

**CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**JUNE 30, 2020**



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# CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

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## **Independent Auditors' Report**

To the Board of Directors  
Children's Learning Centers of Fairfield County, Inc.  
Stamford, Connecticut

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Children's Learning Centers of Fairfield County, Inc., which comprise the statement of financial position as of June 30, 2020 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

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

#### ***Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 auditors consider 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 Children's Learning Centers of Fairfield County, Inc., as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 2, during the year ended June 30, 2020, Children's Learning Centers of Fairfield County, Inc., adopted Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

## **Report on Summarized Comparative Information**

The financial statements as of June 30, 2019 were audited by Blum, Shapiro & Company, P.C., whose partners and professional staff joined CliftonLarsonAllen LLP as of January 1, 2021 and has subsequently ceased operations. Blum, Shapiro & Company, P.C.'s report dated February 4, 2020, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2020 schedule of revenue and expenses - CHEFA school readiness program - Hillandale is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The 2019 schedule of revenue and expenses - CHEFA school readiness program - Hillandale was subjected to the auditing procedures applied in the 2019 audit of the basic financial statements by Blum, Shapiro & Company, P.C., whose report on such information stated that it was fairly stated in all material respects in relation to the 2019 financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated February 3, 2021 on our consideration of Children's Learning Centers of Fairfield County, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Children's Learning Centers of Fairfield County, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Children's Learning Centers of Fairfield County, Inc.'s internal control over financial reporting and compliance.



West Hartford, Connecticut  
February 3, 2021

# CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

## STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,924,915	\$ 1,401,022
Investments	1,511,622	1,504,703
Accounts and grants receivable	180,209	382,837
Pledges receivable	8,047,654	8,694,849
Prepaid expenses and other assets	169,535	53,499
Property and equipment, net	<u>3,609,780</u>	<u>3,756,205</u>
<b>Total Assets</b>	<b>\$ <u>16,443,715</u></b>	<b>\$ <u>15,793,115</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,674,542	\$ 1,536,385
Deferred revenue	434,140	447,352
Notes payable	22,917	72,917
Paycheck Protection Program loan	2,153,400	-
Bond payable	1,268,022	1,365,274
Total liabilities	<u>5,553,021</u>	<u>3,421,928</u>
<b>Net Assets</b>		
Net assets without donor restrictions	2,042,646	2,823,412
Net assets with donor restrictions	8,848,048	9,547,775
Total net assets	<u>10,890,694</u>	<u>12,371,187</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>16,443,715</u></b>	<b>\$ <u>15,793,115</u></b>

The accompanying notes are an integral part of the financial statements

# CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020 (With Comparative Totals for 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Revenues and Support</b>				
Governmental grants	\$ 9,435,969	\$ -	\$ 9,435,969	\$ 10,332,633
Program fees	2,516,545	-	2,516,545	2,738,657
Contributions	1,483,430	39,341	1,522,771	1,308,298
Donations in-kind	390,854	-	390,854	714,576
Bond debt service funding	146,563	-	146,563	159,562
Special events	99,965	-	99,965	472,797
Miscellaneous	98,741	-	98,741	119,300
Investment return, net	7,429	1,885	9,314	66,088
United Way	37,720	-	37,720	46,000
Net assets released from restrictions	740,953	(740,953)	-	-
Total revenues and support	<u>14,958,169</u>	<u>(699,727)</u>	<u>14,258,442</u>	<u>15,957,911</u>
<b>Expenses</b>				
Program services:				
School Readiness	6,318,981	-	6,318,981	6,772,201
Stamford Head Start	3,875,941	-	3,875,941	4,116,839
Stamford Day Care	2,957,072	-	2,957,072	3,217,017
Child Care	440,040	-	440,040	452,747
Total program services	<u>13,592,034</u>	<u>-</u>	<u>13,592,034</u>	<u>14,558,804</u>
Management and general	1,780,147	-	1,780,147	1,798,022
Fundraising	366,754	-	366,754	510,404
Total expenses	<u>15,738,935</u>	<u>-</u>	<u>15,738,935</u>	<u>16,867,230</u>
<b>Change in Net Assets</b>	(780,766)	(699,727)	(1,480,493)	(909,319)
<b>Net Assets - Beginning of Year</b>	<u>2,823,412</u>	<u>9,547,775</u>	<u>12,371,187</u>	<u>13,280,506</u>
<b>Net Assets - End of Year</b>	<u>\$ 2,042,646</u>	<u>\$ 8,848,048</u>	<u>\$ 10,890,694</u>	<u>\$ 12,371,187</u>

