

NORTH FULTON CHILD DEVELOPMENT
ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2021 AND 2020

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
North Fulton Child Development Association, Inc.
d/b/a Children's Development Academy:

Report on the Financial Statements

We have audited the accompanying financial statements of North Fulton Child Development Association, Inc. d/b/a Children's Development Academy (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 the North Fulton Child Development Association, Inc. d/b/a Children's Development Academy as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Atlanta, Georgia
November 30, 2021

Brooks, McGinnis & Company, LLC

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 792,713	\$ 620,402
Grants and other accounts receivables, net of allowance for uncollectible accounts of \$5,800 in 2020	47,697	51,725
Prepaid expenses	19,622	24,121
Cash restricted for long term purposes	15,000	40,565
Investments	242,936	215,215
Property and equipment, net	1,987,662	1,996,753
Total assets	\$ 3,105,630	\$ 2,948,781
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 38,293	\$ 34,473
Accrued expenses	34,950	31,618
Deferred revenue and refundable advances	42,163	230,388
Paycheck Protection Program loan	289,900	289,900
Total liabilities	405,306	586,379
Net assets:		
Without donor restrictions	2,432,925	2,086,927
With donor restrictions	267,399	275,475
Total net assets	2,700,324	2,362,402
Total liabilities and net assets	\$ 3,105,630	\$ 2,948,781

The accompanying notes are an integral part of these financial statements.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	Without Donor Restrictions	With Donor Restrictions	2021 Total	Without Donor Restrictions	With Donor Restrictions	2020 Total
Revenues, gains and other support:						
Governmental grants and contracts	\$ 1,189,165	\$ -	\$ 1,189,165	\$ 839,213	\$ -	\$ 839,213
Foundation grants	66,548	170,000	236,548	50,679	245,000	295,679
United Way	35,216	-	35,216	26,758	-	26,758
Contributions	153,127	144,329	297,456	246,999	181,371	428,370
Tuition and fees net of \$581,844 in 2021 and \$428,450 in 2020 and in scholarships and discounts	218,440	-	218,440	235,466	-	235,466
In-kind contributions	31,506	-	31,506	14,670	-	14,670
Rental income, net	39,500	-	39,500	50,000	-	50,000
Net investment income	-	38,482	38,482	-	17,090	17,090
Loss on disposal of assets	(67,475)	-	(67,475)	(104,632)	-	(104,632)
Interest and other income	9,724	-	9,724	14,839	-	14,839
Forgiveness on Paycheck Protection Program loan	289,900	-	289,900	-	-	-
Net assets released from restrictions	360,887	(360,887)	-	497,013	(497,013)	-
Total revenues, gains and other support	2,326,538	(8,076)	2,318,462	1,871,005	(53,552)	1,817,453
Expenses:						
Program services	1,616,938	-	1,616,938	1,689,855	-	1,689,855
Supporting services:						
Fundraising	97,710	-	97,710	216,033	-	216,033
Administration	265,892	-	265,892	245,757	-	245,757
Total expenses	1,980,540	-	1,980,540	2,151,645	-	2,151,645
Increase (decrease) in net assets	345,998	(8,076)	337,922	(280,640)	(53,552)	(334,192)
Net assets, beginning of year	2,086,927	275,475	2,362,402	2,367,567	329,027	2,696,594
Net assets, end of year	\$ 2,432,925	\$ 267,399	\$ 2,700,324	\$ 2,086,927	\$ 275,475	\$ 2,362,402

The accompanying notes are an integral part of these financial statements.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services	Supporting Services		2021 Total
		Fundraising	Administration	
Salaries	\$ 1,089,347	\$ 64,591	\$ 135,325	\$ 1,289,263
Payroll tax and benefits	154,301	9,359	19,745	183,405
Food	63,484	-	-	63,484
Insurance	13,052	711	5,512	19,275
Janitorial services	23,010	1,416	10,974	35,400
Repairs and maintenance	11,601	683	5,293	17,577
Utilities	27,931	1,719	13,321	42,971
Telephone	8,162	483	1,014	9,659
Supplies	106,350	8,620	10,028	124,998
Printing and postage	-	239	-	239
Training and professional development	5,780	-	-	5,780
Technology	15,564	2,736	3,514	21,814
Professional fees	4,735	280	22,159	27,174
Marketing and promotion	440	1,673	-	2,113
Dues and subscriptions	7,261	275	-	7,536
Travel	398	-	-	398
Bad debt	1,962	-	-	1,962
Other expenses	4,660	69	1,378	6,107
Total expenses before depreciation	1,538,038	92,854	228,263	1,859,155
Depreciation	78,900	4,856	37,629	121,385
Total expenses	\$ 1,616,938	\$ 97,710	\$ 265,892	\$ 1,980,540
	82%	5%	13%	100%

