

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

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**FINANCIAL STATEMENTS**

**for the year ended August 31, 2021**

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

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**Langdon & Company** <sup>LLP</sup>  
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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

***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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited Lucy Daniels Center for Early Childhood dba Lucy Daniels Center's 2020 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 3, 2021. 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.

*Langston & Company LLP*

Garner, North Carolina  
February 2, 2022

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

**STATEMENT OF FINANCIAL POSITION**

**as of August 31, 2021**  
**with comparative totals as of August 31, 2020**

	<b>ASSETS</b>			<b>LIABILITIES AND NET ASSETS</b>	
	<b>2021</b>	<b>2020</b>		<b>2021</b>	<b>2020</b>
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 919,167	\$ 1,231,656	Accounts payable	\$ 29,475	\$ 51,629
Investments	70,036	35,260	Deferred revenue	120,397	25,896
Accounts receivable:			Accrued payroll and related expenses	81,790	101,903
Family Guidance Services	165,720	127,751	Total current liabilities	231,662	179,428
Tuition (less allowance of \$1,872 and \$4,681, respectively)	16,851	28,751			
Contracts and other	12,965	21,853	Noncurrent liabilities:		
Notes receivable, current			PPP loans payable	-	368,300
(less allowance of \$15,354, and \$14,606, respectively)	38,311	82,854	Total noncurrent liabilities	-	368,300
Grants receivable	192,622	145,339			
Prepaid expense	42,031	23,272	Total liabilities	231,662	547,728
Total current assets	1,457,703	1,696,736	Net assets:		
Fixed assets:			Without donor restrictions:		
Building and building improvements	1,465,238	1,460,988	Undesignated	4,238,576	4,106,897
Land	2,070,000	2,070,000	Designated by the board for building reserve	77,656	81,895
Office equipment	39,953	39,953	Total	4,316,232	4,188,792
Computer equipment	15,339	14,183	With donor restrictions:		
Classroom equipment	73,943	102,561	Time restricted	125,000	-
Media center	8,453	8,453	Purpose restricted	141,662	352,503
Construction in progress (CIP)	43,850	-	Restricted in perpetuity	215,839	214,839
	3,716,776	3,696,138	Unappropriated appreciation of endowment funds	82,533	57,110
Less accumulated depreciation	302,195	287,683	Total	565,034	624,452
	3,414,581	3,408,455	Total net assets	4,881,266	4,813,244
Other assets:			Total liabilities and net assets	\$ 5,112,928	\$ 5,360,972
Notes receivable (less allowance of \$4,052 and \$5,216, respectively)	24,805	40,942			
Restricted cash	116,634	115,634			
Restricted investments	99,205	99,205			
Total other assets	240,644	255,781			
Total assets	\$ 5,112,928	\$ 5,360,972			

*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, 2021**  
**with comparative totals for August 31, 2020**

	2021			2020
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Public support and revenue:				
Public support:				
Contributions	\$ 70,873	\$ 5,000	\$ 75,873	\$ 72,268
Grants	639,630	186,000	825,630	760,073
Fund raising events:				
Fund raising event revenue	9,013	-	9,013	179,717
Less: direct expenses	(3,655)	-	(3,655)	(129,221)
In-kind contributions	24,398	-	24,398	86,531
Total public support	<u>740,259</u>	<u>191,000</u>	<u>931,259</u>	<u>969,368</u>
Revenue:				
Tuition	212,340	-	212,340	528,411
Contract services	171,184	-	171,184	171,948
Direct service fees	995,988	-	995,988	884,188
Investment earnings	536	35,659	36,195	28,570
Gain on extinguishment of debt (Paycheck Protection Program loan)	368,300	-	368,300	-
Miscellaneous	1,479	-	1,479	3,861
Total revenue	<u>1,749,827</u>	<u>35,659</u>	<u>1,785,486</u>	<u>1,616,978</u>
Net assets released from restrictions	<u>286,077</u>	<u>(286,077)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>2,776,163</u>	<u>(59,418)</u>	<u>2,716,745</u>	<u>2,586,346</u>
Expenses:				
Program services:				
School	501,495	-	501,495	668,924
Family Guidance	884,614	-	884,614	804,155
Smart Start	485,301	-	485,301	498,658
Circle of Security Pilot	214,854	-	214,854	182,108
Other program	157,003	-	157,003	161,856
Total program services	<u>2,243,267</u>	<u>-</u>	<u>2,243,267</u>	<u>2,315,701</u>
Supporting services:				
Management and general	271,095	-	271,095	324,303
Fundraising	134,361	-	134,361	118,681
Total supporting services	<u>405,456</u>	<u>-</u>	<u>405,456</u>	<u>442,984</u>
Total expenses	<u>2,648,723</u>	<u>-</u>	<u>2,648,723</u>	<u>2,758,685</u>
Change in net assets	127,440	(59,418)	68,022	(172,339)
Net assets, beginning of year	4,188,792	624,452	4,813,244	4,985,583
Net assets, end of year	<u>\$ 4,316,232</u>	<u>\$ 565,034</u>	<u>\$ 4,881,266</u>	<u>\$ 4,813,244</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, 2021  
with comparative totals for August 31, 2020**