The accompanying notes are an integral part of the financial statements

**CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED JUNE 30, 2020**

(With Comparative Totals for 2019)

	2020										2019
	Program Services					Supporting Services					
	Child Care	Day Care	School Readiness	Head Start	Total Program Services	Management and General	Development and Fundraising	Total			
Personnel costs	\$ 350,061	\$ 2,303,812	\$ 4,564,101	\$ 2,452,229	\$ 9,670,203	\$ 1,481,637	\$ 218,296	\$ 11,370,136	\$	11,622,061	
Occupancy	10,194	115,304	291,937	526,623	944,058	16,409	1,562	962,029		913,679	
Professional fees	5,400	16,760	389,730	139,776	551,666	135,357	75,552	762,575		1,085,324	
Repairs and maintenance	29,448	176,320	345,670	170,924	722,362	31,507	4,253	758,122		791,195	
Food services	19,662	165,673	341,576	107,817	634,728	12	-	634,740		949,828	
Head Start grants	-	-	-	337,627	337,627	-	-	337,627		333,111	
Depreciation and noncash interest	14,001	67,834	183,956	25,312	291,103	18,201	2,154	311,458		337,127	
Office	3,482	37,276	31,473	27,796	100,027	39,794	6,041	145,862		102,188	
Insurance	2,963	19,642	39,251	21,354	83,210	15,793	355	99,358		135,241	
Miscellaneous	323	4,020	11,239	31,888	47,470	30,555	3,069	81,094		109,475	
Program supplies	822	35,631	27,149	14,113	77,715	1,702	-	79,417		176,296	
Interest	-	-	75,095	-	75,095	206	-	75,301		124,041	
Special events	-	-	-	-	-	-	54,368	54,368		68,861	
Conference and training	3,150	1,993	3,199	11,025	19,367	8,372	29	27,768		82,346	
Security	534	7,783	9,638	8,930	26,885	534	82	27,501		24,419	
Bad debt	-	1,489	3,967	424	5,880	-	-	5,880		7,592	
Licensing and accreditation	-	3,535	1,000	103	4,638	68	993	5,699		4,446	
<b>Total Expenses</b>	<b>\$ 440,040</b>	<b>\$ 2,957,072</b>	<b>\$ 6,318,981</b>	<b>\$ 3,875,941</b>	<b>\$ 13,592,034</b>	<b>\$ 1,780,147</b>	<b>\$ 366,754</b>	<b>\$ 15,738,935</b>	<b>\$</b>	<b>\$ 16,867,230</b>	