The accompanying notes are an integral part of these financial statements.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services	Supporting Services		2020 Total
		Fundraising	Administration	
Salaries	\$ 1,151,110	\$ 136,339	\$ 127,903	\$ 1,415,352
Payroll tax and benefits	153,264	17,325	16,953	187,542
Food	72,186	-	-	72,186
Insurance	11,743	626	4,853	17,222
Janitorial services	24,942	1,535	11,896	38,373
Repairs and maintenance	10,509	475	3,678	14,662
Utilities	30,968	1,906	14,769	47,643
Telephone	7,874	958	862	9,694
Supplies	101,071	2,846	9,483	113,400
Printing and postage	-	421	422	843
Training and professional development	2,784	-	-	2,784
Technology	7,618	2,819	894	11,331
Professional fees	5,997	728	22,686	29,411
Marketing and promotion	8,154	4,803	-	12,957
Dues and subscriptions	3,600	3,816	-	7,416
Travel	856	-	-	856
Meals and entertainment	62	-	-	62
Bad debt	876	-	-	876
Benevolence	22,400	-	-	22,400
Other expenses	8,906	37,440	389	46,735
Total expenses before depreciation	1,624,920	212,037	214,788	2,051,745
Depreciation	64,935	3,996	30,969	99,900
Total expenses	\$ 1,689,855	\$ 216,033	\$ 245,757	\$ 2,151,645
	79%	10%	11%	100%

The accompanying notes are an integral part of these financial statements.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 337,922	\$ (334,192)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	121,385	99,900
Net realized and unrealized gain on investments	(39,230)	(16,271)
Bad debt expense	1,962	876
Loss on disposal of equipment	67,475	104,632
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants and other receivables	2,066	15,408
Prepaid expenses	4,499	17,064
Increase (decrease) in:		
Accounts payable	3,820	7,350
Accrued expenses	3,332	9,357
Deferred revenue and refundable advances	(188,225)	(179,510)
Total adjustments	<u>(22,916)</u>	<u>58,806</u>
Net cash provided by (used in) operating activities	<u>315,006</u>	<u>(275,386)</u>
Cash flows from investing activities:		
Sale of investments	10,761	10,428
Purchases of investments	748	(820)
Purchases of property and equipment	<u>(179,769)</u>	<u>(182,401)</u>
Net cash used in investing activities	<u>(168,260)</u>	<u>(172,793)</u>
Cash flows from financing activities:		
Borrowings on Paycheck Protection Program loan	289,900	289,900
Forgiveness on Paycheck Protection Program loan	<u>(289,900)</u>	<u>-</u>
Net cash provided by financing activities	<u>-</u>	<u>289,900</u>
Net increase (decrease) in cash and cash equivalents	146,746	(158,279)
Cash and cash equivalents at beginning of year	<u>660,967</u>	<u>819,246</u>
Cash and cash equivalents at end of year	<u>\$ 807,713</u>	<u>\$ 660,967</u>

The accompanying notes are an integral part of these financial statements.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. Nature of Organization and Significant Accounting Policies

Organization

North Fulton Child Development Association, Inc. d/b/a Children's Development Academy, (the Association) is a Georgia nonprofit organization which was formed in 1968. In fiscal year 2021, its primary programs were as follows:

Children's Center – provides NAEYC (National Association for the Education of Young Children) accredited full-day early care and learning programs five days per week for toddlers and preschoolers, as well as under the Georgia Pre-K program for four-year olds. In all, there are ten classes serving over 165 children.

Community Center – as directed in its original charter, the Association leases space in its CDA Community Center facility to other nonprofits, making the Center a focal point for charitable activities in North Fulton County. During fiscal year 2021, three other nonprofits leased space in the Center. They include organizations which provide housing alternatives to families at risk of homelessness, and The Grove Way Community Group, the oldest non-profit in Roswell, that provides assistance to the elderly and youth in the community, and a church.