	2021					2020					
	Program Services					Supporting Services					
	<u>School</u>	<u>Family Guidance</u>	<u>Smart Start</u>	<u>Circle of Security Pilot</u>	<u>Other Program</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Grand Total</u>	<u>Grand Total</u>
Salaries and wages	\$336,651	\$685,148	\$365,970	\$ 122,839	\$114,412	\$1,625,020	\$ 108,784	\$ 57,949	\$ 166,733	\$1,791,753	\$ 1,859,756
Employee benefits	44,573	44,324	39,767	11,344	8,687	148,695	25,303	4,484	29,787	178,482	216,981
Payroll taxes	25,678	52,554	28,071	9,744	8,714	124,761	8,711	4,433	13,144	137,905	140,645
Contracted services	17,370	30,907	12,909	28,229	10,605	100,020	5,881	1,985	7,866	107,886	147,886
Office expense	11,909	53,628	20,149	4,509	2,025	92,220	8,183	6,237	14,420	106,640	108,880
Occupancy	15,018	7,556	4,161	3,571	1,455	31,761	2,451	1,223	3,674	35,435	32,340
Insurance	105	108	59	3,191	21	3,484	24,210	10	24,220	27,704	23,821
Professional services	-	-	-	9,348	-	9,348	72,649	-	72,649	81,997	85,345
Travel	-	-	9,050	16,807	8,338	34,195	273	-	273	34,468	36,704
Depreciation	18,279	9,197	5,065	4,346	1,771	38,658	2,983	1,488	4,471	43,129	42,888
Advertising	128	805	-	135	4	1,072	992	50,979	51,971	53,043	36,962
Bad debt	28,462	-	-	-	-	28,462	3,950	-	3,950	32,412	7,883
Miscellaneous	3,322	387	100	791	971	5,571	6,725	5,573	12,298	17,869	18,595
Total expenses	\$501,495	\$884,614	\$485,301	\$ 214,854	\$157,003	\$2,243,267	\$ 271,095	\$ 134,361	\$ 405,456	\$2,648,723	\$ 2,758,685

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

**LUCY DANIELS CENTER FOR EARLY CHILDHOOD**  
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**STATEMENT OF CASH FLOWS**

**for the year ended August 31, 2021**  
**with comparative totals for August 31, 2020**

	<u><b>2021</b></u>	<u><b>2020</b></u>
Cash flows from operating activities:		
Cash received from contributors, grantors and special events	\$ 490,278	\$ 822,898
Cash received from clients and third-party payors	1,854,878	1,498,195
Cash paid to employees and suppliers	(2,609,809)	(2,573,109)
Interest and dividends received	3,396	13,549
Net cash used in operating activities	<u>(261,257)</u>	<u>(238,467)</u>
Cash flows from investing activities:		
Purchases of playground equipment	(49,255)	(4,973)
Purchases of investments	(1,977)	(2,509)
Net cash used in investing activities	<u>(51,232)</u>	<u>(7,482)</u>
Cash flows from financing activities:		
Contributions restricted for endowment	1,000	-
PPP loan proceeds	-	368,300
Net cash provided by financing activities	<u>1,000</u>	<u>368,300</u>
Net (decrease) increase in cash and cash equivalents	(311,489)	122,351
Cash and cash equivalents at beginning of year	<u>1,347,290</u>	<u>1,224,939</u>
Cash and cash equivalents at end of year	<u>\$ 1,035,801</u>	<u>\$ 1,347,290</u>
Non-cash financing activities:		
PPP loan forgiveness	<u>\$ 368,300</u>	<u>\$ -</u>
Reconciliation to statement of financial position:		
Cash and cash equivalents	\$ 919,167	\$ 1,231,656
Restricted cash	116,634	115,634
	<u>\$ 1,035,801</u>	<u>\$ 1,347,290</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**

