

**LUCY DANIELS CENTER FOR EARLY CHILDHOOD
dba LUCY DANIELS CENTER**

FINANCIAL STATEMENTS

for the year ended August 31, 2019

**LUCY DANIELS CENTER FOR EARLY CHILDHOOD
dba LUCY DANIELS CENTER**

INDEX TO FINANCIAL STATEMENTS

	<u>Page(s)</u>
Independent Auditor's Report	1 – 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 16



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, 2019, 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, 2019, 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 ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Langdon & Company LLP

Garner, North Carolina
February 5, 2020

LUCY DANIELS CENTER FOR EARLY CHILDHOOD
dba LUCY DANIELS CENTER

STATEMENT OF FINANCIAL POSITION

as of August 31, 2019

ASSETS		LIABILITIES AND NET ASSETS	
Current assets:		Current liabilities:	
Cash and cash equivalents	\$ 1,109,305	Accounts payable	\$ 30,768
Investments	17,730	Deferred revenue	48,820
Accounts receivable:		Accrued payroll and related expenses	79,771
Family Guidance Services	115,855	Total current liabilities	<u>159,359</u>
Tuition (less allowance of \$13,037)	38,545		
Contracts and other	41,885	Net assets:	
Notes receivable, current (less allowance of \$13,688)	74,593	Without donor restrictions:	
Grants receivable	85,400	Undesignated	4,516,474
Prepaid expense	28,554	Designated by the board for building reserve	55,519
Total current assets	<u>1,511,867</u>	Total net assets	<u>4,571,993</u>
Fixed assets:		With donor restrictions:	
Building and building improvements	1,457,151	Purpose restricted	220,000
Land	2,070,000	Restricted in perpetuity	214,839
Office equipment	39,953	Unappropriated appreciation of endowment funds	38,645
Computer equipment	13,047	Total net assets	<u>473,484</u>
Classroom equipment	102,561		
Media center	8,453		
	<u>3,691,165</u>		
Less accumulated depreciation	<u>244,795</u>		
	<u>3,446,370</u>		
Other assets:			
Notes receivable (less allowance of \$7,223)	31,760		
Restricted cash	115,634		
Restricted investments	99,205		
Total other assets	<u>246,599</u>		
Total assets	<u>\$ 5,204,836</u>	Total liabilities and net assets	<u>\$ 5,204,836</u>

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, 2019

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Public support and revenue:			
Public support:			
Contributions	\$ 40,960	\$ -	\$ 40,960
Grants	474,773	230,000	704,773
Fund raising events:			
Fund raising event revenue	147,512	-	147,512
Less: direct expenses	(74,997)	-	(74,997)
In-kind contributions	59,202	-	59,202
Total public support	<u>647,450</u>	<u>230,000</u>	<u>877,450</u>
Revenue:			
Tuition	568,191	-	568,191
Contract services	180,006	-	180,006
Direct service fees	955,951	-	955,951
Investment earnings	18,399	569	18,968
Miscellaneous	10,436	-	10,436
Total revenue	<u>1,732,983</u>	<u>569</u>	<u>1,733,552</u>
Net assets released from restrictions	<u>222,494</u>	<u>(222,494)</u>	<u>-</u>
Total public support and revenue	<u>2,602,927</u>	<u>8,075</u>	<u>2,611,002</u>
Expenses:			
Program services:			
School	562,797	-	562,797
Family Guidance	914,082	-	914,082
Smart Start	430,643	-	430,643
Circle of Security Pilot	188,000	-	188,000
Other program	135,083	-	135,083
Total program services	<u>2,230,605</u>	<u>-</u>	<u>2,230,605</u>
Supporting services:			
Management and general	277,399	-	277,399
Fundraising	82,918	-	82,918
Total supporting services	<u>360,317</u>	<u>-</u>	<u>360,317</u>
Total expenses	<u>2,590,922</u>	<u>-</u>	<u>2,590,922</u>
Change in net assets	12,005	8,075	20,080
Net assets, beginning of year	<u>4,559,988</u>	<u>465,409</u>	<u>5,025,397</u>
Net assets, end of year	<u>\$ 4,571,993</u>	<u>\$ 473,484</u>	<u>\$ 5,045,477</u>