Basis of Accounting and Presentation

The Association prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

To ensure observance of limitations and restrictions placed on the use of resources available to the Association, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions are resources not subject to donor-imposed restrictions or law.
- Net assets with donor restrictions are resources whose use by the Association is limited by donor-imposed restrictions that either expire by the passage of time, can be fulfilled by actions of the Association, or require the corpus be maintained in perpetuity.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. Nature of Organization and Significant Accounting Policies – Continued

Allowance for Doubtful Accounts

The Association uses an allowance method to determine uncollectible grants, contracts and other receivables. The allowance is based on prior years' experience and management's analysis of specific promises made and amounts billed and to be reimbursed. All grant, contract, and other receivables were considered collectible at June 30, 2021, and accordingly, no allowance for doubtful accounts was recorded. An allowance of \$5,800 was recorded for the year ending June 30, 2020.

Property and Equipment

Property and equipment are stated at cost or if donated, at estimated fair value at time of donation. Depreciation is computed by the straight-line method over the estimated useful lives as stated below. At June 30, 2020 the estimated useful lives of property and equipment were as follows:

Building under long-term capital lease	40 years
Leasehold improvements	7 - 40 years
Furniture, fixtures and equipment	5 - 15 years

The Association follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. The fair value of donated fixed assets is similarly capitalized.

Long-Lived Assets

The Association evaluates its long-lived assets held for use in operations, including real estate, for indicators for impairment and, if impaired, records such assets at the lower of cost or fair value as described in GAAP. There were no impairment losses during the years ending June 30, 2021 and 2020.

Deferred Revenue and Refundable Advances

Deferred revenue and refundable advances primarily represent funds received for programs and services to be conducted in the next fiscal year. Certain grants require the Association to perform specific services to earn the related revenue. In some cases, cash payments are received from the grantor in advance of the Association performing the related services. Deferred revenue and refundable advances are recognized as revenue in the statement of activities in the year when earned.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. Nature of Organization and Significant Accounting Policies – Continued

Revenue Recognition

The Association conducts classes year-round. Tuition and fees are received for students enrolled. Tuition revenue is recognized as revenue in the period in which the service is provided. Financial aid provided to students reduces the amount of revenue recognized. Tuition is paid on a weekly basis. An initial deposit is paid over the first three weeks of enrolment. The deposit is applied to the tuition due for the last week of the student's enrollment. Students may withdraw at any time but generally do not receive a refund of amounts paid, except under special circumstances.

In accordance with GAAP, contributions are recognized as revenue in the year they are received or promised, with allowances provided for unconditional promises to give estimated to be uncollectible. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts (if any) is included in contributions in the accompanying statements of activities. Conditional pledges or private grants are not included as support until the conditions are substantially met. Donor contributions restricted for capital expenditures are released to net assets without donor restrictions when the assets are placed into service. Special events revenue is recognized in the period in which the event is held.

Depending on the existence and/or nature of any donor restrictions, contributions are recorded as support with donor restrictions or support without donor restrictions. Time and purpose donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a 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 statement of activities as net assets released from restrictions.

Grants and Contracts

The Association received approximately 51% and 46% respectively, of its funding through the Georgia Department of Early Care and Learning and various other local governmental agencies for the years ended June 30, 2021 and 2020. Receivables arise from fees for services provided under and to a lesser extent, reimbursement owed through these government contracts. The Association's ability to collect amounts due is affected by the outside agencies' acceptance of reimbursable expenses and performance-based outcomes, which meet contract requirements. Program service fees and payments under cost reimbursable grants received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. Nature of Organization and Significant Accounting Policies – Continued

Grants and Contracts – Continued

In addition, the Association depends heavily on grants and contributions for its revenue. The ability of certain of the Association's contributors and grantors to continue giving amounts comparable with prior years may be dependent upon overall economic conditions. While the Association's Board of Directors believes the Association has the resources to continue its program, its ability to do so and the extent to which it continues may be dependent on the above factors.

Rental Income

Rental income is recognized when earned. The Association leases space to various nonprofit organizations.