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**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.

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**NOTES TO FINANCIAL STATEMENTS**

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**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, 2021 and 2020. The balance of grants receivable as of August 31, 2021 was related to three grantors, and August 31, 2020 was related to two grantors.

*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, were recorded as debt in 2020. 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. In June 2021, the PPP loan was forgiven, and the Center was legally released as the primary obligor, and the Center has recorded a gain on extinguishment of debt in the accompanying statement of activities.

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**NOTES TO FINANCIAL STATEMENTS**

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

**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. Approximately 52% and 47% of public support reflected in the statement of activities for the years ended August 31, 2021, and August 31, 2020, was from one grantor, respectively.

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. As of August 31, 2021 and August 31, 2020, the Center's grant commitments that are conditional upon incurring allowable expenditures in the agreement are approximately \$449,208 and \$315,835, respectively.

**LUCY DANIELS CENTER FOR EARLY CHILDHOOD**  
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**NOTES TO FINANCIAL STATEMENTS**

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**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 \$24,398 and \$86,531 for the years ended August 31, 2021 and August 31, 2020, 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, 2021 and 2020.

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

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**NOTES TO FINANCIAL STATEMENTS**

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

**Revenue Recognition (Continued)**

*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.

*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.

**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 \$53,043 and \$36,962 for the years ended August 31, 2021 and August 31, 2020, 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.

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**NOTES TO FINANCIAL STATEMENTS**

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

**Functional Classification of Expense (Continued)**

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.

**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.

**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, 2021 and August 31, 2020, 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, 2021 or 2020.

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

**Reclassifications**

Certain items in the 2020 financial statements have been reclassified to conform to the 2021 presentation. Change in net assets of the Organization previously reported for 2020 was not affected by these reclassifications.

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**NOTES TO FINANCIAL STATEMENTS**

**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 \$77,656 and \$81,895 as of August 31, 2021 and 2020, 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.

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 919,167	\$ 1,231,656
Investments	70,036	35,260
Accounts receivable:		
Family Guidance Services	165,720	127,751
Tuition	16,851	28,751
Contracts and other	12,965	21,853
Notes receivable	38,311	82,854
Grants receivable	192,622	145,339
Total financial assets	1,415,672	1,673,464
Less amounts not available to be used within one year:		
Designated by the Board for building reserve	77,656	81,895
Donor-restricted for purpose	141,662	352,503
Unappropriated appreciation of endowment fund	82,533	57,110
	301,851	491,508
Financial assets available to meet general expenditures within one year	\$ 1,113,821	\$ 1,181,956

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**NOTES TO FINANCIAL STATEMENTS**

**3. INVESTMENTS**

Investments are stated at fair value and consist of primarily mutual funds. Fair values and unrealized appreciation at August 31, 2021 and 2020 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Fair Market Value:		
Mutual funds:		
World large stock	\$ 153,741	\$ 122,625
Closed-end convertible fund	15,500	11,840
Total investments	\$ 169,241	\$ 134,465
Cost Basis:		
Mutual funds:		
World large stock	\$ 93,130	\$ 91,153
Closed-end convertible fund	19,397	19,397
Total investments	\$ 112,527	\$ 110,550
Unrealized appreciation	\$ 56,714	\$ 23,915

Investment income consists of the following as of August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 3,396	\$ 13,549
Net unrealized and realized gains	32,799	15,021
	\$ 36,195	\$ 28,570

**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.



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**4. 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, 2021 and 2020.

