

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
JUNE 30, 2019

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, 2019 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1, during the year ended June 30, 2019, Children's Learning Centers of Fairfield County, Inc., adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Children's Learning Centers of Fairfield County, Inc.'s 2018 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated February 26, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 4, 2020 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.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
February 4, 2020

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 1,401,022	\$ 540,153
Investments	1,504,703	2,191,758
Accounts and grants receivable	382,837	903,497
Pledges receivable	8,694,849	9,277,564
Prepaid expenses and other assets	53,499	97,052
Property and equipment, net	<u>3,756,205</u>	<u>4,041,283</u>
Total Assets	<u>\$ 15,793,115</u>	<u>\$ 17,051,307</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,536,385	\$ 1,594,572
Deferred revenue	447,352	415,838
Line of credit	-	164,948
Notes payable	72,917	122,917
Bond payable	<u>1,365,274</u>	<u>1,472,526</u>
Total liabilities	<u>3,421,928</u>	<u>3,770,801</u>
Net Assets		
Net assets without donor restrictions	2,823,412	3,219,301
Net assets with donor restrictions	<u>9,547,775</u>	<u>10,061,205</u>
Total net assets	<u>12,371,187</u>	<u>13,280,506</u>
Total Liabilities and Net Assets	<u>\$ 15,793,115</u>	<u>\$ 17,051,307</u>

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, 2019 (With Comparative Totals for 2018)

	2019		Total	2018
	Without Donor Restrictions	With Donor Restrictions		
Revenues and Support				
Governmental grants	\$ 10,332,633	\$ -	\$ 10,332,633	\$ 10,168,819
Program fees	2,738,657	-	2,738,657	2,417,926
Contributions	954,329	353,969	1,308,298	1,159,630
Donations in-kind	714,576	-	714,576	731,608
Special events	472,797	-	472,797	480,635
Bond debt service funding	159,562	-	159,562	157,438
Miscellaneous	119,300	-	119,300	142,280
Investment return, net	48,773	17,315	66,088	109,572
United Way	46,000	-	46,000	32,500
Net assets released from restrictions	884,714	(884,714)	-	-
Total revenues and support	<u>16,471,341</u>	<u>(513,430)</u>	<u>15,957,911</u>	<u>15,400,408</u>
Expenses				
Program services:				
School Readiness	6,772,201	-	6,772,201	6,645,050
Stamford Head Start	4,116,839	-	4,116,839	3,931,295
Stamford Day Care	3,217,017	-	3,217,017	3,067,899
Child Care	452,747	-	452,747	441,338
Total program services	<u>14,558,804</u>	<u>-</u>	<u>14,558,804</u>	<u>14,085,582</u>
Management and general	1,798,022	-	1,798,022	1,757,110
Fundraising	510,404	-	510,404	407,759
Total expenses	<u>16,867,230</u>	<u>-</u>	<u>16,867,230</u>	<u>16,250,451</u>
Change in Net Assets	(395,889)	(513,430)	(909,319)	(850,043)
Net Assets - Beginning of Year	<u>3,219,301</u>	<u>10,061,205</u>	<u>13,280,506</u>	<u>14,130,549</u>
Net Assets - End of Year	<u>\$ 2,823,412</u>	<u>\$ 9,547,775</u>	<u>\$ 12,371,187</u>	<u>\$ 13,280,506</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, 2019**

(With Comparative Totals for 2018)

	2019									2018
	Program Services				Total Program Services	Supporting Services			Total	
	Child Care	Day Care	School Readiness	Head Start		Management and General	Development and Fundraising			
Personnel costs	\$ 346,645	\$ 2,466,754	\$ 4,465,029	\$ 2,632,855	\$ 9,911,283	\$ 1,454,175	\$ 256,603	\$ 11,622,061	\$ 10,985,239	
Professional fees	1,760	18,763	715,851	123,290	859,664	151,486	74,174	1,085,324	979,937	
Occupancy	13,201	112,398	298,027	506,146	929,772	18,295	1,761	949,828	949,037	
Food services	22,210	228,119	482,000	181,350	913,679	-	-	913,679	962,496	
Repairs and maintenance	42,741	208,536	356,215	132,639	740,131	45,911	5,153	791,195	833,439	
Depreciation and noncash interest	14,201	71,534	203,313	18,412	307,460	26,407	3,260	337,127	336,547	
Head Start grants	-	-	-	333,111	333,111	-	-	333,111	331,862	
Office	1,362	29,941	34,291	35,223	100,817	47,323	28,156	176,296	203,094	
Special events	-	-	-	-	-	-	135,241	135,241	129,503	
Program supplies	6,764	36,061	54,991	22,600	120,416	1,141	2,484	124,041	134,880	
Conference and training	38	4,580	6,486	91,394	102,498	6,492	485	109,475	66,521	
Insurance	2,830	19,264	41,982	22,319	86,395	15,679	114	102,188	114,224	
Interest	-	485	81,826	-	82,311	35	-	82,346	92,137	
Miscellaneous	316	6,301	17,063	12,088	35,768	30,261	2,832	68,861	92,263	
Security	563	9,385	9,776	4,039	23,763	581	75	24,419	26,248	
Bad debt	-	2,420	4,057	1,115	7,592	-	-	7,592	6,304	
Licensing and accreditation	116	2,476	1,294	258	4,144	236	66	4,446	6,720	
Total Expenses	<u>\$ 452,747</u>	<u>\$ 3,217,017</u>	<u>\$ 6,772,201</u>	<u>\$ 4,116,839</u>	<u>\$ 14,558,804</u>	<u>\$ 1,798,022</u>	<u>\$ 510,404</u>	<u>\$ 16,867,230</u>	<u>\$ 16,250,451</u>	