Donated Equipment, Material, Supplies and Services

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

All non-cash gifts (other than personal services) are recorded at their estimated fair value at date of receipt. Contributed services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. No amounts have been recognized in the financial statements for general volunteer services, since these services received do not meet the GAAP criteria noted above.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. Nature of Organization and Significant Accounting Policies – Continued

Donated Equipment, Material, Supplies and Services – Continued

The Association received donated goods and services as follows for the years ended June 30:

	2021	2020
Goods	\$ 31,086	\$ 14,433
Services	420	237
Total in-kind contributions	\$ 31,506	\$ 14,670

Income Taxes

The Association is a nonprofit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income for the years ended June 30, 2021 and 2020, respectively. Management believes that it has appropriate support for any tax positions taken by the Association, and as such does not have any uncertain tax positions that are material to the financial statements. The Association's income tax returns are subject to examination by the appropriate regulatory authorities and remain open for the last three years.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the various programs and supporting services benefited. 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. The expenses that are allocated include telephone, supplies, printing and postage, technology, professional fees, marketing and promotion, dues and subscriptions, travel and other expenses, which are allocated on the basis of estimates of how the expenses support the programs and supporting services. Insurance, janitorial services, repairs and maintenance, utilities, and depreciation expense are allocated on a square foot basis. Lastly, salaries, payroll tax and benefits, not directly charged, are allocated on the basis of estimates of time and effort. The tenant's portion of insurance, janitorial services, repairs and maintenance and supplies are included in administration expenses.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. Nature of Organization and Significant Accounting Policies – Continued

Advertising

Advertising (marketing and promotion) costs are expensed as incurred. Advertising expense for the years ended June 30, 2021 and 2020 was \$2,113 and \$12,957, respectively.

Statements of Cash Flows and Concentration of Credit Risk

The Association considers all cash investments and highly liquid investments with original maturities of three months or less to be cash equivalents. The account balances (as reflected in the institution's records) are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2021 and 2020, the Association's cash balances exceed federally insured deposit limit by \$204,983 and \$4,924 respectively.

2. Liquidity and Availability of Financial Assets

The Association is substantially supported by grants, contracts, tuition, fees, contributions, special event revenues, and rental income. The Association also receives contributions with donor restrictions for various programs as well as for scholarships and capital projects. Because a donor's restrictions require funds to be used in a particular manner or in a future period, the Association maintains those funds with donor restrictions so that they are available to meet those responsibilities as they are required to be met. Accordingly, these financial assets are not available to the Association for its general expenditures. General expenditures may be incurred for program, fundraising, or administrative purposes.

The Association's financial assets at June 30, 2021 and 2020 available within one year after this date to satisfy liabilities at this date and for general expenditure are as follows

	2021	2020
Cash and cash equivalents	\$ 807,713	\$ 660,967
Grants and other accounts receivable	47,697	51,725
Investments	242,936	215,215
Total financial assets	1,098,346	927,907
Less:		
Donor restricted cash and investments	267,399	275,475
Deferred revenue and refundable advances	42,163	230,388
Financial assets available to meet cash needs for general expenditures within one year	\$ 788,784	\$ 422,044

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

2. Liquidity and Availability of Financial Assets – Continued

The Association structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition to financial assets available to meet general expenditures over the next twelve months, the Association operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statements of cash flows which identifies sources and uses of the Association operating cash.

The global coronavirus pandemic has threatened the U.S. and global economies. The pandemic has also affected the U.S. and global equity markets, as well as consumer confidence, and the broad U.S. and global stock markets have experienced extreme volatility as a result of the pandemic.

While the Association has been able to provide its programs and management believes it will have adequate resources to continue them, the Association's ability to do so, like nearly all businesses, may be dependent on future overall economic conditions.

To assist with operational cash flow during the pandemic, the Association received loans of \$289,900 in April 2020 and \$289,900 in February 2021 from the United States Small Business Administration's Paycheck Protection Program, as further discussed in Note 6.

3. Cash and Cash Equivalents

The Association considers all cash and highly liquid investments with maturities of three months or less to be cash equivalents. Cash and cash equivalents consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Cash without donor restrictions	\$ 783,250	\$ 600,707
Cash with donor restrictions	<u>9,463</u>	<u>19,695</u>
Cash and cash equivalents	<u>792,713</u>	<u>620,402</u>
Cash restricted for building and property improvements	<u>15,000</u>	<u>40,565</u>
Cash restricted for long-term purposes	<u>15,000</u>	<u>40,565</u>
Total cash and cash equivalents for purposes of the statements of cash flows	<u>\$ 807,713</u>	<u>\$ 660,967</u>