Endowment net assets composition by type of endowment as of August 31, 2021 and 2020 is as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total Endowment Net Assets</b>
<b><u>August 31, 2021</u></b>			
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
<b>Total Endowment Funds</b>	<b>\$ -</b>	<b>\$ 298,372</b>	<b>\$ 298,372</b>
<b><u>August 31, 2020</u></b>			
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
<b>Total Endowment Funds</b>	<b>\$ -</b>	<b>\$ 271,949</b>	<b>\$ 271,949</b>

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**4. ENDOWMENTS (Continued)**

Changes in endowment net assets for the year ended August 31, 2021 and 2020 are as follows:

	<b>Without Donor <u>Restricted</u></b>	<b>With Donor <u>Restricted</u></b>	<b>Total Endowment <u>Net Assets</u></b>
<b>Endowment Net Assets, August 31, 2019</b>	\$ -	\$ 253,484	\$ 253,484
Investment income	-	3,444	3,444
Net appreciation	-	15,021	15,021
<b>Endowment Net Assets, August 31, 2020</b>	<b>\$ -</b>	<b>\$ 271,949</b>	<b>\$ 271,949</b>
Investment income	-	2,860	2,860
Contributions	-	1,000	1,000
Net appreciation	-	32,799	32,799
Appropriated for expenditure	-	(10,236)	(10,236)
<b>Endowment Net Assets, August 31, 2021</b>	<b>\$ -</b>	<b>\$ 298,372</b>	<b>\$ 298,372</b>

**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, 2021 and 2020.

Fair values for assets measured on a recurring basis at August 31, 2021 and 2020 is as follows:

<b><u>Fair Value Measurements at Reporting Date Using</u></b>				
<b><u>August 31, 2021</u></b>	<b><u>Fair Value</u></b>	<b><u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u></b>	<b><u>Significant Other Observable Inputs (Level 2)</u></b>	<b><u>Significant Unobservable Inputs (Level 3)</u></b>
Mutual funds:				
World large stock	\$ 153,741	\$ 153,741	\$ -	\$ -
Closed-end convertible fund	15,500	15,500	-	-
	<u>\$ 169,241</u>	<u>\$ 169,241</u>	<u>\$ -</u>	<u>\$ -</u>

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**5. FAIR VALUE MEASUREMENTS (Continued)**

**August 31, 2020**

	<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	\$ 122,625	\$ 122,625	\$ -	\$ -
Closed-end convertible fund	11,840	11,840	-	-
	<u>\$ 134,465</u>	<u>\$ 134,465</u>	<u>\$ -</u>	<u>\$ -</u>

**6. GOVERNING BOARD DESIGNATIONS**

The Center's governing board has designated, from net assets without donor restrictions, \$77,656 and \$81,895 for a building reserve as August 31, 2021 and August 31, 2020, respectively.

**7. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at August 31, 2021 and 2020 are available for the following purposes or the following periods:

Restricted for purpose:	<b><u>2021</u></b>	<b><u>2020</u></b>
Circle of Security Pilot Program	\$ 50,418	\$ 253,701
Outdoor Learning Environment	54,907	77,090
STEM programs	21,712	21,712
Anti-Racism	14,625	-
Unappropriated appreciation of endowment funds	82,533	57,110
	<u>224,195</u>	<u>409,613</u>
Restricted for time	<u>125,000</u>	<u>-</u>
Restricted in perpetuity:		
Tucker endowment fund	116,634	115,634
Capital Campaign endowment fund	99,205	99,205
	<u>215,839</u>	<u>214,839</u>
	<u>\$ 565,034</u>	<u>\$ 624,452</u>

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**7. 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, 2021 and 2020:

Subject to expenditure for time or specified purpose:	<u>2021</u>	<u>2020</u>
Time	\$ 25,000	\$ -
Circle of Security Pilot Program	203,283	180,298
Outdoor Learning Environment	47,183	-
STEM programs	-	1,750
Anti-Racism	375	-
Scholarships	10,236	-
	<u>\$ 286,077</u>	<u>\$ 182,048</u>

**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, 2021 and 2020.

**9. CONTINGENCIES**

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.

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 February 2, 2022, the date which the financial statements were available for issue.