The accompanying notes are an integral part of the financial statements

# CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020 (With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
Decrease in net assets	\$ (1,480,493)	\$ (909,319)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation and noncash interest expense	311,458	337,127
Donations in-kind	417,192	417,192
Forgiveness of debt	(71,486)	(81,361)
Bad debt expense	5,880	7,592
Unrealized investment (gains) losses	18,514	(51,981)
Loss on disposal of property and equipment	21,421	-
(Increase) decrease in operating assets:		
Accounts and grants receivable	196,748	513,068
Pledges receivable	230,003	165,523
Prepaid expenses	(116,036)	43,553
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	138,157	(58,187)
Deferred revenue	(13,212)	31,514
Net cash provided by (used in) operating activities	<u>(341,854)</u>	<u>414,721</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	(173,706)	(39,301)
Proceeds from sale of investments	69,454	826,812
Purchases of investments	(94,887)	(87,776)
Net cash provided by (used in) investing activities	<u>(199,139)</u>	<u>699,735</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from Paycheck Protection Program loan	2,153,400	-
Payments on line of credit	-	(164,948)
Principal payments on long-term debt	(88,514)	(88,639)
Net cash provided by (used in) financing activities	<u>2,064,886</u>	<u>(253,587)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	1,523,893	860,869
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>1,401,022</u>	<u>540,153</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 2,924,915</u>	<u>\$ 1,401,022</u>
<b>Cash Paid During the Year for Interest</b>	<u>\$ 75,301</u>	<u>\$ 82,345</u>

The accompanying notes are an integral part of the financial statements

# CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - ORGANIZATION

Children's Learning Centers of Fairfield County, Inc. (CLC) is a Connecticut nonprofit, nonstock corporation. The mission of CLC is to develop, implement and provide high-quality programs for childcare and early childhood education and development.

Founded in 1902, CLC provides early childhood education programs for children between six weeks and five years of age. CLC offers educational services for the whole child, including health maintenance and referrals, nutrition education, family social services and parent participation in the school day and accompanying literacy and parenting programs. CLC serves approximately 2,700 meals per day, which provides 80% of children's daily nutritional requirements. CLC serves over 900 children daily at six locations throughout Stamford, Connecticut. CLC works in conjunction with the Stamford Board of Education and the City of Stamford to provide these preschool programs. By continually increasing the quality of its services, CLC addresses the achievement gap and prepares children to enter kindergarten healthy and eager to learn.

CLC's revenue and support consist primarily of government grants and day care fees.

### COVID-19 Pandemic

On January 30, 2020, the World Health Organization declared the COVID-19 virus to be a public health emergency. As a result of the spread of coronavirus, economic uncertainties have arisen which have resulted in significant volatility in the investment markets.

On March 10, 2020, Connecticut Governor Ned Lamont declared a Public Health and Civil Preparedness Emergency. As a result, CLC announced that it would close offices and employees would transition into remote working.

During April 2020, CLC received a Paycheck Protection Program (PPP) loan of \$2,153,400 granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (see Note 7 for further discussion).

The duration of the uncertainties around the coronavirus and the ultimate financial effects cannot be reasonably estimated at this time.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Change in Accounting Principle

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendment clarifies guidance on how an entity determines whether a transfer of assets is a contribution or exchange transaction. The amendment also clarifies the determination of conditional contributions based on evaluating whether there is a right of return and a barrier to overcome. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified prospective method, in which case the effect of applying the standard

# CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

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would be recognized for any agreements not completed and any new agreements entered into at the date of initial application. The new standard is effective for annual reporting periods beginning after December 15, 2018. Management has adopted ASU 2018-08 for the year ended June 30, 2020. The amendments have been applied using the full retrospective method.

There was no cumulative effect of applying ASU 2018-08.

### **Prior Year Summarized Financial Information**

The financial statements include prior year summarized financial information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CLC's audited financial statements as of and for the year ended June 30, 2019, from which the summarized information was derived.

### **Basis of Accounting and Presentation**

The financial statements of CLC have been prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of CLC are maintained in the following net asset categories:

#### **Net Assets Without Donor Restrictions**

Net assets without donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors.

#### **Net Assets With Donor Restrictions**

Net assets with donor restrictions represent 1) contributions that are restricted by the donor as to purpose or time of expenditure, 2) contributions that require that the principal be maintained in perpetuity but permit the Organization to expend the income earned thereon, and 3) the accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates. It is management's opinion that the estimates applied in the accompanying financial statements are reasonable.