*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, 2019

	<u>Program Services</u>					<u>Total Program Services</u>	<u>Supporting Services</u>			<u>Grand Total</u>
	<u>School</u>	<u>Family Guidance</u>	<u>Smart Start</u>	<u>Circle of Security Pilot</u>	<u>Other Program</u>		<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries and wages	\$400,621	\$659,098	\$295,187	\$ 97,501	\$106,892	\$1,559,299	\$ 116,735	\$ 59,812	\$ 176,547	\$1,735,846
Employee benefits	51,486	83,483	22,078	5,944	3,962	166,953	17,345	10,542	27,887	194,840
Payroll taxes	31,430	51,564	23,084	7,639	8,377	122,094	11,742	4,707	16,449	138,543
Contracted services	31,037	34,472	22,568	53,869	396	142,342	13,475	754	14,229	156,571
Office expense	13,917	51,042	13,122	4,094	2,131	84,306	9,077	3,400	12,477	96,783
Occupancy	12,097	14,297	3,444	1,190	2,104	33,132	5,123	1,463	6,586	39,718
Insurance	420	508	126	2,387	74	3,515	17,525	50	17,575	21,090
Professional services	-	-	-	8,858	-	8,858	64,958	-	64,958	73,816
Travel	-	-	46,717	2,360	8,751	57,828	107	-	107	57,935
Depreciation	12,868	15,441	3,860	1,286	2,145	35,600	5,576	1,716	7,292	42,892
Miscellaneous	8,921	4,177	457	2,872	251	16,678	15,736	474	16,210	32,888
Total expenses	<u>\$562,797</u>	<u>\$914,082</u>	<u>\$430,643</u>	<u>\$ 188,000</u>	<u>\$135,083</u>	<u>\$2,230,605</u>	<u>\$ 277,399</u>	<u>\$ 82,918</u>	<u>\$ 360,317</u>	<u>\$2,590,922</u>

*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, 2019

Cash flows from operating activities:	
Cash received from contributors, grantors and special events	\$ 968,156
Cash received from clients and third-party payors	1,678,231
Cash paid to employees and suppliers	(2,510,056)
Interest and dividends received	<u>27,891</u>
Net cash provided by operating activities	<u>164,222</u>
Cash flows from investing activities:	
Purchases of equipment	(11,504)
Purchases of investments	(6,620)
Sales of investments	<u>13,766</u>
Net cash used in investing activities	<u>(4,358)</u>
Net increase in cash and cash equivalents	159,864
Cash and cash equivalents at beginning of year	<u>1,065,075</u>
Cash and cash equivalents at end of year	<u>\$ 1,224,939</u>

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

**LUCY DANIELS CENTER FOR EARLY CHILDHOOD
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NOTES TO 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.

LUCY DANIELS CENTER FOR EARLY CHILDHOOD
dba LUCY DANIELS CENTER

NOTES TO FINANCIAL STATEMENTS

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, 2019. The entire balance of grants receivable as of 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.

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.

LUCY DANIELS CENTER FOR EARLY CHILDHOOD
dba LUCY DANIELS CENTER

NOTES TO FINANCIAL STATEMENTS

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-six percent of public support reflected in the statement of activities for the year ended August 31, 2019, was from one grantor.

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. When a restriction expires, 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.

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.

Tuition Revenue

Tuition revenue is recognized as earned over the school year. Amounts received before services are rendered are recorded as deferred revenue.

Contract Services Revenue

Contract revenue is recorded when earned.

