LUCY DANIELS CENTER FOR EARLY CHILDHOOD
dba LUCY DANIELS CENTER

FINANCIAL STATEMENTS

for the year ended August 31, 2022

LUCY DANIELS CENTER FOR EARLY CHILDHOOD
dba LUCY DANIELS CENTER

INDEX TO FINANCIAL STATEMENTS

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

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of August 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Center adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Lucy Daniels Center for Early Childhood dba Lucy Daniels Center's 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated February 2, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Langdon & Company LLP

Garner, North Carolina
March 27, 2023

LUCY DANIELS CENTER FOR EARLY CHILDHOOD
dba LUCY DANIELS CENTER

STATEMENT OF FINANCIAL POSITION

as of August 31, 2022
with comparative totals as of August 31, 2021

ASSETS

	2022	2021
Current assets:		
Cash and cash equivalents	$ 925,162	$ 919,167
Investments	37,498	70,036
Accounts receivable:		
Family Guidance Services (less allowance of $43,825 and $70,188, respectively)	102,258	165,720
Tuition (less allowance of $2,051 and $1,872, respectively)	22,363	16,851
Other	8,857	1,458
Notes receivable, current (less allowance of $14,310 and $15,354, repectively)	28,915	38,311
Grants receivable	171,734	192,622
Contracts receivable	60,305	11,507
Prepaid expense	26,605	42,031
Total current assets	1,383,697	1,457,703
Non-current and other assets:		
Property, plant, and equipment, net	3,466,345	3,414,581
Notes receivable (less allowance of $4,103 and $4,052, respectively)	12,423	24,805
Restricted cash	116,634	116,634
Restricted investments	99,205	99,205
Total other assets	3,694,607	3,655,225
Total assets	$5,078,304	$5,112,928

LIABILITIES AND NET ASSETS

	2022	2021
Current liabilities:		
Accounts payable	$ 41,541	$ 29,475
Deferred revenue	98,015	120,397
Accrued payroll and related expenses	85,752	81,790
Total current liabilities	225,308	231,662
Net assets:		
Without donor restrictions:		
Undesignated	4,240,603	4,238,576
Designated by the Board for building reserve	77,446	77,656
	4,318,049	4,316,232
With donor restrictions:		
Time restricted	125,000	125,000
Purpose restricted	143,155	141,662
Restricted in perpetuity	215,839	215,839
Unappropriated appreciation of endowment funds	50,953	82,533
	534,947	565,034
Total net assets	4,852,996	4,881,266
Total liabilities and net assets	$5,078,304	$5,112,928

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, 2022
with comparative totals for August 31, 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Public support and revenue:				
Public support:				
Contributions	$ 54,998	$ 7,500	$ 62,498	$ 75,873
Grants	686,390	346,848	1,033,238	825,630
Fund raising events:				
Fund raising event revenue	72,655	-	72,655	9,013
Less: direct expenses	(17,400)	-	(17,400)	(3,655)
In-kind contributions	33,526	-	33,526	24,398
Total public support	830,169	354,348	1,184,517	931,259
Revenue:				
Tuition	478,970	-	478,970	212,340
Contract services	205,116	-	205,116	171,184
Direct service fees	918,077	-	918,077	995,988
Investment (losses) earnings	2,947	(31,580)	(28,633)	36,195
Gain on extinguishment of debt (Paycheck Protection Program loan)	-	-	-	368,300
Miscellaneous	7,632	-	7,632	1,479
Total revenue	1,612,742	(31,580)	1,581,162	1,785,486
Net assets released from restrictions	352,855	(352,855)	-	-
Total public support and revenue	2,795,766	(30,087)	2,765,679	2,716,745
Expenses:				
Program services:				
School	545,323	-	545,323	501,495
Family Guidance	896,195	-	896,195	884,614
Smart Start	547,258	-	547,258	485,301
Circle of Security	174,660	-	174,660	214,854
Other program	140,883	-	140,883	157,003
Total program services	2,304,319	-	2,304,319	2,243,267
Supporting services:				
Management and general	330,085	-	330,085	271,095
Fundraising	159,545	-	159,545	134,361
Total supporting services	489,630	-	489,630	405,456
Total expenses	2,793,949	-	2,793,949	2,648,723
Change in net assets	1,817	(30,087)	(28,270)	68,022
Net assets, beginning of year	4,316,232	565,034	4,881,266	4,813,244
Net assets, end of year	$ 4,318,049	$ 534,947	$4,852,996	$4,881,266