### **Cash and Cash Equivalents**

Cash and cash equivalents are defined as highly liquid investments with original maturities of up to 90 days, except for money market accounts held with investment brokers, which are considered to be investments. CLC places its cash deposits with credit-quality institutions. Such deposits exceed federal depository insurance limits at times during the year. However, management believes that CLC's deposits are not subject to significant credit risk.

# **CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **Accounts and Grants Receivable**

CLC has accounts receivable related to grants and program services. A review of program service receivables is performed periodically and specific accounts are written off after normal collection efforts have been exhausted. Management has determined that an allowance for doubtful accounts is not necessary as of June 30, 2020.

### **Deferred Financing Costs**

Deferred financing costs represent costs incurred in obtaining bond financing. These costs are being amortized on a straight-line basis over the term of the bond, as more fully disclosed in Note 8.

### **Investment Valuation and Income Recognition**

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include CLC's gains and losses on investments bought and sold as well as held during the year.

CLC's Investment Committee determines CLC's valuation policies and procedures utilizing information provided by investment advisors.

### **Property and Equipment**

Property acquisitions and improvements thereon that individually exceed \$2,500 are capitalized at cost and depreciated on a straight-line basis over the estimated useful lives of the related assets. Repairs and maintenance are charged to expense as incurred. Property acquired under capital lease is amortized over the useful life of the related asset or the lease term, if shorter.

### **Deferred Revenues**

Revenues received in advance for a program are deferred and reflected in the period earned.

### **Contributions, Including Government Grants and Contracts**

In accordance with ASU 2018-08, certain governmental grants and contracts received by a not-for-profit, including certain awards to fund capital expenditures, are generally considered to be contributions rather than exchange transactions since there was not commensurate value transferred between the resource provider and CLC. Promises to give that are subject to donor-imposed conditions (i.e., a donor stipulation that includes a barrier that must be overcome and a right of return of assets) are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Unconditional contributions are recognized when promised or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor.

# **CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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CLC reports contributions of cash and other assets as donor-restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented as net assets without donor restrictions. Transfers of assets from a resource provider received before the barriers are overcome are reported as deferred revenue on the accompanying consolidated statements of financial position.

Conditional government grants and contracts not recognized as revenue as of June 30, 2019 total \$280,430. Government grants and contracts are conditioned on incurring qualified program expenses.

### **Program Fees**

Program fees are recognized as revenue when services are provided. CLC bills for services and recognizes revenue using a sliding fee scale based on family income levels.

### **Donated Property and Services**

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills and would otherwise be purchased by the CLC.

Donated property and the use of equipment and facilities are recorded as support and expensed at fair market value when determinable, otherwise at values indicated by the donor.

While many individuals volunteer their time and perform a variety of tasks that assist CLC, most amounts have not been recognized in the accompanying financial statements for such services because the criteria for recognition of such volunteer efforts have not been met.

### **Functional Expense Allocation**

The cost of providing the various program and supporting services has been reported on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefitted. Such allocations have been determined by management on an equitable basis. Allocation of overhead expenses including occupancy, professional fees, repairs and maintenance, insurance and depreciation are allocated to functional areas based upon square footage. The allocations of personnel costs and related expenses for management and supervision of program service functions are made by management based on the estimated time spent by employees on the various program service functions.

### **Income Taxes**

CLC is a not-for-profit organization and is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code.

### **Subsequent Events**

In preparing these financial statements, management has evaluated subsequent events through February 3, 2021, which represents the date the financial statements were available to be issued.

# CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework 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 below:

#### **Level 1**

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CLC has the ability to access.

#### **Level 2**

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

#### **Level 3**

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for financial instruments measured at fair value:

#### **Common Stocks**

Common stocks are valued at the closing price reported in the active market in which the individual shares are traded.

#### **Equity Mutual Funds**

Equity mutual funds are valued at the quoted net asset value of shares reported in the active market in which the mutual funds are traded.

#### **Fixed Income**

Fixed income investments may have fixed or variable current income components. These investments are valued using quoted market prices in an active market in which securities are traded.