**LUCY DANIELS CENTER FOR EARLY CHILDHOOD
dba LUCY DANIELS CENTER**

NOTES TO FINANCIAL STATEMENTS

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

Revenue Recognition (Continued)

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 \$59,202 for the year ended August 31, 2019.

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.

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 \$4,115 for the year ended August 31, 2019.

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 year ended August 31, 2019, the Center did not have income subject to taxation as unrelated business income.

LUCY DANIELS CENTER FOR EARLY CHILDHOOD
dba LUCY DANIELS CENTER

NOTES TO FINANCIAL STATEMENTS

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

Income Taxes (Continued)

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, 2019.

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.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update 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. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

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, liability 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 \$55,519 as of August 31, 2019. 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.

LUCY DANIELS CENTER FOR EARLY CHILDHOOD
dba LUCY DANIELS CENTER

NOTES TO FINANCIAL STATEMENTS

2. LIQUIDITY AND AVAILABILITY (Continued)

Financial assets at year-end:	
Cash and cash equivalents	\$ 1,109,305
Investments	17,730
Accounts receivable:	
Family Guidance Services	115,855
Tuition	38,545
Contracts and other	41,885
Notes receivable	74,593
Grants receivable	85,400
Total financial assets	<u>1,483,313</u>
Less amounts not available to be used within one year:	
Designated by the Board for building reserve	55,519
Donor-restricted for purpose	220,000
Unappropriated appreciation of endowment fund	38,645
	<u>314,164</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,169,149</u>

3. INVESTMENTS

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

Fair Market Value:	
Mutual funds:	
World large stock	\$ 106,655
Closed-end convertible fund	<u>10,280</u>
Total investments	<u>\$ 116,935</u>
Cost Basis:	
Mutual funds:	
World large stock	\$ 88,644
Closed-end convertible fund	<u>19,569</u>
Total investments	<u>\$ 108,213</u>
Unrealized appreciation	<u>\$ 8,722</u>

LUCY DANIELS CENTER FOR EARLY CHILDHOOD
dba LUCY DANIELS CENTER

NOTES TO FINANCIAL STATEMENTS

3. INVESTMENTS (Continued)

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

Interest and dividends	\$ 27,890
Net unrealized and realized gains	<u>(8,922)</u>
	<u>\$ 18,968</u>

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

Without donor restrictions	\$ 18,399
With donor restrictions	<u>569</u>
	<u>\$ 18,968</u>

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 Trustees 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 Trustees 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.

LUCY DANIELS CENTER FOR EARLY CHILDHOOD
dba LUCY DANIELS CENTER

NOTES TO FINANCIAL STATEMENTS

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, 2019.

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

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
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

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

	Without Donor Restrictions	With Donor Restrictions	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

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 year ended August 31, 2019.

LUCY DANIELS CENTER FOR EARLY CHILDHOOD
dba LUCY DANIELS CENTER

NOTES TO FINANCIAL STATEMENTS

5. FAIR VALUE MEASUREMENTS (Continued)

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

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

6. NET ASSETS WITH DONOR RESTRICTIONS

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

Restricted for purpose:		
Circle of Security Pilot Program		\$ 220,000
Unappropriated appreciation of endowment funds		38,645
		<u>258,645</u>
Restricted in perpetuity:		
Tucker endowment fund		115,634
Capital Campaign endowment fund		99,205
		<u>214,839</u>
		<u>\$ 473,484</u>

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 year ended August 31, 2019:

Subject to expenditure for specified purpose:		
Circle of Security Pilot Program		\$ 188,000
John Rex - Places and Spaces		34,223
Other		271
		<u>\$ 222,494</u>

LUCY DANIELS CENTER FOR EARLY CHILDHOOD
dba LUCY DANIELS CENTER

NOTES TO FINANCIAL STATEMENTS

7. 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 year ended August 31, 2019.

8. 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.

9. GOVERNING BOARD DESIGNATIONS

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

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 5, 2020, the date which the financial statements were available for issue.