



**NORTH FULTON CHILD DEVELOPMENT
ASSOCIATION, INC.
D/B/A CHILDREN'S DEVELOPMENT ACADEMY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2022 AND 2021



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of **North Fulton Child Development Association, Inc.** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **North Fulton Child Development Association, Inc.** as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Prior Period Financial Statements

The financial statements of **North Fulton Child Development Association, Inc.** were audited by other auditors whose report dated November 30, 2021, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT - CONTINUED

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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



Atlanta, Georgia
January 19, 2023

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 759,813	\$ 807,713
Grants receivable	42,700	47,697
Other receivable	160,495	
Prepaid expenses	<u>13,763</u>	<u>19,622</u>
Total current assets	976,771	875,032
PROPERTY AND EQUIPMENT, NET	2,046,657	1,987,662
INVESTMENTS	<u>202,084</u>	<u>242,936</u>
	<u>\$ 3,225,512</u>	<u>\$ 3,105,630</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 17,673	\$ 38,293
Accrued payroll and related expenses	54,349	34,950
Deferred revenue and refundable advances	100,667	42,163
Paycheck Protection Program loan payable	<u>-</u>	<u>289,900</u>
Total current liabilities	<u>172,689</u>	<u>405,306</u>
NET ASSETS:		
Without donor restrictions		
Undesignated	2,819,360	2,432,925
With donor restrictions	<u>233,463</u>	<u>267,399</u>
Total net assets	<u>3,052,823</u>	<u>2,700,324</u>
	<u>\$ 3,225,512</u>	<u>\$ 3,105,630</u>

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Government grants and contracts	\$ 1,308,462	\$ -	\$ 1,308,462
Foundation grants	45,148	102,083	147,231
United Way	2,889	-	2,889
Contributions	270,852	64,600	335,452
Tuition and fees net of scholarships and discounts of \$339,399 and \$581,844 in 2022 and 2021	255,068	-	255,068
Contributions of non-financial assets	146,559	-	146,559
Rental income	53,866	-	53,866
Net investment loss	22	(1,030)	(1,008)
Net realized and unrealized losses on investments	-	(27,675)	(27,675)
Funding from government agency	450,395	-	450,395
Special events	304,370	-	304,370
Other revenue	16,536	-	16,536
Net assets released from restrictions: Restrictions satisfied by payments	<u>171,914</u>	<u>(171,914)</u>	<u>-</u>
Total revenues, gains and other support	<u>3,026,081</u>	<u>(33,936)</u>	<u>2,992,145</u>
FUNCTIONAL EXPENSES			
Program services	1,973,341	-	1,973,341
Supporting services			
Fundraising	338,967	-	338,967
General and administrative	<u>327,338</u>	<u>-</u>	<u>327,338</u>
Total functional expenses	<u>2,639,646</u>	<u>-</u>	<u>2,639,646</u>
CHANGE IN NET ASSETS	386,435	(33,936)	352,499
NET ASSETS			
Beginning of year	<u>2,432,925</u>	<u>267,399</u>	<u>2,700,324</u>
End of year	<u>\$ 2,819,360</u>	<u>\$ 233,463</u>	<u>\$ 3,052,823</u>

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Government grants and contracts	\$ 1,189,165	\$ -	\$ 1,189,165
Foundation grants	66,548	170,000	236,548
United Way	35,216	-	35,216
Contributions	153,127	144,329	297,456
Tuition and fees net of scholarships and discounts of \$581,844 and \$428,450 in 2021 and 2020	218,440	-	218,440
Contributions of non-financial assets	31,506	-	31,506
Rental income	39,500	-	39,500
Net investment loss	-	(748)	(748)
Net realized and unrealized gains on investments	-	39,230	39,230
Funding from government agency	289,900	-	289,900
Special events	203	-	203
Other revenue	9,521	-	9,521
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>360,887</u>	<u>(360,887)</u>	<u>-</u>
Total revenues, gains and other support	<u>2,394,013</u>	<u>(8,076)</u>	<u>2,385,937</u>
FUNCTIONAL EXPENSES			
Program services	1,616,938	-	1,616,938
Supporting services			
Fundraising	97,710	-	97,710
General and administrative	<u>265,892</u>	<u>-</u>	<u>265,892</u>
Total functional expenses	<u>1,980,540</u>	<u>-</u>	<u>1,980,540</u>
CHANGE IN NET ASSETS FROM OPERATIONS	413,473	(8,076)	405,397
OTHER CHANGES IN NET ASSETS			
Loss on disposal of property and equipment	<u>(67,475)</u>	<u>-</u>	<u>(67,475)</u>
CHANGE IN NET ASSETS	345,998	(8,076)	337,922
NET ASSETS			
Beginning of year	<u>2,086,927</u>	<u>275,475</u>	<u>2,362,402</u>
End of year	<u>\$ 2,432,925</u>	<u>\$ 267,399</u>	<u>\$ 2,700,324</u>