#### **Balanced Funds**

Balanced fund valuations involve assumptions and methods that are reviewed by CLC's investment advisor. Because investments in these vehicles are not readily marketable, their estimated fair value is subject to uncertainty and may differ significantly from the value that would have been used had a market for such investments existed.

# CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

There have been no changes in the methodologies used at June 30, 2020.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while CLC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

### Fair Value Measurements

The following table set forth by level, within the fair value hierarchy, CLC's assets at fair value as of June 30, 2020:

Description	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Common stocks	\$ 189,021	\$ 189,021	\$ -	\$ -
Equity mutual funds	448,699	448,699	-	-
Fixed income	443,650	443,650	-	-
Balanced funds	430,252	-	430,252	-
Total Investments, at Fair Value	\$ <u>1,511,622</u>	\$ <u>1,081,370</u>	\$ <u>430,252</u>	\$ <u>-</u>

### NOTE 4 - PLEDGES RECEIVABLE

CLC entered into lease agreements with the City of Stamford to operate a School Readiness Program in a town-owned facility and to utilize additional space for programs in the same town-owned facility. The agreements require an annual \$1 rent payment. The lease terms expire in October 2039.

CLC has determined that these leases are unconditional promises to give and accordingly, recognized pledges receivable and restricted in-kind rental income at the time of inception of the lease agreements, totaling \$8,862,500. The balance of the pledges receivable related to in-kind rent is \$8,047,654 as of June 30, 2020. CLC has determined that an adjustment to present value is not deemed necessary as the discount factor to present value would approximate the annual increase in the fair market value of the in-kind rent based on the consumer price index.

CLC has calculated the estimated values of the in-kind rent pledge receivables based on appraisals conducted by an independent professional utilizing market values of similar space in the Stamford, Connecticut, area.

The following is a summary of pledges receivable as of June 30, 2020:

Receivable in less than one year	\$ 416,780
Receivable in one to five years	1,667,120
Receivable in more than five years	<u>5,963,754</u>
Total Pledges Receivable	\$ <u>8,047,654</u>

# CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 5 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30, 2020:

Land	\$	106,952
Building and improvements		3,682,867
Furniture and equipment		1,542,645
Leasehold improvements		5,447,658
		<u>10,780,122</u>
Less accumulated depreciation and amortization		<u>7,170,342</u>
Property and Equipment, Net	\$	<u><u>3,609,780</u></u>

### NOTE 6 - NOTES PAYABLE

During April 2020, CLC received a Paycheck Protection Program (PPP) loan of \$2,153,400 granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). A portion of this loan may be forgivable based on the amount of qualifying expenses incurred and levels of employee headcount and salaries maintained during a measurement period. CLC considers the PPP loan to be debt and, accordingly, will record the amount of forgiveness, if any, when legally released by the lender. At the time of issuance of the financial statements, notice of forgiveness had not been received from the lender. Any portion of the loan that must be repaid will bear interest at a rate of 1% per annum with principal maturities in subsequent years are as follows:

#### Year Ending June 30

2021	\$	-
2022		972,679
2023		1,089,164
2024		<u>91,257</u>
Total	\$	<u><u>2,153,100</u></u>

In January 2017, CLC performed energy efficiency improvements totaling \$200,000, paid for by loans from Eversource Energy under the Small Business Energy Advantage Program. The notes mature in December 2020 and are noninterest bearing. The balance of the notes at June 30, 2020 was \$22,917. The remaining balance is expected to be paid during the fiscal year ending June 30, 2021.

# CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7 - BONDS PAYABLE

Bonds payable as of June 30, 2020 consisted of Series A - Refunding bonds issued by CHEFA.

