,525	2,783,442	2,069,832
Expenses and losses:					
Program services:					
Child care		325,617	–	325,617	289,431
Education Center		1,597,323	–	1,597,323	1,484,253
Family support		65,065	–	65,065	46,447
Outreach		126,914	–	126,914	99,412
Total program services		2,114,919	–	2,114,919	1,919,543
Supporting services:					
Management and general		170,658	–	170,658	153,051
Fund raising		224,653	–	224,653	129,457
Total supporting services		395,311	–	395,311	282,508
Total expenses		2,510,230	–	2,510,230	2,202,051
Loss on disposal of fixed assets		169	–	169	86
Total expenses and losses		2,510,399	–	2,510,399	2,202,137
Change in net assets		59,518	213,525	273,043	(132,305)
Net assets at beginning of year		2,010,278	975,643	2,985,921	3,118,226
Net assets at end of year	$	2,069,796	1,189,168	3,258,964	2,985,921

See accompanying notes to financial statements.

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Statement of Functional Expenses

Year ended June 30, 2021
(with summarized information for the year ended June 30, 2020)

		Program Services				
		Childcare	Education Center	Family Support	Outreach	Total
Salaries	$	54,438	900,819	45,007	48,791	1,049,055
Employee benefits		897	4,363	557	569	6,386
Payroll taxes		3,913	64,744	3,235	3,507	75,399
Health insurance		4,291	101,022	4,005	4,577	113,895
Total employee expenses		63,539	1,070,948	52,804	57,444	1,244,735
Advertising and marketing		–	325	–	–	325
Center costs		255,168	–	–	–	255,168
Contract services		–	7,320	–	–	7,320
Dues and subscriptions		260	4,295	215	233	5,003
Fees		–	–	–	–	–
Insurance		1,123	35,696	1,033	684	38,536
Meeting support and supplies		622	–	–	–	622
Education Center supplies		–	116,316	–	–	116,316
Other		–	4,055	36	–	4,091
Postage		–	–	–	–	–
Printing and publications		–	2,304	332	138	2,774
Professional development		–	5,465	–	67,868	73,333
Professional fees		–	–	–	–	–
Psychological support		–	–	4,800	–	4,800
Rent		2,531	163,273	2,842	–	168,646
Repairs and maintenance		294	54,316	331	–	54,941
Supplies		–	900	538	534	1,972
Telephone		16	11,030	18	–	11,064
Travel		13	234	12	13	272
Utilities		204	13,181	230	–	13,615
Volunteer recognition		178	–	–	–	178
		323,948	1,489,658	63,191	126,914	2,003,711
Depreciation		1,669	107,665	1,874	–	111,208
Total expenses	$	325,617	1,597,323	65,065	126,914	2,114,919

See accompanying notes to financial statements.

	Supporting Services			Totals	
	Management and General	Fund Raising	Total	**2021**	**2020**
$	76,973	164,072	241,045	1,290,100	1,138,201
	611	1,700	2,311	8,697	7,945
	5,532	11,792	17,324	92,723	82,438
	6,654	9,990	16,644	130,539	115,760
	89,770	187,554	277,324	1,522,059	1,344,344
	363	14,212	14,575	14,900	1,109
	–	–	–	255,168	229,872
	–	–	–	7,320	–
	367	782	1,149	6,152	2,917
	3,619	–	3,619	3,619	6,611
	6,336	2,947	9,283	47,819	28,670
	–	–	–	622	5,768
	–	–	–	116,316	78,238
	358	–	358	4,449	9,994
	475	475	950	950	2,240
	4,942	9,982	14,924	17,698	15,019
	–	–	–	73,333	68,287
	17,473	–	17,473	17,473	33,058
	–	–	–	4,800	4,640
	21,514	4,536	26,050	194,696	191,235
	2,505	528	3,033	57,974	41,950
	6,860	–	6,860	8,832	5,817
	132	28	160	11,224	10,094
	20	43	63	335	1,543
	1,737	366	2,103	15,718	16,097
	–	209	209	387	125
	156,471	221,662	378,133	2,381,844	2,097,628
	14,187	2,991	17,178	128,386	104,423
$	170,658	224,653	395,311	2,510,230	2,202,051

