LUCY DANIELS CENTER FOR EARLY CHILDHOOD
dba LUCY DANIELS CENTER

FINANCIAL STATEMENTS

for the year ended August 31, 2020

LUCY DANIELS CENTER FOR EARLY CHILDHOOD
dba LUCY DANIELS CENTER

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Langdon & Company LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Lucy Daniels Center for Early Childhood
dba Lucy Daniels Center

We have audited the accompanying financial statements of Lucy Daniels Center for Early Childhood dba Lucy Daniels Center (the "Center"), which comprise the statement of financial position as of August 31, 2020, 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 from 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lucy Daniels Center for Early Childhood dba Lucy Daniels Center as of August 31, 2020, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Center adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities* (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited Lucy Daniels Center for Early Childhood dba Lucy Daniels Center's 2019 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 5, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Langdon & Company LLP

Garner, North Carolina
February 3, 2021

LUCY DANIELS CENTER FOR EARLY CHILDHOOD
dba LUCY DANIELS CENTER

STATEMENT OF FINANCIAL POSITION

as of August 31, 2020
with comparative totals as of August 31, 2019

ASSETS	2020	(Restated) 2019
Current assets:		
Cash and cash equivalents	$ 1,231,656	$ 1,109,305
Investments	35,260	17,730
Accounts receivable:		
Family Guidance Services	127,751	115,855
Tuition (less allowance of $4,681 and $13,037, respectively)	28,751	38,545
Contracts and other	21,853	41,885
Notes receivable, current (less allowance of $14,606 and $13,688, repectively)	82,854	74,593
Grants receivable	145,339	85,400
Prepaid expense	23,272	28,554
Total current assets	1,696,736	1,511,867
Fixed assets:		
Building and building improvements	1,460,988	1,457,151
Land	2,070,000	2,070,000
Office equipment	39,953	39,953
Computer equipment	14,183	13,047
Classroom equipment	102,561	102,561
Media center	8,453	8,453
	3,696,138	3,691,165
Less accumulated depreciation	287,683	244,795
	3,408,455	3,446,370
Other assets:		
Notes receivable (less allowance of $5,216 and $7,223, respectively)	40,942	31,760
Restricted cash	115,634	115,634
Restricted investments	99,205	99,205
Total other assets	255,781	246,599
Total assets	$ 5,360,972	$ 5,204,836

LIABILITIES AND NET ASSETS	2020	(Restated) 2019
Current liabilities:		
Accounts payable	$ 51,629	$ 30,768
Deferred revenue	25,896	108,714
Accrued payroll and related expenses	101,903	79,771
Total current liabilities	179,428	219,253
Noncurrent liabilities:		
PPP loans payable	368,300	-
Total noncurrent liabilities	368,300	-
Total liabilities	547,728	219,253
Net assets:		
Without donor restrictions:		
Undesignated	4,106,897	4,389,555
Designated by the board for building reserve	81,895	55,519
	4,188,792	4,445,074
With donor restrictions:		
Purpose restricted	352,503	287,025
Restricted in perpetuity	214,839	214,839
Unappropriated appreciation of endowment funds	57,110	38,645
	624,452	540,509
Total net assets	4,813,244	4,985,583
Total liabilities and net assets	$ 5,360,972	$ 5,204,836

The accompanying notes are an integral part of the financial statements.