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, 2022
with comparative totals for August 31, 2021

	2022										2021
	Program Services						Supporting Services				
	School	Family Guidance	Smart Start	Circle of Security	Other Program	Total Program Services	Management and General	Fundraising	Total Supporting Services	Grand Total	Grand Total
Salaries and wages	$424,300	$662,575	$358,303	$119,291	$100,278	$1,664,747	$ 139,877	$ 58,722	$ 198,599	$1,863,346	$1,791,753
Employee benefits	43,948	51,000	65,219	5,541	8,502	174,210	28,321	6,426	34,747	208,957	178,482
Payroll taxes	32,260	47,886	27,493	8,535	7,903	124,077	11,140	4,153	15,293	139,370	137,905
Contracted services	3,783	48,865	13,274	25,960	5,039	96,921	22,728	5,318	28,046	124,967	107,886
Office expense	12,562	51,786	35,191	4,831	2,528	106,898	13,799	5,838	19,637	126,535	106,640
Occupancy	11,953	14,026	8,344	1,891	2,544	38,758	4,202	1,585	5,787	44,545	35,435
Insurance	152	215	142	1,333	37	1,879	32,645	17	32,662	34,541	27,704
Professional services	-	-	-	4,087	-	4,087	70,939	-	70,939	75,026	81,997
Travel	-	-	22,591	914	10,433	33,938	423	-	423	34,361	34,468
Depreciation and amortization	13,165	18,567	12,230	2,145	3,172	49,279	4,157	1,462	5,619	54,898	43,129
Advertising	133	133	1,133	-	-	1,399	-	53,950	53,950	55,349	53,043
Miscellaneous	3,067	1,142	3,338	132	447	8,126	1,854	22,074	23,928	32,054	50,281
Total expenses	$545,323	$896,195	$547,258	$174,660	$140,883	$2,304,319	$ 330,085	$ 159,545	$ 489,630	$2,793,949	$2,648,723

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, 2022
with comparative totals for August 31, 2021

	2022	2021
Cash flows from operating activities:		
Cash received from contributors, grantors and special events	$ 1,171,879	$ 490,278
Cash received from clients and third-party payors	1,610,945	1,854,878
Cash paid to employees and suppliers	(2,674,073)	(2,609,809)
Interest and dividends received	14,077	3,396
Net cash provided by (used in) operating activities	122,828	(261,257)
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(106,661)	(49,255)
Purchases of investments	(10,172)	(1,977)
Net cash used in investing activities	(116,833)	(51,232)
Cash flows from financing activities:		
Contributions restricted for endowment	-	1,000
Net cash provided by financing activities	-	1,000
Net increase (decrease) in cash and cash equivalents	5,995	(311,489)
Cash and cash equivalents at beginning of year	1,035,801	1,347,290
Cash and cash equivalents at end of year	$ 1,041,796	$ 1,035,801
Non-cash financing activities:		
PPP loan forgiveness	$ -	$ 368,300
Reconciliation to statement of financial position:		
Cash and cash equivalents	$ 925,162	$ 919,167
Restricted cash	116,634	116,634
	$ 1,041,796	$ 1,035,801

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.

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.

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)*

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.

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, 2022 and 2021. At August 31, 2022 and 2021, the majority of grants receivable was related to two grantors and three grantors, respectively.

Contracts Receivable – Contracts receivable are stated at unpaid balances, less an allowance for doubtful accounts. All are expected to be collected; thus, no allowance for doubtful accounts is necessary at August 31, 2022 and 2021. At August 31, 2022 and 2021, the majority of contracts receivable was related to one contractor.

Property, Plant, and Equipment

Property, plant, 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.

Paycheck Protection Program ("PPP")

Funds received pursuant to PPP under Division A, Title I of the CARES Act, enacted March 27, 2020, were initially recorded as debt for the year ended August 31, 2020. Under the terms of the PPP, certain loan amounts may be forgiven if they are used for qualifying expenses, as described in the CARES Act. The PPP loan was forgiven during the year ended August 31, 2021, and the Center recognized a gain on extinguishment of debt in the accompanying statement of activities.

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-imposed restrictions. As discussed in Note 7, the governing board has designated, from net assets without donor restrictions, certain amounts for a building reserve.

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

Net Assets *(Continued)*

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.