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Statement of Cash Flows

Year ended June 30, 2021
(with summarized information for the year ended June 30, 2020)

		2021	2020
Cash flows from operating activities:			
Change in net assets	$	273,043	(132,305)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Contributions restricted to capital projects		(27,874)	(24,188)
Contributions restricted for endowment		(1,000)	–
Endowment earnings		(124,551)	(18,564)
Depreciation expense		128,386	104,423
Loss on disposal of fixed asset		169	86
(Increase) decrease in:			
Grants receivable		(37,226)	340,643
Accounts receivable		(133,112)	(35,101)
Prepaid expenses		(1,170)	4,148
Other assets		536	(5,720)
Increase (decrease) in:			
Accounts payable and accrued expenses		8,828	6,091
Prepaid tuition fees and deferred revenues		1,882	(1,488)
Net cash provided by operating activities		87,911	238,025
Cash flows from investing activities:			
Cash received from endowment		–	17,836
Cash invested in endowment		(1,000)	–
Purchase of property and equipment		(10,446)	(471,395)
Net cash used by investing activities		(11,446)	(453,559)
Cash flows financing activities:			
Proceeds from note payable to bank		–	236,700
Contributions received and restricted for capital projects		28,512	415,400
Contributions restricted to endowment		1,000	–
Net cash provided by financing activities		29,512	652,100
Net increase in cash, cash equivalents and restricted cash		105,977	436,566
Cash, cash equivalents, and restricted cash at beginning of year		961,086	524,520
Cash, cash equivalents, and restricted cash at end of year	$	1,067,063	961,086

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

See accompanying notes to financial statements.

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

June 30, 2021

(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:

<u>Net assets without donor restrictions</u> – 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.

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

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

(b) Basis of Accounting

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

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

(c) Revenue Recognition

Contributions and promises to give - All contributions/donations are considered available for unrestricted use unless specifically restricted by the donor. Contributions/donations are considered restricted if a donor imposes a restriction that may be satisfied by the passage of time or the actions of the Organization. A permanently restricted contribution/donation stipulates that the contribution/donation be maintained permanently but may allow the organization to use all 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.

In May 2014, the Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), in the Accounting Standards Codification (ASC). ASC 606 supersedes the prior revenue recognition requirements (codified as ASC 605, *Revenue Recognition*). ASC 606 established 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. In doing so, companies need to use more judgment and make more estimates than under prior guidance. Judgments include identifying performance obligations in the contract, estimating the amount of consideration to include in the transaction price, and allocating the transaction price to each performance obligation.

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CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

The Organization adopted the requirements of the new guidance as of July 1, 2020 utilizing the full retrospective method of transition. As a part of the adoption of ASC 606, the Organization elected to use the following transition practical expedients: (i) completed contracts that begin and end in the same annual reporting period have not been restated; and (ii) the Organization used the known transaction price for completed contracts. 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 general minimal. For these reasons, there is not a significant impact as a result of electing these transition practical expedients.

The Organization adopted 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)*, in 2021 on a modified prospective basis to existing and new agreements. The guidance includes clarification on whether a transfer of assets is a non-exchange contribution or an exchange transaction. The adoption of Topic 958 did not significantly impact the Organization's revenues.

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, 2021 and 2020 were $19,419 and $17,537, 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 $1,143 and $9,212 as of June 30, 2021 and 2020.

(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.

(Continued)

(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).

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, 2021 and 2020, 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.

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

(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.

(i) Property and Equipment

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

(j) Income Taxes

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

The Organization's income tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are 2018 to 2021.