LUCY DANIELS CENTER FOR EARLY CHILDHOOD
dba LUCY DANIELS CENTER

STATEMENT OF ACTIVITIES

for the year ended August 31, 2020
with comparative totals for August 31, 2019

	2020			(Restated) 2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Public support and revenue:				
Public support:				
Contributions	$ 38,741	$ 33,527	$ 72,268	$ 40,960
Grants	546,073	214,000	760,073	704,773
Fund raising events:				
Fund raising event revenue	179,717	-	179,717	147,512
Less: direct expenses	(129,221)	-	(129,221)	(74,997)
In-kind contributions	86,531	-	86,531	59,202
Total public support	721,841	247,527	969,368	877,450
Revenue:				
Tuition	528,411	-	528,411	508,297
Contract services	171,948	-	171,948	180,006
Direct service fees	884,188	-	884,188	955,951
Investment earnings	10,106	18,464	28,570	18,968
Miscellaneous	3,861	-	3,861	10,436
Total revenue	1,598,514	18,464	1,616,978	1,673,658
Net assets released from restrictions	182,048	(182,048)	-	-
Total public support and revenue	2,502,403	83,943	2,586,346	2,551,108
Expenses:				
Program services:				
School	668,924	-	668,924	562,797
Family Guidance	804,155	-	804,155	914,082
Smart Start	498,658	-	498,658	430,643
Circle of Security Pilot	182,108	-	182,108	188,000
Other program	161,856	-	161,856	135,083
Total program services	2,315,701	-	2,315,701	2,230,605
Supporting services:				
Management and general	324,303	-	324,303	277,399
Fundraising	118,681	-	118,681	82,918
Total supporting services	442,984	-	442,984	360,317
Total expenses	2,758,685	-	2,758,685	2,590,922
Change in net assets	(256,282)	83,943	(172,339)	(39,814)
Net assets, beginning of year as previously reported	4,512,099	473,484	4,985,583	5,025,397
Cumulative effect of correction of error	(67,025)	67,025	-	-
Net assets, beginning of year, as restated	4,445,074	540,509	4,985,583	5,025,397
Net assets, end of year	$ 4,188,792	$ 624,452	$ 4,813,244	$ 4,985,583

The accompanying notes are an integral part of the financial statements.

LUCY DANIELS CENTER FOR EARLY CHILDHOOD
dba LUCY DANIELS CENTER

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended August 31, 2020
with comparative totals for August 31, 2019

	2020										2019
	Program Services						Supporting Services				
	School	Family Guidance	Smart Start	Circle of Security Pilot	Other Program	Total Program Services	Management and General	Fundraising	Total Supporting Services	Grand Total	Grand Total
Salaries and wages	$499,629	$578,222	$337,074	$ 121,896	$124,463	$1,661,284	$ 141,044	$ 57,428	$ 198,472	$1,859,756	$ 1,735,846
Employee benefits	53,758	60,895	51,788	12,718	10,468	189,627	22,169	5,185	27,354	216,981	194,840
Payroll taxes	37,992	44,711	25,842	8,502	9,568	126,615	9,422	4,608	14,030	140,645	138,543
Contracted services	32,531	51,670	17,966	27,435	4,966	134,568	12,816	502	13,318	147,886	156,571
Office expense	12,242	46,125	24,627	5,206	2,243	90,443	8,749	9,688	18,437	108,880	96,783
Occupancy	8,754	8,933	4,825	1,156	1,709	25,377	4,276	2,687	6,963	32,340	39,718
Insurance	502	518	284	84	100	1,488	22,283	50	22,333	23,821	21,090
Professional services	-	-	-	-	-	-	85,345	-	85,345	85,345	73,816
Travel	-	-	29,586	2,637	4,431	36,654	50	-	50	36,704	57,935
Depreciation	11,609	11,847	6,398	1,533	2,266	33,653	5,672	3,563	9,235	42,888	42,892
Advertising	650	484	-	-	-	1,134	3,387	32,441	35,828	36,962	4,115
Miscellaneous	11,257	750	268	941	1,642	14,858	9,090	2,529	11,619	26,477	28,773
Total expenses	$668,924	$804,155	$498,658	$ 182,108	$161,856	$2,315,701	$ 324,303	$ 118,681	$ 442,984	$2,758,685	$ 2,590,922

The accompanying notes are an integral part of the financial statements.