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services	Supporting Services		Total
		Fundraising	General and Administrative	
In-kind:				
Supplies and other goods	\$ 98,199	\$ 38,860	\$ -	\$ 137,059
Professional services	<u>3,861</u>	<u>468</u>	<u>5,171</u>	<u>9,500</u>
Total In-kind	<u>102,060</u>	<u>39,328</u>	<u>5,171</u>	<u>146,559</u>
Salaries	1,256,479	152,576	171,876	1,580,931
Payroll taxes and benefits	197,860	20,871	29,510	248,241
Food	85,465	-	-	85,465
Insurance	7,424	1,077	3,751	12,252
Janitorial services	25,638	1,578	12,227	39,443
Repairs and maintenance	28,918	1,780	13,792	44,490
Utilities	30,390	1,870	14,494	46,754
Telephone	6,309	799	878	7,986
Supplies	116,242	2,115	1,865	120,222
Printing and postage	-	428	174	602
Training and professional development	4,740	-	1,243	5,983
Technology	12,853	3,183	1,864	17,900
Professional fees	-	-	22,059	22,059
Marketing and promotion	124	3,094	1,018	4,236
Dues and subscriptions	760	2,872	4,482	8,114
Travel	338	-	-	338
Other expenses	9,014	1,948	2,605	13,567
Special events	4,165	100,244	-	104,409
Depreciation	<u>84,562</u>	<u>5,204</u>	<u>40,329</u>	<u>130,095</u>
Total functional expenses	<u>\$ 1,973,341</u>	<u>\$ 338,967</u>	<u>\$ 327,338</u>	<u>\$ 2,639,646</u>
Percent of total	<u>75%</u>	<u>13%</u>	<u>12%</u>	<u>100%</u>

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services	Supporting Services		Total
		Fundraising	General and Administrative	
In-kind:				
Program supplies	\$ 31,086	\$ -	\$ -	\$ 31,086
Professional services	-	-	420	420
Total In-kind	<u>31,086</u>	<u>-</u>	<u>420</u>	<u>31,506</u>
Salaries	1,089,347	64,591	135,325	1,289,263
Payroll taxes 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	75,264	8,620	10,028	93,912
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	21,739	26,754
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
Depreciation	<u>78,900</u>	<u>4,856</u>	<u>37,629</u>	<u>121,385</u>
Total functional expenses	<u>\$ 1,616,938</u>	<u>\$ 97,710</u>	<u>\$ 265,892</u>	<u>\$ 1,980,540</u>
Percent of total	<u>82%</u>	<u>5%</u>	<u>13%</u>	<u>100%</u>