(k) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(l) Functional Allocation of Expenses

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

(m) Contributed Materials, Services and Facilities

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

(Continued)

(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, 2020, from which the summarized information was derived.

(3) Risks and Uncertainties

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

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

(4) Liquidity and Availability of Resources

The following represents the Organization's financial assets available as resources as of June 30, 2021 and 2020.

		2021	2020
Financial assets:			
Cash and cash equivalents	$	1,065,920	951,874
Grants receivable		225,000	187,774
Accounts receivable		293,141	160,029
Endowment spending-rate distributions		22,000	21,100
Total financial assets		1,606,061	1,320,777
Less amounts not available to be used for general expenditures		–	–
Financial assets available to meet general expenditures during the next twelve months	$	1,606,061	1,320,777

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)

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, 2021 and 2020.

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

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

The following table summarizes activity in the endowment fund's Level 3 pooled funds during the years ended June 30, 2021 and 2020:

		2021	2020
Balance as of beginning of year	$	536,006	535,278
Contributions received		1,000	–
Investment earnings during the year		124,551	18,564
Distributions to operations		–	(17,836)
Total investments as of end of year	$	661,557	536,006

Conditional Pledges

As of June 30, 2021, 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, 2021 and 2020:

		2021	2020
Cash	$	1,143	9,212
Pledges receivable, net		12,762	13,400
Total assets held for capital projects	$	13,905	22,612

Unconditional promises to give associated with the Organization's capital campaign as of June 30, 2021 and 2020 consisted of the following:

		2021	2020
Gross amounts due within one year	$	12,895	13,545
Less unamortized discounts		(133)	(145)
Net promises to give – capital campaign	$	12,762	13,400

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, 2021 and 2020, property and equipment consisted of the following:

		2021	2020
Building and improvements	$	30,496	30,496
Leasehold improvements		1,483,262	1,456,381
Furniture and equipment		401,470	381,567
		1,915,228	1,868,444
Less accumulated depreciation		555,582	436,104
	$	1,359,646	1,432,340

Depreciation expense for the years ended June 30, 2021 and 2020 amounted to $128,386 and $104,423, respectively.

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

(8) Notes Payable to Bank

Line of Credit

On April 1, 2020, the Organization established a note payable to bank under a line of credit arrangement providing for total available borrowings of up to $100,000 and interest at the prime rate (3.25% as of June 30, 2021 and 2020) plus 1.98%. As of June 30, 2021 and 2020, the balance outstanding was $-0-.

Paycheck Protection Program (PPP) Loan

On April 25, 2020, in consideration of economic uncertainties related to the outbreak of COVID-19, the Organization obtained a PPP loan provided by the Small Business Administration totaling $236,700. The promissory note bears interest at 1% and provides for monthly payments of $13,150 plus interest beginning November 15, 2020 through April 15, 2022, unless forgiven in accordance with the provisions of the CARES Act. The Organization also obtained an Economic Disaster Injury Loan grant of $10,000, which has been included in the accompanying statements of activities as grant revenues during the year ended June 30, 2020.

Ultimate disposition of the PPP loan is subject to FASB's ASC Topic 470, whereby a loan may be extinguished either by payment to the creditor or by legal release from such payment as the debtor. Should the Organization's application for forgiveness be accepted upon filing, which is anticipated during 2021, the loan balance and any related accrued interest will be derecognized at that time. Management anticipates the PPP loan will be fully forgiven. See note 13.