LUCY DANIELS CENTER FOR EARLY CHILDHOOD
dba LUCY DANIELS CENTER

STATEMENT OF CASH FLOWS

for the year ended August 31, 2020
with comparative totals for August 31, 2019

	2020	2019
Cash flows from operating activities:		
Cash received from contributors, grantors and special events	$ 822,898	$ 968,156
Cash received from clients and third-party payors	1,498,195	1,678,231
Cash paid to employees and suppliers	(2,573,109)	(2,510,056)
Interest and dividends received	13,549	27,891
Net cash (used in) provided by operating activities	(238,467)	164,222
Cash flows from investing activities:		
Purchases of equipment	(4,973)	(11,504)
Purchases of investments	(2,509)	(6,620)
Sales of investments	-	13,766
Net cash used in investing activities	(7,482)	(4,358)
Cash flows from financing activities:		
PPP loan proceeds	368,300	-
Net cash provided by financing activities	368,300	-
Net increase in cash and cash equivalents	122,351	159,864
Cash and cash equivalents at beginning of year	1,224,939	1,065,075
Cash and cash equivalents at end of year	$ 1,347,290	$ 1,224,939
Reconciliation to statement of financial position:		
Cash and cash equivalents	$ 1,231,656	$ 1,109,305
Restricted cash	115,634	115,634
	$ 1,347,290	$ 1,224,939

The accompanying notes are an integral part of the financial statements.

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Lucy Daniels Center for Early Childhood dba Lucy Daniels Center (the "Center') is a nonprofit children's mental health center. Established in 1989, the Center provides education and clinical services to children through age 11 and their families through several programs:

1) A school (including a day treatment component) for children with emotional problems,
2) Comprehensive evaluations, counseling, and other psychological and medical services for children up to age 11 and their parents,
3) An in-home guidance service for low-income children up to age five, offered in conjunction with Wake County SmartStart,
4) An evidence-informed parenting program for at-risk parents, funded by Circle of Security, and
5) A wide range of professional and parental education programs.

The Center's funding is primarily from school tuition, program service fees, and private grants.

Basis of Presentation

The accompanying financial statements are presented in accordance with the accrual basis of accounting whereby revenue is recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers cash in the bank and all unrestricted highly liquid investments with an initial maturity date of three months or less to be cash equivalents. The Center maintains its cash accounts with various financial institutions which, at times, may exceed the federally insured limit of $250,000. The Center has not experienced any losses in such accounts.

Receivables

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Center provides for losses in accounts receivable using the allowance method. Provision for doubtful accounts is primarily estimated based on cash collection analyses by payor and age of the account. Accounts receivable are written off after collection efforts have been pursued in accordance with the Center's policies and procedures.

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Receivables *(Continued)*

Grants Receivable

Grants receivable, due in subsequent years are reported at the present value of their net realizable value using a risk adjusted discount rate. All are expected to be collected; thus, no allowance for doubtful accounts is necessary at August 31, 2020 and 2019. The balance of grants receivable as of August 31, 2020 was related to two grantors, and August 31, 2019 was related to one grantor.

Notes Receivable

Notes receivable consist of unpaid balances of deferred tuition financing arrangements for students who are still enrolled in school, less an allowance for doubtful accounts. These notes are due in monthly installments over 18 months, which begin one month after the student leaves the school. The Center provides for losses in notes receivable using the allowance method. Provision for doubtful accounts is primarily estimated based on cash collection analyses by payor and age of the account. Notes receivable are written off after collection efforts have been pursued in accordance with the Center's policies and procedures.

Fixed Assets

Property and equipment are recorded at cost if purchased or at estimated fair value at the date of the gift, if donated, less accumulated depreciation. Maintenance and repairs are expensed as incurred. Gains or losses on dispositions are included in the statement of activities. Purchases of $1,000 or more are capitalized and depreciated using the straight-line method over the estimated useful lives, which range from 5 – 40 years.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Paycheck Protection Program ("PPP")

Funds received pursuant to PPP under Division A, Title I of the CARES Act, enacted March 27, 2020, have been recorded as debt. Interest will be recorded at the stated interest rate of 1%. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The debt will be considered extinguished and a gain will be recorded once the Foundation has been "legally released" as the primary obligor.

1. <u>OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> *(Continued)*

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Change in Accounting Principles

During 2020, the Center adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Accounting Standards Codification ("ASC") Topic 606 outlines a single model to account for revenue arising from contracts with customers and supersedes most current revenue recognition guidance on the same topic. The core principle is the recognition of contract revenue from customers when an entity transfers promised goods or services in an amount that reflects the consideration an entity expects to receive in exchange for those goods or services. Additionally, ASC Topic 606 requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Center adopted Topic 606 as amended with retrospective application to the prior periods as noted below.