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, 2019

(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Decrease in net assets	\$ (909,319)	\$ (850,043)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation and noncash interest expense	337,127	336,547
Donations in-kind	417,192	421,730
Forgiveness of debt	(81,361)	(72,985)
Bad debt expense	7,592	6,304
Unrealized investment gains	(51,981)	(50,382)
(Increase) decrease in operating assets:		
Accounts and grants receivable	513,068	(482,041)
Pledges receivable	165,523	(162,767)
Prepaid expenses	43,553	(63,033)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(58,187)	50,796
Deferred revenue	31,514	1,480
Net cash provided by (used in) operating activities	<u>414,721</u>	<u>(864,394)</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(39,301)	(10,588)
Proceeds from sale of investments	826,812	5,752,916
Purchases of investments	(87,776)	(5,190,037)
Net cash provided by investing activities	<u>699,735</u>	<u>552,291</u>
Cash Flows from Financing Activities		
Payments on line of credit	(164,948)	(40,890)
Principal payments on long-term debt	(88,639)	(92,015)
Net cash used in financing activities	<u>(253,587)</u>	<u>(132,905)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	860,869	(445,008)
Cash and Cash Equivalents - Beginning of Year	<u>540,153</u>	<u>985,161</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,401,022</u>	<u>\$ 540,153</u>
Cash Paid During the Year for Interest	<u>\$ 82,345</u>	<u>\$ 92,137</u>

The accompanying notes are an integral part of the financial statements

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2018, from which the summarized information was derived.

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment changes the previous reporting model for nonprofit organizations and enhances the disclosure requirements. The major changes include: (a) requiring the presentation of only two classes of net assets rather than three, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investments expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. This ASU is effective for annual periods beginning after December 15, 2017. Management has adopted ASU 2016-14 for the year ended June 30, 2019.

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

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.

Measure of Operations

CLC's measure of operations includes all changes in net assets except for changes in revaluation of in-kind leases.

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.

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, 2019.

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.

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

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.

Grants and Contracts

Other than certain awards to fund capital expenditures, governmental grants and contracts are generally considered to be exchange transactions rather than contributions. Revenue from cost-reimbursement grants and contracts is recognized to the extent of costs incurred. Revenue from performance-based grants and contracts is recognized to the extent of performance achieved. Grant and contract receipts in excess of revenue recognized are presented as deferred revenue.

Contributions

Unconditional contributions are recognized as revenues or gains in the period received and as assets or decreases of liabilities or expenses, depending on the form of the benefit received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value, while those expected to be collected in future years are recorded at the present value of the expected future receipts.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (i.e., when a time or purpose restriction is met), 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.

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

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

Expenses are charged directly to program services, development and fundraising, and management and general based on specific identification to the extent practicable. Expenses related to more than one function have been allocated based on periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with a specific function, but provide for the overall support and direction of CLC.

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.

Reclassifications

Certain 2018 amounts have been reclassified to conform to the 2019 presentation. Such reclassifications had no impact on the previously reported change in net assets.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through February 4, 2020, which represents the date the financial statements were available to be issued.

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

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, 2019.

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, 2019:

Description	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Common stocks	\$ 183,578	\$ 183,578	\$ -	\$ -
Equity mutual funds	451,744	451,744	-	-
Fixed income	420,870	420,870	-	-
Balanced funds	448,511	-	448,511	-
Total Investments, at Fair Value	\$ <u>1,504,703</u>	\$ <u>1,056,192</u>	\$ <u>448,511</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 \$8,464,846 as of June 30, 2019. 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.

Also included in pledges receivable are unconditional promises to give in the amount of \$230,003, which is restricted due to time and expected to be collected within one year.