The Connecticut Health and Education Facilities Authority (CHEFA) issued bonds to fund the construction of the William Pitt Child Development Center facility. The original amount of these bonds was \$5,285,000 due July 1, 2028, bearing interest of 1.0-5.0%. The State of Connecticut Department of Education (CSDE) makes all debt service payments with respect to the bonds. CLC bears 21.1% of the debt service payments through CSDE withholding from its grants to CLC. The remaining 78.9% is funded by CLC and recognized as debt forgiveness income. For the year ended June 30, 2020, the amount of debt service paid by CSDE was \$110,000. Interest expense totaled \$70,375 for the year ended June 30, 2020. The withholding from CSDE grants for the year ended June 30, 2020 was \$38,532. The balance of the bonds at June 30, 2020 was \$1,370,000.

In connection with the bonds, CLC incurred a cost of \$382,429, which will be amortized over the life of the term of the bonds. Amortization expense was \$12,748, and accumulated amortization was \$280,451 as of June 30, 2020. The costs, net of accumulated amortization, are presented as a direct deduction of the carrying amount of the debt.

Principal maturities of the bonds payable in subsequent years are as follows:

#### Year Ending June 30

2021	\$	115,000
2022		130,000
2023		135,000
2024		145,000
2025		150,000
Thereafter		<u>695,000</u>
		<u>1,370,000</u>
Less unamortized bond issuance costs		<u>101,978</u>
Total	\$	<u><u>1,268,022</u></u>

# CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8 - LIQUIDITY AND AVAILABILITY OF RESOURCES

CLC's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$ 2,924,915
Investments	1,511,622
Accounts and grants receivable, net	180,209
Total financial assets available within one year	<u>4,616,746</u>
Less amounts unavailable for general expenditures within one year due to:	
Restricted by donors for purpose	232,209
Earnings from perpetual endowment available for appropriation	156,457
Restricted by donors in perpetuity	411,728
Total amounts unavailable to management for general expenditure within one year	<u>800,394</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	\$ <u><u>3,816,352</u></u>

### Liquidity Management

CLC maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, CLC maintains a line of credit that can be drawn upon for short-term liquidity needs. CLC plans and operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

### NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or time periods at June 30, 2020:

Purposes:	
In-kind rent	\$ 8,047,654
Program	230,881
Scholarship	1,328
Time periods:	
Unappropriated endowment earnings	156,457
	<u>8,436,320</u>
Perpetual endowment	<u>411,728</u>
Total Net Assets with Donor Restrictions	\$ <u><u>8,848,048</u></u>

# CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the following purpose or time restrictions for the year ended June 30, 2020:

Purposes:

In-kind rent	\$ 417,202
Program services	88,125
Scholarships	3,013
Expiration of time	<u>232,613</u>
Total Net Assets Released from Restrictions	<u>\$ 740,953</u>

### NOTE 11 - ENDOWMENT

CLC's endowment includes only donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The Board of Directors of CLC has interpreted the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, CLC classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by CLC in a manner consistent with the standard of prudence prescribed by CTPMIFA.

In accordance with CTPMIFA, CLC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of CLC and the donor-restricted endowment fund
- The investment policies of CLC
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of CLC

# CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

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Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2019	\$ -	\$ 566,300	\$ 566,300
Investment return:			
Investment income	-	9,354	9,354
Investment losses	-	(5,014)	(5,014)
Total investment return	-	4,340	4,340
Investment fees	-	(2,455)	(2,455)
Endowment Net Assets, June 30, 2020	\$ -	\$ 568,185	\$ 568,185

### Funds with Deficiencies

From time to time, the fair value of investments associated with donor-restricted endowment funds may fall below the level that the donor or CTPMIFA requires CLC to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. There were no funds with deficiencies as of June 30, 2020.

### Return Objectives and Risk Parameters

CLC has adopted an investment policy for endowment assets with the objective to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.

### Strategies Employed for Achieving Objectives

To satisfy its objectives, CLC engages a professional investment advisor and has adopted a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Consistent with that strategy, CLC targets a diversified asset allocation emphasizing long-term investment performance where all funds are targeted to generate income that exceeds the S&P 500 for equities and exceeds rates in excess of those for a 90-day T-bill.