Cash without donor restrictions at June 30, 2021 includes a management designated operating reserve of \$450,000.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

4. Property and Equipment, Net

Property and equipment, net consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Construction in process	\$ -	\$ 560
Land under long-term capital lease	34,085	34,085
Building under long-term capital lease	648,267	648,267
Land	118,500	118,500
Leasehold improvements	3,188,303	3,139,706
Furniture, fixtures, and equipment	240,940	228,845
	<u>4,230,095</u>	<u>4,169,963</u>
Less accumulated depreciation	<u>(2,242,433)</u>	<u>(2,173,210)</u>
Total property and equipment, net	<u>\$ 1,987,662</u>	<u>\$ 1,996,753</u>

In 1978, in connection with grants received from various foundations, the Association transferred title to the original land and building of the CDA Community Center to the Community Foundation of Greater Atlanta (Foundation), and simultaneously leased these assets back under a \$1 per year lease. The purpose of this arrangement was to ensure this property will always be used for the charitable purposes of the Association. All costs of operating the facility remain with the Association, and neither the Association nor the Foundation may enter into any arrangement which places a lien on the property. In April 2007, the lease was amended and expires December 31, 2106. Because of the length of the term and the bargain element of the lease, as well as the intent of the parties for the incidents of ownership to remain with the Association, these assets were and are continued to be carried on the books of the Association at original cost, less depreciation. As of June 30, 2021 and 2020, \$575,687 and \$567,696, respectively, of accumulated depreciation related to the building, is recorded in the accompanying statements of financial position. Improvements to the property are recorded separately as leasehold improvements.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

5. Deferred Revenue and Refundable Advances

Deferred revenue and refundable advances consist of the following as of June 30:

	2021	2020
Deferred revenue	\$ 12,583	\$ 182,063
Refundable advances on grants	29,580	48,325
Total deferred revenue and refundable advances	\$ 42,163	\$ 230,388

6. Paycheck Protection Program Loans

During April 2020, the Association received a \$289,900 loan from the United States Small Business Administration's (SBA) Paycheck Protection Program (PPP), which was established to assist with operating cash flow during the global coronavirus pandemic. During February 2021 the Association received a \$289,900 loan as a second draw under the PPP.

These unsecured loans bear interest at 1% and may be forgiven by the SBA, as long as the Association uses the loan proceeds for eligible purposes over a defined period of time. Eligible purposes include payroll, related benefits, rent, and utilities. The amount of loan forgiveness may be reduced if the Association terminates employees or reduces salaries during the defined period. The unforgiven portion of the loan is payable over two years for the first loan and five years for the second loan with a deferral of payments to either the date the SBA remits the borrower's loan forgiveness amount to the lender, or if the borrower does not apply for loan forgiveness, ten months after the end of the borrower's loan forgiveness covered period. These loans may be prepaid at any time without penalty.

The Association believes it has used the loan proceeds for purposes consistent with the PPP. In December 2020, the Association was notified that the full balance of the first PPP loan was forgiven. Therefore, the proceeds of \$289,900 are recorded as forgiveness of PPP loan in the accompanying financial statements. In July 2021, the Association was notified that the full balance of the second PPP loan was forgiven. In fiscal year 2022, the Association will reduce the PPP loan liability by the amount forgiven and record a corresponding gain on extinguishment. As of June 30, 2020, the outstanding borrowings under the second PPP loan totaled \$289,900.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are comprised of funds the Association has received subject to donor-imposed restrictions and consist of the following at June 30:

	2021	2020
Net Assets with Purpose Restrictions		
Building improvements	\$ 15,000	\$ 40,565
Scholarships	92,936	65,215
COVID support	8,703	19,695
Program supplies	760	-
Total net assets with purpose restrictions	117,399	125,475
Net Assets Perpetual in Nature		
Tuition assistance	150,000	150,000
Total net assets perpetual in nature	150,000	150,000
Total net assets with donor restrictions	\$ 267,399	\$ 275,475

8. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes or by occurrence of other events specified by donors as follows for the year ended June 30:

	2021	2020
Tuition assistance	\$ 223,330	\$ 220,770
Staff and teacher positions	60,000	116,663
Building improvements	25,565	124,097
Scholarships	10,761	10,427
COVID support	38,992	25,056
Program supplies	2,239	-
Net assets released from restrictions	\$ 360,887	\$ 497,013

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
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JUNE 30, 2021 AND 2020

9. Endowed Net Assets and Investments

The Association follows the requirements of Georgia's Uniform Prudent Management of Institutional Funds Act (the Act). The Association is required to evaluate any gift instruments and related information to determine the intentions of the donor. The Association classifies gifts that are not immediately expendable as either net assets with purpose restrictions or net assets perpetual in nature, depending on the restrictions that the donor has imposed. Net assets perpetual in nature for both of the years ended June 30, 2021 and 2020 was \$150,000 and is comprised of funds the Association received to establish an endowment for need-based tuition assistance.