Tuition-related nonrefundable deposits are now recognized as revenue ratably, as services are provided. Prior to adoption of ASC Topic 606, they were recognized as revenue as received.

The 2019 financial statements have been restated to be in accordance with the provisions of Topic 606. The adjustment was applied to all contracts that were not complete as of the date of initial application, resulting in a $59,894 increase to deferred revenue and a corresponding decrease to change in net assets and net assets without donor restrictions.

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Change in Accounting Principles *(Continued)*

The following tables summarize the retroactive effects of adopting ASC 606.

	2019 As Reported	Effect of Adoption	2019 As Adjusted
Statement of Financial Position			
Deferred revenue	$ 48,820	$ 59,894	$ 108,714
Net assets	5,045,477	(59,894)	4,985,583
Statement of Activities			
Tuition revenue	568,191	(59,894)	508,297
Change in net assets	20,080	(59,894)	(39,814)

	Without Donor Restrictions	With Donor Restrictions	Total
August 31, 2019 - as reported	$ 4,571,993	$ 473,484	$ 5,045,477
Cumulative effect adjustment of ASC Topic 606 on September 1, 2019	(59,894)	-	(59,894)
August 31, 2019 - as adjusted	$ 4,512,099	$ 473,484	$ 4,985,583

During 2020, the Center also adopted ASU 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance related to two accounting issues: (1) how to distinguish reciprocal (exchange) transactions from nonreciprocal (contributions) transactions, and (2) how to determine whether a contribution is conditional or unconditional. The change in accounting principle was adopted retrospectively in 2020. Under this method, the Center determined there was no impact upon adoption to beginning net assets without donor restrictions or beginning net assets with donor restrictions as of September 1, 2019.

The presentation and disclosures of revenue have been enhanced in accordance with these standards.

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue Recognition

Contributions, Grants and Special Event Revenue

Contributions, grants and special event receipts are recorded as support with donor restrictions or support without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Center reports contributions with donor-imposed restrictions that are met in the same accounting period as support without restrictions. Forty-seven percent and forty-six percent of public support reflected in the statement of activities for the years ended August 31, 2020 and August 31, 2019, was from one grantor, respectively.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value using a risk adjusted discount rate. As of August 31, 2020, the Center's grant commitments that are conditional upon incurring allowable expenditures in the agreement are approximately $315,835.

Donated Goods, Services and Materials

Donated goods, services and materials are recorded at their estimated fair market values at the date of donation and are reflected as in-kind contribution revenue in the accompanying statement of activities. The Center recognizes the fair value of contributed services received if such services 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 contributed. The Center received various donated services of $86,531 and $59,202 for the years ended August 31, 2020 and August 31, 2019, respectively.

Volunteers and members of the community perform various services for the Center. These services are significant and form an integral part of the efforts of the Center but do not meet the criteria for recognition as contributed services.

Revenue from Contracts with Customers

The recognition and measurement of revenue is based on the assessment of individual contract terms. Significant judgment is required to determine whether performance obligations are satisfied at a point in time or over time and how to allocate transaction prices where multiple performance obligations are identified. Revenue from contracts with customers is disaggregated by type of the Statement of Activities for the year ended August 31, 2020 and 2019.

1. <u>OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> *(Continued)*

<u>Revenue Recognition</u> *(Continued)*

Tuition Revenue

The Center recognizes revenue from student tuition during the year in which the related services are provided to students. The performance obligation of delivering educational services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the academic year. Contracts for tuition are combined into a single portfolio of similar contracts. All amounts received prior to the commencement of the academic year, including enrollment deposits, are deferred to the applicable period. Scholarships provided to students are recorded as a reduction from the posted tuition at the same time revenue is recognized.

Contract Services Revenue

Contract revenue is recorded when earned.