(9) Grants and Contracts Without Restrictions

Grants and contracts revenues without restrictions during the years ended June 30, 2021 and 2020 were as follows:

		2021	2020
Indian River County Children in Centers	$	290,428	173,317
Indian River County Community and Family Services		102,796	–
Indian River County Professional Development		20,200	61,344
Indian River County Psychological Service		1,920	2,860
Indian River County Conscious Discipline		–	7,873
Indian River County Hospital District Wellness Program		65,269	57,384
USDA – food services		78,890	57,566
United Way of Indian River County Children in Centers		–	(16,132)
U.S. SBA EIDL Advance – see note 8		–	10,000
Other grants		167,058	67,742
Total	$	726,561	421,954

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

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

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

Effective October 1, 2020, the Organization received notification of Indian River County Hospital District grant award of $60,237 for a wellness and early intervention program for the year ending September 30, 2021. Effective October 1, 2019, the Organization received notification of Indian River County Hospital District grant award of $73,522 for a wellness and early intervention program for the year ending September 30, 2020. The Organization reflects these grant revenues as they are earned.

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

(10) Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2021 and 2020 are available for the following specific purposes:

		2021	2020
Specific purpose:			
Capital projects	$	13,905	22,612
Teacher sponsorship		58,975	53,219
Case manager		46,660	–
Therapy sessions		5,506	6,126
Family support – COVID-19		5,159	2,288
Summer tuition		–	53
Passage of time:			
Future operations – time restricted		397,406	355,339
Endowment:			
Original gift value to be held in perpetuity		498,110	497,110
Unappropriated endowment earnings		163,447	38,896
Total	$	1,189,168	975,643

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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. During 2020, the Organization received an award of \$236,860 for the second year under the grant, providing for program operations. The grant provides for certain performance measures and therefore, the Organization is expected to receive the remaining balance with grant awards of \$241,402 in 2022, \$249,533 in 2023, and \$258,222 in 2024.

Revenues with donor restrictions received during the years ended June 30, 2021 and 2020 were as follows:

		2021	2020
Future operations	$	503,861	187,774
Capital projects		27,874	27,413
Teacher sponsorship		70,000	95,000
Case manager		49,000	–
Family support – COVID-19		14,720	3,000
Endowment contribution		1,000	–
Endowment earnings		124,551	18,564
Total	$	791,006	331,751

Net assets released from donor restrictions by incurring expenses or by otherwise satisfying restrictions during the years ended June 30, 2021 and 2020 were as follows:

		2021	2020
Future operations	$	461,794	402,852
Capital projects		36,581	433,873
Teacher sponsorship		64,244	97,764
Case manager		2,340	–
Summer tuition		53	–
Therapy capital improvements and sessions		620	2,421
Family support – COVID-19		11,849	712
Endowment earnings utilized		–	17,836
Total	$	577,481	955,458

(11) Leases

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

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CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

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

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

The Organization received a contribution of support whereby the above lease terms are considered less than the relative fair market value of the leases. Accordingly, the Organization reflected contribution revenue and rent expense of $128,000 for the years ended June 30, 2021 and 2020 in the accompanying statement of activities.

Future minimum lease payments under non-cancellable operating leases for the above facility lease and certain equipment leases as of June 30, 2021 are as follows:

2022	$	38,594
2023		36,890
2024		36,890
2025		36,890
2026		16,020
Thereafter		43,733
	$	209,017

Total rental expense amounted to $67,641 and $67,382, including common area maintenance charges of $32,070 and $30,163, for the years ended June 30, 2021 and 2020, respectively.

The Organization subleases a portion of its facilities under a year-to-year lease, with an automatic renewal in November of each year, for $1,000 per month. During the years ended June 30, 2021 and 2020, the Organization received sublease revenue of $11,400 and $12,000, respectively.

(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, 2021 and 2020, the Organization contributed $8,697 and $7,944, 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.

(Continued)

CHILDCARE RESOURCES OF INDIAN RIVER, INC.

Notes to Financial Statements

(13) Subsequent Events

In preparing these financial statements, management has evaluated subsequent events and transactions for potential disclosure through November 1, 2021, the date the financial statements were available to be issued.

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, leaving $4,192 owed to the bank.

On September 22, 2021, the Organization received the additional 2021/2022 grant award of $241,402 of the 5-year grant for its early childhood education program. See note 10.

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.

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.