Revenue Recognition

Contributions, Grants, and Special Event Revenue

Contributions, grants, and special event revenue 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. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, 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, 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. Approximately 43% and 52% of public support reflected in the statement of activities for the years ended August 31, 2022 and 2021, was from one grantor.

The Center received funding through various grantors for the years ended August 31, 2022 and 2021 which were conditional upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Center has incurred expenditures in compliance with specific contract and grant provisions. As of August 31, 2022 and 2021, the Center’s grant commitments that are conditional upon incurring allowable expenditures in the agreement are approximately $1,219,361 and $449,208, respectively.

Donated Goods, Services, and Materials

During 2022, the Center adopted Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The adoption of this standard related to the Center’s in-kind contributions in the accompanying statement of activities. Analysis of various provisions of this standard resulted in no significant changes in the way the Center presents contributed nonfinancial assets on the statement of activities. The contributed nonfinancial asset disclosures have been enhanced in accordance with this standard.

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

Revenue Recognition *(Continued)*

Donated Goods, Services, and Materials (Continued)

The Center received the following donated services for the year ending:

	2022	2021
Donated PP&E	$ 12,786	$ -
Donated mentor services	20,740	24,398
	$ 33,526	$ 24,398

All contributed nonfinancial assets are utilized by the Center. There are no restrictions for contributed nonfinancial assets.

Donated services are utilized in the Center's programs, primarily Family Guidance, and are valued through the current rates for similar services and/or fair market value as provided by the donor. 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.

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.

Donations of marketable securities are monetized promptly upon receipt.

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, 2022 and 2021.

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.

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

Revenue Recognition ***(Continued)***

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 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.

Contract Services Revenue

Contract services revenue is recognized over time as performance obligations (monthly services) are rendered.

Direct Service Fees Revenue

Fees from students, clients and third-party payors for services rendered are reported at the estimated net realizable amounts, and revenue is recognized as the performance obligations are satisfied (point in time). 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.

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.

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

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 $55,350 and $53,043 for the years ended August 31, 2022 and 2021, 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, 2022 and 2021, 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, 2022 or 2021.

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, 2021, from which the summarized information was derived.

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

Reclassifications

Certain items in the 2021 financial statements have been reclassified to conform to the 2022 presentation. Change in net assets of the Center previously reported for 2021 was not affected by these reclassifications.

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 $77,446 and $77,656 as of August 31, 2022 and 2021, 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 or board designations within one year of the statement of financial position date.

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	$ 925,162	$ 919,167
Investments	37,498	70,036
Accounts receivable:		
Family Guidance Services	102,258	165,720
Tuition	22,363	16,851
Other	8,857	1,458
Notes receivable	28,915	38,311
Grants receivable	171,734	192,622
Contracts receivable	60,305	11,507
Total financial assets	1,357,092	1,415,672
Less amounts not available to be used within one year:		
Designated by the Board for building reserve	77,446	77,656
Donor-restricted for purpose	143,155	141,662
Unappropriated appreciation of endowment fund	50,953	82,533
	271,554	301,851
Financial assets available to meet general expenditures within one year	$1,085,538	$1,113,821

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Valuations based on unadjusted quoted market prices within active markets for identical assets and liabilities at the reporting date. The Center considers all its investments to be level 1.

Level 2 – Valuations based on inputs that are observable, either directly or indirectly, for the assets or liabilities other than quoted prices included in level 1.

Level 3 – Valuations based on inputs are unobservable and apply only when there is little or no market activity for the asset or liability.

The Center recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended August 31, 2022 and 2021.

Fair values for assets measured on a recurring basis at August 31, 2022 and 2021 are as follows:

		Fair Value Measurements at Reporting Date Using		
August 31, 2022	**Fair Value**	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments held at fair value:				
Mutual funds:				
World large stock	$ 125,183	$ 125,183	$ -	$ -
Closed-end convertible fund	11,520	11,520	-	-
	$ 136,703	$ 136,703	$ -	$ -
August 31, 2021	**Fair Value**	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments held at fair value:				
Mutual funds:				
World large stock	$ 153,741	$ 153,741	$ -	$ -
Closed-end convertible fund	15,500	15,500	-	-
	$ 169,241	$ 169,241	$ -	$ -

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS *(Continued)*

Investment income consists of the following as of August 31, 2022 and 2021:

	2022	2021
Interest and dividends	$ 14,077	$ 3,396
Net unrealized and realized (losses) gains	(42,710)	32,799
	$ (28,633)	$ 36,195

4. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consisted of the following at August 31, 2022 and 2021:

	2022	2021
Land	$2,070,000	$2,070,000
Building and building improvements	1,584,390	1,465,238
Classroom equipment	73,943	73,943
Office equipment	43,783	39,953
Computer equipment	22,327	15,339
Intangible website	20,541	-
Media center	8,453	8,453
Construction in progress	-	43,850
	3,823,437	3,716,776
Less accumulated depreciation and amortization	357,092	302,195
	$3,466,345	$3,414,581

5. 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.