Direct Service Fee Revenue

Fees from students, clients and third-party payors for services rendered are reported at the estimated net realizable amounts. The Center provides services to clients primarily covered under various private insurance contracts. Services are also provided to some clients covered under the North Carolina Medicaid Program through Alliance Behavioral Healthcare (“Alliance”), a managed care organization. Amounts not covered by insurance arrangements (self-pay) comprise revenue for services provided to uninsured students, insurance copays and deductibles, as well as noncovered services and fees. Private insurance payment arrangements include prospectively determined rates. However, the contracts provide for certain adjustments to current year payment rates based on industry-wide and entity specific data. Additionally, revenue from Alliance is subject to audit and retroactive adjustment. Provisions for estimated third-party settlements are provided in the period the related services are rendered.

Deferred Revenue

Tuition paid in advance is deferred to the academic year to which it relates. Due to the nature and timing of performance and/or transfer of services, substantially all contract liabilities at August 31 of each year are recognized in the following year.

The following table provides information about significant changes in contract liabilities for the year ended August 31, 2020:

	2020	**(Restated) 2019**
Deferred tuition, beginning of year	$ 108,714	$ 94,140
Revenue recognized that was included in deferred tuition at the beginning of year	(108,714)	(94,140)
Increase in deferred tuition due to cash received during the year	25,896	108,714
Deferred tuition, end of year	$ 25,896	$ 108,714

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue Recognition *(Continued)*

The Center assesses certain economic factors and the potential for significant changes in those economic factors and its impact on the nature, amount, timing and uncertainty of revenue and cash flows. These factors have been assessed and management feels they have limited impact on the performance of the Center.

Advertising

The Center uses advertising to promote its programs and to attract job candidates. The costs of advertising are expensed as incurred. Advertising costs totaled $36,962 and $4,115 for the years ended August 31, 2020 and August 31, 2019, respectively.

Functional Classification of Expense

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Expenditures not directly attributable to specific programs or support services are allocated to program or supporting services by the Center's management based on what it considers to be the best available objective criteria, such as hours worked or relative benefit. Salaries and wages, employee benefits, and payroll taxes are allocated according to budget, which is based on prior year actual time spent. Occupancy and depreciation expense is allocated based on square footage. The majority of remaining expenses are directly coded to the related program or supporting service as incurred.

Income Taxes

The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the IRS as a publicly supported organization. During the years ended August 31, 2020 and August 31, 2019, the Center did not have income subject to taxation as unrelated business income.

The Center evaluates any uncertain tax positions. Accordingly, the Center's policy is to record a liability for any tax position taken that is beneficial to the Center, including any related interest and penalties, when it is more likely than not the position of management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management does not believe any significant income tax uncertainties exist as of August 31, 2020 or 2019.

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Accordingly, actual results could differ from those estimates.

Comparative Totals

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended August 31, 2019, from which the summarized information was derived.

Reclassifications

Certain items in the 2019 financial statements have been reclassified to conform to the 2020 presentation. Change in net assets of the Organization previously reported for 2019 was not affected by these reclassifications.

Prior Period Adjustment

Net assets with donor restrictions at September 1, 2019 has been adjusted for the addition of $67,025 of restricted contributions for Outdoor Learning Environment. The effect of the correction was to increase net asset with donor restrictions and decrease net assets without donor restrictions by the same amount.

2. LIQUIDITY AND AVAILABILITY

The Center's working capital and cash flows vary throughout the year due to timing of cash receipts and fees for services provided. Additionally, the Center's endowment funds consist of donor-restricted endowments. Income from these endowments is restricted for specific purposes and, therefore, not available for general expenditure as noted below. As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Center invests cash in excess of daily requirements in money market accounts and other short-term investments. The board designates a portion of any operating surplus to its building reserve, which was $81,895 and $55,519 as of August 31, 2020 and 2019, respectively. This is a fund established by the governing board that may be drawn upon in the event of an immediate liquidity need.