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 352,499	\$ 337,922
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	130,095	121,385
Net realized and unrealized losses (gains) on investments	27,675	(39,230)
Bad debt expense	-	1,962
Paycheck Protection Program loan forgiveness	(289,900)	(289,900)
Loss on disposal of property and equipment	-	67,475
	<u>220,369</u>	199,614
Changes in operating assets and liabilities:		
Grants receivable	4,997	2,066
Other receivable	(160,495)	
Prepaid expenses	5,859	4,499
Accounts payable	(20,618)	3,820
Accrued expenses	19,399	3,332
Deferred revenue and refundable advances	<u>58,502</u>	<u>(188,225)</u>
Net Cash and Cash Equivalents Provided by Operating Activities	<u>128,013</u>	<u>25,106</u>
INVESTING ACTIVITIES		
Proceeds from sale of investments	15,581	10,761
Purchases of investments	(2,404)	748
Purchases of property and equipment	<u>(189,090)</u>	<u>(179,769)</u>
Net Cash and Cash Equivalents Used by Investing Activities	<u>(175,913)</u>	<u>(168,260)</u>
FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	<u>-</u>	<u>289,900</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(47,900)	146,746
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>807,713</u>	<u>660,967</u>
End of year	<u>\$ 759,813</u>	<u>\$ 807,713</u>

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 to provide high-quality learning programs to children whose families otherwise couldn't afford it. The Association's primary programs are 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 2022 and 2021, other nonprofit organizations 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 nonprofit in Roswell, that provides assistance to the elderly and youth in the community, and a church.

Basis of Presentation - The financial statement presentation follows the recommendations of generally accepted accounting principles. The Association is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. These net assets may be used at the discretion of Association management or designated by the board of directors.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Financial 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 the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses - The costs of providing the various programs and other activities are summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the 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 based on estimates of how the expenses support the programs and supporting services. Insurance, janitorial services, repairs and maintenance, utilities, and depreciation are allocated on a square foot basis. Lastly, salaries, payroll and related expenses, not directly charged, are allocated based on estimates of time and effort. The tenant's portion of insurance, janitorial services, repairs and maintenance and supplies are included in administrative expenses.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions and Revenue - Contributions received are recorded as support and revenue without donor restrictions and with donor restrictions depending on the existence and/or nature of any donor restrictions. 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.

Conditional grants are recorded as revenue in the year the conditions are met. The continuation of the grants is subject to certain requirements.

The Association recognized revenue for certain services received at the fair value of those services. These services include professional services that require specialized skill and services that create a non-financial asset.

The Association receives donated services from unpaid volunteers. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition have not been satisfied. Donations of nonfinancial assets are recorded as contributions at their estimated fair value at the date of donation.

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, 2022 and 2021, and accordingly, no allowance for doubtful accounts was recorded.

Concentration of Credit Risk - Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash and investments. The Association's investment policies provide for the investment of excess cash balances in deposits with major institutions and in other high quality short-term liquid money market instruments. The Association maintains cash balances at various financial institutions. At various times during 2022 and 2021, the cash balance was in excess of FDIC insured limits.

The exposure to concentrations of credit risk relative to the Association's investments is limited due to the Association's investment objectives and policies which require, among other things, that securities be diversified, meet certain quality criteria, and utilize only high credit quality institutions for investments. The investments are not insured for market risk.

Cash and Cash Equivalents - The Association considers all highly liquid investments with a maturity of three months or less when at the date of acquisition to be cash equivalents.

Grants receivable - Grants receivable represent amounts awarded by various government agencies as well as non-government entities. Grants receivable are due within one year and are recorded at their net realizable value. Management estimates an allowance for grants receivable based on current economic conditions, historical trends and current and past experience with grantors. Management determined that no allowance was necessary at June 30, 2022 and 2021.

Investments - Investments in marketable securities with readily determinable fair values are reported at fair values in the statements of financial position. Realized and unrealized gains and losses are included in the change in net assets.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment - Property and equipment are stated at cost or if donated, at estimated fair value at time of donation. The Association follows the practice of capitalizing all expenditures and donations of property and equipment in excess of \$1,000. Depreciation is computed by the straight-line method over the estimated useful lives as stated below. At June 30, 2022 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

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 2022 and 2021.

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.

Grants and Contracts - The Association received approximately 44% and 40% respectively, of its funding through the Georgia Department of Early Care and Learning and various other local government agencies for the years 2022 and 2021. 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. Programs 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.

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 other nonprofit organizations.