Investment and Spending Policies

The endowment is overseen by a committee comprised of various Board and Finance Committee members as well as community representatives appointed by the Board of Directors. The endowment is currently being managed by an investment advisor under the Finance Committee's oversight, using a long term growth and income strategy.

The assets are donor restricted for tuition, preferably for Hispanic and Latino children. Income from this endowment may be disbursed for the restricted purpose. The Endowment Committee of the Association has determined that no funds will be appropriated for scholarships until a minimum balance is achieved. The minimum balance was set initially at \$250,000 and revised to \$175,000 in fiscal year 2018. At such time, the greater of 5% of the previous year-end fund balance or the income generated by the fund for the previous year will be available for appropriation. When funds are available under this policy, the Association's Board will review tuition requests and determine whether they are consistent with donor intentions.

The following table shows the change in donor-restricted endowment net assets for the years ended June 30:

	2021		2020	
	Net Assets With Purpose Restrictions	Net Assets Perpetual In Nature	Net Assets With Purpose Restrictions	Net Assets Perpetual In Nature
Beginning of year	\$ 65,215	\$ 150,000	\$ 58,552	\$ 150,000
Distributions	(10,761)	-	(10,427)	-
Investment return:				
Dividend income	2,608	-	3,910	-
Realized gains, net	12,368	-	16,967	-
Unrealized gains and losses, net	26,863	-	(697)	-
Investment expenses	(3,357)	-	(3,090)	-
Total investment return	38,482	-	17,090	-
End of year	\$ 92,936	\$ 150,000	\$ 65,215	\$ 150,000

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

9. Endowed Net Assets and Investments – Continued

Investment Assets

The Association classifies its investment assets using a hierarchy of inputs to fair value measurements in accordance with GAAP, as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the Association has the ability to access.

Level 2 – Inputs to the valuation methodology that are derived principally from or corroborated by observable market data:

- 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 assets or liabilities;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs that are unobservable and significant to the overall 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 maximize the use of observable inputs and minimize the use of unobservable inputs.

The Association's mutual funds consist exclusively of investments in exchange-traded mutual funds and are Level 1 investments. Money market funds are carried at cost, which approximates fair value and are Level 1 investments.

The fair market value of investments is summarized below at June 30:

	Fair Value Hierarchy Level	2021	2020
Money market funds	1	\$ 24,314	\$ 43,246
Mutual funds			
Equities	1	129,568	110,286
Fixed income	1	61,424	40,202
Other	1	27,630	21,481
Total investments		\$ 242,936	\$ 215,215

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

10. Retirement Plan

The Association maintained a Savings Incentive Match Plan for its employees. Participation in the plan is voluntary and is available to all employees receiving \$5,000 or more in annual compensation. The Association matches employee contributions up to 3% of total employee compensation. Employer contributions for the year ended June 30, 2020 totaled \$3,312. This Savings Incentive Match Plan was terminated on December 31, 2019.

Effective January 1, 2020, the Association adopted a 401(K) Safe Harbor plan for its employees. Under this plan, the Association makes a safe harbor matching contribution equal to 100% of the first 3% of the employee's eligible earnings that are deferred as an elective deferral, and an additional 50% contribution on the next 2% of the employee's eligible earnings that are deferred as an elective deferral. Employer contributions for the years ended June 30, 2021 and 2020 totaled \$39,698 and \$20,800, respectively

11. Operating Lease Commitments

The Association leases certain office equipment under a non-cancelable operating lease. Rent paid for this lease totaled \$5,454 and \$6,422 for the years ended June 30, 2021 and 2020, respectively. The future minimum rental payments under this lease are as follows:

Year ended June 30,	
2022	\$ 5,454
2023	5,454
2024	5,454
2025	2,273
	\$ 18,635

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

12. Rental Income

The Association sub-leases space in its leased building to various other nonprofit organizations. Average monthly rental income approximates \$3,292 and \$4,167 for the years ended June 30, 2021 and 2020, respectively. The future minimum rental income expected to be received under the leases is as follows:

<u>Year ended June 30,</u>	
2022	\$ 45,300
2023	48,050
2024	48,850
2025	40,600
2026	24,000
Thereafter	<u>2,000</u>
	<u>\$ 208,800</u>

13. Commitments and Contingencies

Certain grants and contracts often require fulfillment of certain conditions as set forth in the instrument or agreement. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the return of funds is a possibility, management of the Association deems the contingency unlikely. The grants and contracts are subject to audit by the grantor, or in the case of federal, state or local funds, the related governmental unit or agency. They have the authority to determine liabilities or limit or suspend participation in the various sponsored programs.

14. Related Party Transactions

Three members of the Board of Directors were employed by separate banks in which the Association held cash accounts totaling \$807,713 and \$660,967, at June 30, 2021 and 2020, respectively. A member of the Board of Directors was employed by a bank which lent the Association \$289,900 at June 30, 2021 and 2020. For the years ended June 30, 2021 and 2020, the Association paid a company \$54,125 and \$15,800, respectively, for property improvements. This company is owned by an employee of the Association.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

15. Student Scholarship Organization Funding

The School has an agreement with Apogee Georgia School Choice Scholarship Fund (“Apogee”), a 501(c)(3) tax-exempt organization and a registered student scholarship organization (“SSO”), wherein both the School and Apogee solicit amounts from donors in the State of Georgia as part of the Georgia Private School Tax Credit Program. Under this law, taxpayers may make a contribution up to \$2,500 to a SSO and effectively redirect a portion of their Georgia income tax dollars to a school participating in the SSO and receive a “dollar for dollar” Georgia tax credit equal to the amount of their donation, provided the taxpayer itemizes.

Participation is subject to approval from the Georgia Department of Revenue and is subject to annual program dollars of availability of the tax credits by the Georgia General Assembly. Funds contributed to Apogee and designated for the Association are held in trust by Apogee until scholarship awards are approved and disbursed to eligible students. When received, the Association recognizes this as tuition revenue in the school year to which it relates.

At June 30, 2021 and 2020, Apogee held contributions totaling approximately \$2,761 and \$15,331, respectively, for the Association students.

16. Subsequent Events

Subsequent events have been evaluated through November 30, 2021, which is the date the financial statements were available to be issued. There were no significant subsequent events requiring recognition or disclosure in the financial statements as of this date other than as discussed in Note 6.

NORTH FULTON CHILD DEVELOPMENT
ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY

OTHER INFORMATION AS REQUIRED BY
THE STATE OF GEORGIA



INDEPENDENT AUDITOR'S REPORT
ON OTHER INFORMATION

To the Board of Directors of the
North Fulton Child Development Association, Inc. d/b/a Children's Development Academy:

We have audited the financial statements of North Fulton Child Development Association, Inc. d/b/a Children's Development Academy for the years ended June 30, 2021 and 2020, and have issued our report thereon dated November 30, 2021, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of state contractual assistance 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.

Brooks, McGinnis & Company, LLC

Atlanta, Georgia
November 30, 2021

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
SCHEDULE OF STATE CONTRACTUAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2021

Program	Cash Receipts	Expenditures	Amount Due from (to) Agency
Bright from the Start: Georgia Department of Early Care and Learning: Pre-K Program	\$ 280,979	\$ 280,979	\$ -
Bright from the Start: Georgia Department of Early Care and Learning: Rising Pre-K Program	58,000	38,280	(19,720)
Bright from the Start: Georgia Department of Early Care and Learning: Rising K Program	29,000	19,140	(9,860)
Bright from the Start: Georgia Department of Early Care and Learning: Quality Rated Subsidy	59,161	59,161	-
Bright from the Start: Georgia Department of Early Care and Learning: Childcare and Parent Services Program	138,322	138,322	-
Bright from the Start: Georgia Department of Early Care and Learning: COVID 19	79,781	79,781	-
Total State Contractual Assistance	<u>\$ 645,243</u>	<u>\$ 615,663</u>	<u>\$ (29,580)</u>

See Independent Auditor's Report on Other Information.