The following reflects the Center's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

2. LIQUIDITY AND AVAILABILITY *(Continued)*

	2020	(Restated) 2019
Financial assets at year-end:		
Cash and cash equivalents	$ 1,231,656	$ 1,109,305
Investments	35,260	17,730
Accounts receivable:		
Family Guidance Services	127,751	115,855
Tuition	28,751	38,545
Contracts and other	21,853	41,885
Notes receivable	82,854	74,593
Grants receivable	145,339	85,400
Total financial assets	1,673,464	1,483,313
Less amounts not available to be used within one year:		
Designated by the Board for building reserve	81,895	55,519
Donor-restricted for purpose	352,503	287,025
Unappropriated appreciation of endowment fund	57,110	38,645
	491,508	381,189
Financial assets available to meet general expenditures within one year	$ 1,181,956	$ 1,102,124

3. INVESTMENTS

Investments are stated at fair value and consist of primarily mutual funds. Fair values and unrealized appreciation at August 31, 2020 and 2019 is summarized as follows:

	2020	2019
Fair Market Value:		
Mutual funds:		
World large stock	$ 122,625	$ 106,655
Closed-end convertible fund	11,840	10,280
Total investments	$ 134,465	$ 116,935
Cost Basis:		
Mutual funds:		
World large stock	$ 91,153	$ 88,644
Closed-end convertible fund	19,397	19,569
Total investments	$ 110,550	$ 108,213
Unrealized appreciation	$ 23,915	$ 8,722

3. INVESTMENTS *(Continued)*

Investment income consists of the following as of August 31, 2020 and 2019:

	2020	2019
Interest and dividends	$ 13,549	$ 27,890
Net unrealized and realized gains (losses)	15,021	(8,922)
	$ 28,570	$ 18,968

The following schedule summarizes the investment income and its classification in the statement of activities as of August 31, 2020 and 2019:

Without donor restrictions	$ 10,106	$ 18,399
With donor restrictions	18,464	569
	$ 28,570	$ 18,968

4. ENDOWMENTS

The Center's endowment consists of two donor-restricted endowments that support particular programs or types of expenditures. The Center follows the Uniform Prudent Management of Institutional Funds Act of 1972 (UPMIFA) and its own governing documents. UPMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UPMIFA.

The Board of Directors has determined that the majority of the Center's contributions are subject to the terms of its governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Center. Under the terms of the Center's governing documents, the Board of Directors has the ability to distribute so much of the original principal of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. As a result of the ability to distribute the original principal, all contributions not classified as restricted are classified as net assets without donor restrictions for financial statement purposes.

Investment Return Objectives, Risk Parameters and Strategies - The Center has adopted investment and spending policies, approved by the Board of Directors, for endowments assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Center's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is 5%, net of investment fees. Actual returns in any given year may vary from this amount. To satisfy its long-term rate of return objectives, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Center targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

4. ENDOWMENTS *(Continued)*

Spending Policy - The current spending policy is to not make any distributions.

From time to time, individual donor-restricted endowment funds may have fair values less than the amount required by donors or UPMIFA (underwater endowments). While the Center has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law, the Center's internal policies have been not to spend. There were no such deficiencies of this nature reported in net assets with donor restrictions at August 31, 2020 and 2019.

Endowment net assets composition by type of endowment as of August 31, 2020 and 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
August 31, 2020			
Tucker endowment fund:			
Original donor-restricted gift in perpetuity	$ -	$ 115,634	$ 115,634
Accumulated investment gains	-	10,271	10,271
Capital campaign endowment fund:			
Original donor-restricted gift in perpetuity	-	99,205	99,205
Accumulated investment gains	-	46,839	46,839
Total Endowment Funds	$ -	$ 271,949	$ 271,949
August 31, 2019			
Tucker endowment fund:			
Original donor-restricted gift in perpetuity	$ -	$ 115,634	$ 115,634
Accumulated investment gains	-	10,183	10,183
Capital campaign endowment fund:			
Original donor-restricted gift in perpetuity	-	99,205	99,205
Accumulated investment gains	-	28,462	28,462
Total Endowment Funds	$ -	$ 253,484	$ 253,484

4. ENDOWMENTS *(Continued)*

Changes in endowment net assets for the year ended August 31, 2020 and 2019 are as follows:

	Without Donor Restricted	With Donor Restricted	Total Endowment Net Assets
Endowment Net Assets, August 31, 2018	$ -	$ 252,915	$ 252,915
Investment income	-	9,491	9,491
Net depreciation	-	(8,922)	(8,922)
Endowment Net Assets, August 31, 2019	$ -	$ 253,484	$ 253,484
Investment income	-	3,444	3,444
Net appreciation	-	15,021	15,021
Endowment Net Assets, August 31, 2020	$ -	$ 271,949	$ 271,949

5. FAIR VALUE MEASUREMENTS

Financial assets are valued using level 1 inputs based on unadjusted quoted market prices within active markets. Level 2 inputs are those inputs that are observable, either directly or indirectly, for the assets or liability other than quoted market prices included in level 1. Level 3 inputs are unobservable and apply only when there is little or not market activity for the asset or liability. There were no changes in the valuation techniques during the current year.