Income Taxes - The Association is a nonprofit organization and is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes is presented in these financial statements. The Association is not considered to be a private foundation.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Uncertainty in Tax Positions - Accounting standards require the evaluation of tax positions taken, or expected to be taken, in the course of preparing the Association's tax returns, to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. This statement provides that a tax benefit from an uncertain tax position may be recognized in the financial statements only when it is "more-likely-than-not" the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based upon the technical merits and consideration of all available information. Once the recognition threshold is met, the portion of the tax benefit that is recorded represents the largest amount of tax benefit that is greater than 50 percent likely to be realized upon settlement with a taxing authority. Based on its review, management does not believe the Association has taken any material uncertain tax positions, including any position that would place the Association's exempt status in jeopardy, as of June 30, 2022.

Reclassifications - Certain prior year amounts have been reclassified to conform with current year presentation.

Subsequent Events - The Association has evaluated subsequent events through January 19, 2023, the date the financial statements were available to be issued.

NOTE 2 - REVENUE RECOGNITION

The Association derives its revenue primarily from contributions, grants, tuition and fees, rental income, and special events. Contributions and grants are accounted for under contribution guidance established by ASU 2018-08. The Association conducts classes year-round. Tuition and fees are received for students enrolled. Tuition and fees are recognized as classroom learning and related activities are delivered to students, and financial aid provided to students reduces the amount of revenue recognized. Rental income is recognized monthly as the benefits of the property usage is consumed and special events revenue is recognized at the time of the event, in amounts that reflect the consideration the Association expects to be entitled to and in exchange for the value provided from the goods sold and benefit received during the event. Sales and other taxes the Association collects concurrent with revenue-producing activities are excluded from revenue. Incidental items that are immaterial in the context of the contracts are recognized as expense. Costs incurred to obtain a contract are expensed as incurred when the amortization period is less than a year.

The Association's contracts are cancelable at any time by either party. Students may withdraw at any time but generally do not receive a refund of amounts paid, except under special circumstances. Tuition payments are typically due weekly, rental income is typically due monthly and registrations for special events are typically due before the scheduled event. Payment terms can vary based on the entity that is paying. The Association does not have any significant financing components. There is no variable consideration related to services provided.

Disaggregation of revenue from contracts with customers for the years ended June 30, 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Performance obligations satisfied at a point in time	\$ 613,304	\$ 258,143

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Association is substantially supported by grants, contracts, tuition, fees, contributions, special events 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, 2022 and 2021 available within one year after this date to satisfy liabilities at this date and for general expenditure are as follows:

	<u>2022</u>	<u>2021</u>
Financial Assets		
Cash and cash equivalents	\$ 759,813	\$ 807,713
Grants receivable	42,700	47,697
Other receivable	160,495	-
Investments	<u>202,084</u>	<u>242,936</u>
	1,165,092	1,098,346
Less those unavailable for general expenditure within one year due to:		
Purpose restrictions	<u>233,463</u>	<u>267,399</u>
Financial assets available within one year of statement of financial position date for general expenditure	<u>\$ 931,629</u>	<u>\$ 830,947</u>

In addition to financial assets available to meet general expenditures over the year, the Association anticipates covering its general expenditures by collecting tuition and fees, grants and contributions, rental income, proceeds from special events and by appropriating the investment return on its investments and in accordance with the spending policy of the endowment.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment, net consists of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land under long-term capital lease	\$ 34,085	\$ 34,085
Building under long-term capital lease	777,885	648,267
Land	118,500	118,500
Leasehold improvements	3,245,103	3,188,303
Furniture, fixtures, and equipment	<u>243,612</u>	<u>240,940</u>
	4,419,185	4,230,095
Less accumulated depreciation	<u>(2,372,528)</u>	<u>(2,242,433)</u>
Total property and equipment, net	<u>\$ 2,046,657</u>	<u>\$ 1,987,662</u>

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - PROPERTY AND EQUIPMENT - CONTINUED

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, 2022 and 2021, \$588,207 and \$575,657 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.