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

The following is a summary of pledges receivable as of June 30, 2019:

Receivable in less than one year	\$ 647,195
Receivable in one to five years	1,667,120
Receivable in more than five years	<u>6,380,534</u>
Total Pledges Receivable	\$ <u><u>8,694,849</u></u>

NOTE 5 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30, 2019:

Land	\$ 106,952
Building and improvements	3,620,587
Furniture and equipment	1,686,357
Leasehold improvements	<u>5,387,133</u>
	10,801,029
Less accumulated depreciation and amortization	<u>7,044,824</u>
Property and Equipment, Net	\$ <u><u>3,756,205</u></u>

NOTE 6 - LINE OF CREDIT

In August 2016, CLC obtained a commercial line of credit from a bank in the amount of \$400,000. The line bears interest at 4.0% annually and is payable in monthly installments of principal and interest. There was no outstanding balance on this line of credit at June 30, 2019.

NOTE 7 - NOTES PAYABLE

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, 2019 was \$72,917.

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

Year Ending June 30

2020	\$ 50,000
2021	<u>22,917</u>
Total	\$ <u><u>72,917</u></u>

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - BONDS PAYABLE

Bonds payable as of June 30, 2019 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, 2019, the amount of debt service paid by CSDE was \$120,000. Interest expense totaled \$76,125 for the year ended June 30, 2019. The withholding from CSDE grants for the year ended June 30, 2019 was \$36,562. The balance of the bonds at June 30, 2018 was \$1,480,000.

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 \$267,703 as of June 30, 2019. 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

2020	\$	110,000
2021		115,000
2022		130,000
2023		135,000
2024		145,000
Thereafter		<u>845,000</u>
		1,480,000
Less unamortized bond issuance costs		<u>114,726</u>
Total	\$	<u><u>1,365,274</u></u>

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - 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	\$ 1,401,022
Investments	1,504,703
Accounts and grants receivable, net	382,837
Pledges receivable	232,613
Total financial assets available within one year	<u>3,521,175</u>
Less amounts unavailable for general expenditures within one year due to:	
Restricted by donors for purpose	284,026
Earnings from perpetual endowment available for appropriation	154,572
Restricted by donors in perpetuity	411,728
Total amounts unavailable to management for general expenditure within one year	<u>850,326</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	<u><u>\$ 2,668,239</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 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or time periods at June 30, 2019:

Purposes:	
In-kind rent	\$ 8,464,836
Program	284,026
Time periods:	
Unappropriated endowment earnings	154,572
Pledges receivable	232,613
	<u>9,136,047</u>
Perpetual endowment	<u>411,728</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 9,547,775</u></u>

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - 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, 2019:

Purposes:

In-kind rent	\$ 421,740
Program services	64,955
Scholarships	7,031
Expiration of time	<u>390,988</u>
Total Net Assets Released from Restrictions	<u>\$ 884,714</u>

NOTE 12 - 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

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2018	\$ -	\$ 548,985	\$ 548,985
Investment return:			
Investment income	-	9,983	9,983
Investment losses	-	9,934	9,934
Total investment return	-	19,917	19,917
Investment fees	-	(2,602)	(2,602)
Endowment Net Assets, June 30, 2019	\$ -	\$ 566,300	\$ 566,300

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, 2019.

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

NOTE 13 - 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, 2019:

Included in revenue and support:	
In-kind rent released from net assets with restriction	\$ 421,740
Donated teachers and nurses	<u>714,576</u>
 Total Donated In-Kind Support	 <u>\$ 1,136,316</u>
 Included in functional expenses:	
Rent	\$ 421,740
Professional fees	<u>714,576</u>
 Total Expenses	 <u>\$ 1,136,316</u>

NOTE 14 - 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, 2019 were \$250,678.

NOTE 15 - 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, 2022. Rent expense in the current year also includes utilities for the facilities that CLC receives rent in-kind.

Rent expense totaled \$137,557 for the year ended June 30, 2019. CLC also recorded in-kind rent expense of \$421,740 for the year ended June 30, 2019.

At June 30, 2019, minimum future rental payments under the operating leases were as follows:

Year Ending June 30	
<hr/>	
2020	\$ 45,921
2021	43,616
2022	<u>684</u>
 Total	 <u>\$ 90,221</u>

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 16 - 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 \$5,425,000 at June 30, 2019.

NOTE 17 - 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, 2019

Revenues and Support

Governmental grants	\$ 2,950,132
Program fees	1,184,055
Donations in kind	678,847
Contributions	7,031
Bond debt service funding	159,563
Miscellaneous	10,723
Total revenues and support	<u>4,990,351</u>

Expenses

Personnel costs	3,127,623
Professional fees	709,149
Food services	298,333
Occupancy	171,223
Repairs and maintenance	240,525
Depreciation and amortization	183,887
Program supplies	46,901
Insurance	32,943
Interest	78,202
Miscellaneous	15,779
Office	25,021
Conference and training	6,415
Security	3,917
Bad debt	3,350
Licensing and accreditation	866
Total expenses	<u>4,944,134</u>

Excess of Revenues and Support over Expenses \$ 46,217