The Center recognized transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no significant transfers between levels in the years ended August 31, 2020 and 2019.

Fair values for assets measured on a recurring basis at August 31, 2020 and 2019 is as follows:

August 31, 2020		**Fair Value Measurements at Reporting Date Using**		
	Fair Value	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Mutual funds:				
World large stock	$ 122,625	$ 122,625	$ -	$ -
Closed-end convertible fund□	11,840	11,840	-	-
	$ 134,465	$ 134,465	$ -	$ -

5. FAIR VALUE MEASUREMENTS *(Continued)*

August 31, 2019

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
World large stock	$ 106,655	$ 106,655	$ -	$ -
Closed-end convertible fund	10,280	10,280	-	-
	$ 116,935	$ 116,935	$ -	$ -

6. PAYCHECK PROTECTION PROGRAM (PPP)

In May 2020, the Center was granted a loan in the amount of $368,300 under the Paycheck Protection Program (‘PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The loan, which was in the form of a note dated May 2020, issued by the borrower, matures May 2022 and bears interest at a rate of 1% per annum, payable in monthly installments which commence on December 18, 2020. The Paycheck Protection Program Flexibility Act of 2020 (Flexibility Act) extended the deferral period for borrower payments of principal, interest, and fees on all PPP loans to the date that the Small Business Administration (SBA) remits the borrower’s loan forgiveness amount to the lender (or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower’s loan forgiveness covered period). In August 2020, the note issued by the lender was modified to reflect this change. As a result, the accompanying financial statements have been presented in accordance with the modified terms of the note. Thus, the earliest monthly installments of $53,498 will likely be required to commence will be October 2021.

The note may be prepaid by the borrower at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used to for payroll costs, costs used to continue group health care benefits, mortgage interest payments, rent, utilities, and interest on other debt obligations incurred after February 15, 2020. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as previously described. The Center used the entire loan for qualifying expenses and has applied for forgiveness subsequent to year-end.

The full balance of the PPP loan matures in 2022.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at August 31, 2020 and 2019 are available for the following purposes or the following periods:

	2020	(Restated) 2019
Restricted for purpose:		
Circle of Security Pilot Program	$ 253,701	$ 220,000
Outdoor Learning Environment	77,090	67,025
STEM programs	21,712	-
Unappropriated appreciation of endowment funds	57,110	38,645
	409,613	325,670
Restricted in perpetuity:		
Tucker endowment fund	115,634	115,634
Capital Campaign endowment fund	99,205	99,205
	214,839	214,839
	$ 624,452	$ 540,509

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended August 31, 2020 and 2019:

	2020	2019
Subject to expenditure for specified purpose:		
Circle of Security Pilot Program	$ 180,298	$ 188,000
John Rex - Places and Spaces	-	34,223
STEM programs	1,750	
Other	-	271
	$ 182,048	$ 222,494

8. EMPLOYEE BENEFIT PLAN

The Center provides a retirement plan pursuant to Section 403(b) of the Internal Revenue Code for substantially all of its employees. The Center made no contributions to the Plan during the years ended August 31, 2020 and 2019.

9. RELATED PARTY TRANSACTIONS

The Center received donated professional services from the spouse of the Executive Director, that served through early August 2019, totaling $16,154 during the year ended August 31, 2019.

10. GOVERNING BOARD DESIGNATIONS

The Center's governing board has designated, from net assets without donor restrictions, $81,895 and $55,519 for a building reserve as August 31, 2020 and August 31, 2019, respectively.

11. CONTINGENCY

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Center is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Center's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Center's employees and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Center's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 3, 2021, the date which the financial statements were available for issue.