NOTE 5 - FAIR VALUE MEASUREMENTS

The fair value of the Association's assets measured on a recurring basis at June 30, 2022 and 2021 are as follows:

	2022			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 24,801	\$ -	\$ -	\$ 24,801
Equities	100,488	-	-	100,488
Fixed income	51,543	-	-	51,543
Other exchange traded funds	<u>25,252</u>	<u>-</u>	<u>-</u>	<u>25,252</u>
Total	<u>\$ 202,084</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,084</u>

	2021			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 24,314	\$ -	\$ -	\$ 24,314
Equities	129,568	-	-	129,568
Fixed income	61,424	-	-	61,424
Other exchange traded funds	<u>27,630</u>	<u>-</u>	<u>-</u>	<u>27,630</u>
Total	<u>\$ 242,936</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 242,936</u>

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - FAIR VALUE MEASUREMENTS - CONTINUED

The Association's assets carried at fair value are classified and disclosed in one of the following categories:

Level 1 - Valuations are based on quoted market prices in active markets for identical assets.

Level 2 - Valuations are based on observable market information, including quoted prices from actual market transactions for similar assets in markets that are not active.

Level 3 - Fair values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about the assumptions market participants would use in pricing the investments. The Association had no Level 3 assets at June 30, 2022 and 2021.

The fair values of *money market funds, equity funds, fixed income and exchange traded funds* are based on quoted market prices.

NOTE 6 - DEFERRED REVENUE AND REFUNDABLE ADVANCES

Deferred revenue and refundable advances consist of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Deferred revenue	\$ 27,750	\$ 12,583
Refundable advances on grants	<u>72,917</u>	<u>29,580</u>
Total deferred revenue and refundable advances	<u>\$ 100,667</u>	<u>\$ 42,163</u>

NOTE 7 - FUNDING FROM GOVERNMENT AGENCIES

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. 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. In July 2021, the Association was notified that the full balance of the second PPP loan was forgiven.

The Association was closed due to government shutdown during the pandemic. Due to the shutdown the Association qualified for the Employee Retention Credit ("ERC"). The ERC was provided for under the CARES Act, including subsequent amendments. For the year 2021, the ERC was equal to 70% of qualified wages paid to employees during a qualifying quarter, capped at \$10,000 of qualified wages per employee. This payroll tax credit was available to offset certain employment taxes with any excess being refunded. The ERC for 2021 was \$160,495 and is reported as other receivables on the statement of financial position and included in funding from government agency on the statement of activities. The refund was received in December 2022.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Net Assets with Purpose Restrictions		
Building improvements	\$ 17,500	\$ 15,000
Tuition scholarships	52,084	92,936
COVID support	-	8,703
Program supplies	<u>13,879</u>	<u>760</u>
Total net assets with purpose restrictions	83,463	117,399
Net Assets Perpetual in Nature		
Tuition assistance	<u>150,000</u>	<u>150,000</u>
Total net assets with donor restrictions	<u>\$ 233,463</u>	<u>\$ 267,399</u>

NOTE 9 - 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 years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Tuition assistance and scholarships	\$ 144,230	\$ 234,091
Staff and teacher positions	10,000	60,000
Building improvements	3,600	25,565
COVID support	8,703	38,992
Program supplies	<u>5,381</u>	<u>2,239</u>
Net assets released from restrictions	<u>\$ 171,914</u>	<u>\$ 360,887</u>

NOTE 10 - ENDOWMENT NET ASSETS

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 2022 and 2021 was \$150,000 and was 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.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - ENDOWED NET ASSETS - CONTINUED

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 of \$175,000 is achieved. 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 is 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, 2022 and 2021:

	2022		2021	
	<u>Net Assets With Purpose Restrictions</u>	<u>Net Assets Perpetual In Nature</u>	<u>Net Assets With Purpose Restrictions</u>	<u>Net Assets Perpetual In Nature</u>
Beginning of year	<u>\$ 92,936</u>	<u>\$ 150,000</u>	<u>\$ 65,214</u>	<u>\$ 150,000</u>
Distributions	(12,147)	-	(10,760)	-
Investment return:				
Net investment loss	(1,030)	-	(748)	-
Net realized and unrealized gains	<u>27,675</u>	<u>-</u>	<u>39,230</u>	<u>-</u>
Total investment return	<u>26,645</u>	<u>-</u>	<u>38,482</u>	<u>-</u>
End of year	<u>\$ 107,434</u>	<u>\$ 150,000</u>	<u>\$ 92,936</u>	<u>\$ 150,000</u>

NOTE 11 - RETIREMENT PLAN

The Association has 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 2022 and 2021 totaled \$54,380 and \$39,698.