5. ENDOWMENTS *(Continued)*

Investment Return Objectives, Risk Parameters and Strategies – The Center has adopted investment and spending policies, approved by the Board of Directors, for endowment 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.

Spending Policy – The current spending policy is to distribute amounts up to accumulated investment earnings, as approved by the Board of Directors.

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, 2022 and 2021.

Endowment net assets composition by type of endowment as of August 31, 2022 and 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
August 31, 2021			
Tucker endowment fund:			
Original donor-restricted gift in perpetuity	$ -	$ 116,634	$ 116,634
Accumulated investment gains	-	-	-
Capital campaign endowment fund:			
Original donor-restricted gift in perpetuity	-	99,205	99,205
Accumulated investment gains	-	82,533	82,533
Total Endowment Funds	$ -	$ 298,372	$ 298,372
August 31, 2022			
Tucker endowment fund:			
Original donor-restricted gift in perpetuity	$ -	$ 116,634	$ 116,634
Accumulated investment gains	-	-	-
Capital campaign endowment fund:			
Original donor-restricted gift in perpetuity	-	99,205	99,205
Accumulated investment gains	-	50,953	50,953
Total Endowment Funds	$ -	$ 266,792	$ 266,792

5. ENDOWMENTS *(Continued)*

Changes in endowment net assets for the year ended August 31, 2022 and 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment Net Assets, August 31, 2020	$ -	$ 271,949	$ 271,949
Investment income	-	2,860	2,860
Contributions	-	1,000	1,000
Net appreciation	-	32,799	32,799
Appropriated for expenditure	-	(10,236)	(10,236)
Endowment Net Assets, August 31, 2021	$ -	$ 298,372	$ 298,372
Investment income	-	11,130	11,130
Contributions	-	-	-
Net depreciation	-	(42,710)	(42,710)
Appropriated for expenditure	-	-	-
Endowment Net Assets, August 31, 2022	$ -	$ 266,792	$ 266,792

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at August 31, 2022 and 2021 are available for the following purposes or the following periods:

	2022	2021
Restricted for purpose:		
Circle of Security	$ 66,143	$ 50,418
Outdoor Learning Environment	35,249	54,907
STEM programs	21,712	21,712
Anti-Racism	10,750	14,625
Other	9,301	-
Unappropriated appreciation of endowment funds	50,953	82,533
	194,108	224,195
Restricted for time	125,000	125,000
Restricted in perpetuity:		
Tucker endowment fund	116,634	116,634
Capital Campaign endowment fund	99,205	99,205
	215,839	215,839
	$534,947	$565,034

6. NET ASSETS WITH DONOR RESTRICTIONS *(Continued)*

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, 2022 and 2021:

Subject to expenditure for time or specified purpose:	2022	2021
Time	$150,000	$ 25,000
Circle of Security	161,624	203,283
Outdoor Learning Environment	32,157	47,183
Anti-Racism	3,875	375
Other	5,199	-
Scholarships	-	10,236
	$352,855	$286,077

7. GOVERNING BOARD DESIGNATIONS

The Center's governing board has designated, from net assets without donor restrictions, $77,446 and $77,656 for a building reserve at August 31, 2022 and 2021, respectively.

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, 2022 and 2021.

9. CONTINGENCIES

The continued global pandemic in 2020 has created substantial volatility in financial markets and the economy, including geographical areas in which the Center operates. While the Center has mitigated the financial impact to its business, it is unknown how long these conditions will last and what the complete financial effect will be to the Center. Accordingly, there could be further negative impact to operations, the extent to which will depend on future developments, which are highly uncertain and cannot be predicted, and as such cannot be determined.

The Center is in the process of applying for the Employer Retention Credit (ERC), a credit against certain payroll taxes allowed to an eligible employer for qualifying wages. This program was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). Laws and regulations concerning government programs, including the ERC are complex and subject to varying interpretations.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 27, 2023, the date which the financial statements were available for issue.