### Spending Policy and How the Investment Objectives Relate to Spending Policy

CLC has not adopted a spending policy for appropriation of distributions from its endowment.

# CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 12 - DONATED PROPERTY, SERVICES AND SUPPLIES

CLC has recorded the estimated fair value of donated rent, artwork, professional services and program supplies as follows for the year ended June 30, 2020:

Included in revenue and support:

In-kind rent released from net assets with restriction	\$ 417,202
Donated teachers and nurses	<u>390,854</u>

Total Donated In-Kind Support	<u>\$ 808,056</u>
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Included in functional expenses:

Rent	\$ 417,202
Professional fees	<u>390,854</u>

Total Expenses	<u>\$ 808,056</u>
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### NOTE 13 - DEFINED CONTRIBUTION PENSION PLAN

CLC maintains a defined contribution pension plan under Section 401(k) of the Internal Revenue Code. All full-time employees become eligible to participate after 90 days of employment. Employees may make optional contributions to the plan on a tax-deferred basis up to the maximum amount allowed by the Internal Revenue Service. CLC may make discretionary matching contributions up to 2% of eligible compensation. CLC matching contributions as of June 30, 2020 were \$125,855.

### NOTE 14 - LEASE COMMITMENTS

CLC has entered into an operating lease for space to house its various programs and office equipment. The terms of these operating leases expire at various times through June 30, 2040. Rent expense in the current year also includes utilities for the facilities that CLC receives rent in-kind.

Rent expense totaled \$190,463 for the year ended June 30, 2020. CLC also recorded in-kind rent expense of \$416,790 for the year ended June 30, 2020.

At June 30, 2020, minimum future rental payments under the operating leases were as follows:

#### Year Ending June 30

2021	\$ 150,616
2022	108,684
2023	108,000
2024	115,500
Thereafter	<u>1,780,836</u>
Total	<u>\$ 2,263,636</u>

# **CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **NOTE 15 - COLLECTIVE BARGAINING AGREEMENT**

CLC teachers are covered by a collective bargaining agreement. During the year ended June 30, 2019, CLC agreed to a new collective bargaining agreement that will expire on June 30, 2022. Collective bargaining agreement salaries were approximately \$5,066,000 at June 30, 2020.

### **NOTE 16 - CONTINGENCIES**

CLC participates in a number of federal and state-assisted grant programs. The use of grants in programs is subject to future review by the grantors. Such reviews may result in CLC having liabilities to the grantors.

## **Supplementary Information**

# CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

## SCHEDULE OF REVENUE AND EXPENSES - CHEFA SCHOOL READINESS PROGRAM - HILLANDALE FOR THE YEAR ENDED JUNE 30, 2020 (With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
<b>Revenues and Support</b>		
Governmental grants	\$ 2,853,748	\$ 2,950,132
Program fees	1,077,764	1,184,055
Donations in kind	390,854	678,847
Contributions	4,341	7,031
Bond debt service funding	146,562	159,563
Miscellaneous	5,863	10,723
Total revenues and support	<u>4,479,132</u>	<u>4,990,351</u>
<b>Expenses</b>		
Personnel costs	2,960,891	3,127,623
Professional fees	426,673	709,149
Repairs and maintenance	213,518	240,525
Food services	211,831	298,333
Depreciation and amortization	170,000	183,887
Occupancy	151,048	171,223
Interest	37,352	78,202
Insurance	28,087	32,943
Program supplies	23,511	46,901
Office	14,259	25,021
Miscellaneous	10,260	15,779
Bad debt	3,967	3,350
Security	3,840	3,917
Conference and training	3,212	6,415
Licensing and accreditation	-	866
Total expenses	<u>4,258,449</u>	<u>4,944,134</u>
<b>Excess of Revenues and Support over Expenses</b>	<u>\$ 220,683</u>	<u>\$ 46,217</u>