NOTE 12 - OPERATING LEASE COMMITMENTS

The Association leases certain office equipment under a non-cancelable operating lease. Rent paid for this lease totaled \$5,454 for the years 2022 and 2021. The future minimum rental payments under this lease are as follows:

Years ended June 30

2023	\$ 5,454
2024	5,454
2025	<u>2,273</u>
	<u>\$ 13,181</u>

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 13 - RENTAL INCOME

The Association sub-leases space in its leased building to various other nonprofit organizations. Average monthly rental income approximates \$4,300 and \$3,292 for the years 2022 and 2021. The future minimum rental income expected to be received under the leases is as follows:

Years ended June 30

2023	\$	48,050
2024		48,850
2025		40,600
2026		24,000
2027		<u>2,000</u>
	\$	<u>163,500</u>

NOTE 14 - 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.

NOTE 15 - RELATED PARTY TRANSACTIONS

Three members of the Board of Directors were employed by separate banks in which the Association held cash accounts totaling \$759,813 and \$807,713 at June 30, 2022 and 2021. For the years 2022 and 2021, the Association paid a company \$118,395 and \$54,125 for property improvements. This company is owned by an employee of the Association.

NOTE 16 - 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, 2022 and 2021, Apogee held contributions totaling approximately \$500 and \$2,761 for the Association students.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 17 - CONTRIBUTIONS OF NON-FINANCIAL ASSETS

	<u>2022</u>	<u>2021</u>
Silent auction items	\$ 38,860	\$ -
School supplies, toys, food and other supplies	98,199	31,086
Professional services	<u>9,500</u>	<u>420</u>
	<u>\$ 146,559</u>	<u>\$ 31,506</u>

The Association recognized contributed school supplies, toys, food and other supplies, auction items for fundraising events, and professional services.

School supplies, toys, food, other supplies are distributed to students and their families and used in educational programs, and are valued based on the estimated current market price on the date of the donation.

Silent auction items are sold during fundraising events to raise cash to support the school and provide tuition assistance. Silent auction items are valued based on the estimated current market price on the date of the donation.

Professional services consist of professional hours donated in connection with speaker fees, marketing, and promotional services in connection with the Association's logo and design, and photography services. Professional services are valued based on the estimated current market price at the date of donation.



BRADY WARE
& SCHOENFELD

INDEPENDENT AUDITORS' REPORT ON OTHER INFORMATION

To the Board of Directors
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 year ended June 30, 2022, and have issued our report thereon dated January 19, 2023, 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.

Brady, Ware & Schoenfeld, Inc.

Atlanta, Georgia
January 19, 2023

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NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.

SCHEDULE OF STATE CONTRACTUAL ASSISTANCE

YEAR NEEDED JUNE 30, 2022

Program	Cash Receipts	Expenditures	Amount Due (To) From Agency
Bright from the Start: Georgia and Learning: Pre-K Program	\$ 290,040	\$ 290,040	\$ -
Bright from the Start: Georgia Department of Early Care and Learning: Rising K Program	27,750	18,500	(9,250)
Bright from the Start: Georgia Department of Early Care and Learning: Rising Pre-K Program	55,500	37,000	(18,500)
Bright from the Start: Georgia Department of Early Care and Learning: Quality Rated Subsidy	18,959	18,959	-
Bright from the Start: Georgia Department of Early Care and Learning: Child Care and Parent Services Program	302,726	302,726	-
Georgia Department of Early Care and Learning: CACFP	110,462	110,462	-
Bright from the Start: Georgia Department of Early Care and Learning: Stable Grant	248,304	248,304	-
Total State Contractual Assistance	\$ 1,053,741	\$ 1,025,991	\$ (27,750)