

EDWARD STREET CHILD SERVICES, INC.

FINANCIAL STATEMENTS

AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

JUNE 30, 2021 AND 2020



EDWARD STREET CHILD SERVICES, INC.

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

November 11, 2021

The Board of Directors
Edward Street Child Services, Inc.

We have reviewed the accompanying financial statements of Edward Street Child Services, Inc. (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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

O'Connor, Maloney and Company

Certified Public Accountants

EDWARD STREET CHILD SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS

	2021	2020
Current		
Cash	174,332	93,063
Contributions Receivable	54,127	5,851
Prepaid Expenses	5,167	2,930
Interest Receivable	13,958	17,213
	<u>247,584</u>	<u>119,057</u>
Property and Equipment		
Computer Equipment	24,428	24,428
Less: Accumulated Depreciation	21,258	20,099
	<u>3,170</u>	<u>4,329</u>
Investments	<u>2,876,443</u>	<u>2,479,167</u>
Total Assets	<u>3,127,197</u>	<u>2,602,553</u>

LIABILITIES AND NET ASSETS

Current		
Accounts Payable and Accrued Expenses	78,479	10,764
Refundable Advance	12,779	9,740
	<u>91,258</u>	<u>20,504</u>
Net Assets		
Without Donor Restrictions	2,858,327	2,504,093
With Donor Restrictions	177,612	77,956
	<u>3,035,939</u>	<u>2,582,049</u>
Total Liabilities and Net Assets	<u>3,127,197</u>	<u>2,602,553</u>

See accompanying notes to financial statements
and independent accountants' review report.

EDWARD STREET CHILD SERVICES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Changes in Net Assets Without Donor Restrictions		
Support and Revenue:		
Grants and Donations	116,499	35,739
U.S. Government Grant	73,017	56,760
Program Services Fees	8,500	8,000
Investment Return, Net	574,022	49,387
Net Assets Released from Restrictions	<u>435,344</u>	<u>124,294</u>
Total	<u>1,207,382</u>	<u>274,180</u>
Expenses:		
Program Services	712,729	351,048
Management and General	89,396	69,179
Fundraising	<u>51,023</u>	<u>44,446</u>
Total	<u>853,148</u>	<u>464,673</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	<u>354,234</u>	<u>(190,493)</u>
Changes in Net Assets With Donor Restrictions		
Grants and Donations	535,000	127,250
Net Assets Released from Restrictions	<u>(435,344)</u>	<u>(124,294)</u>
Increase in Net Assets With Donor Restrictions	<u>99,656</u>	<u>2,956</u>
Increase (Decrease) in Net Assets	453,890	(187,537)
Net Assets, Beginning	<u>2,582,049</u>	<u>2,769,586</u>
Net Assets, Ending	<u><u>3,035,939</u></u>	<u><u>2,582,049</u></u>

See accompanying notes to financial statements
and independent accountants' review report.

EDWARD STREET CHILD SERVICES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020			
	Program Services	Management and General	Fundraising	Total	Management and General	Fundraising	Total
Expenses							
Salaries	256,975	43,956	37,194	338,125	36,312	30,725	279,321
Payroll Taxes	19,988	3,419	2,893	26,300	2,691	2,277	20,689
Insurance	41,729	7,138	6,040	54,907	6,348	5,371	48,829
Program Expenses	297,493			297,493			23,176
Depreciation		1,159		1,159	2,886		2,886
Legal and Accounting		15,697		15,697	10,469		10,469
Consulting Expenses		3,447	2,108	81,357	587	2,263	35,854
Rent	13,990	2,393	2,025	18,408	2,665	2,255	20,502
Telephone	2,645	452	383	3,480	464	393	3,572
Office Expenses	1,351	8,792	166	10,309	295	489	6,422
Conferences and Travel	724	1,647		2,371	6,194	2	9,299
Dues and Subscriptions	546	1,044		1,590		445	1,585
Utilities	1,476	252	214	1,942	288	226	2,059
Total	712,729	89,396	51,023	853,148	69,179	44,446	484,673

See accompanying notes to financial statements and independent accountants' review report.

EDWARD STREET CHILD SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	<u>453,890</u>	<u>(187,537)</u>
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Used in Operating Activities:		
Depreciation	1,159	2,886
Net Realized and Unrealized (Gain) Loss on Investments	(502,773)	22,276
(Increase) Decrease in Contributions Receivable	(48,276)	260
Increase in Prepaid Expenses	(2,237)	(2,120)
(Increase) Decrease in Interest Receivable	3,255	(2,045)
Increase (Decrease) in Accounts Payable and Accrued Expenses	67,715	(2,828)
Increase in Refundable Advance	<u>3,039</u>	<u>9,740</u>
Total Adjustments	<u>(478,118)</u>	<u>28,169</u>
Net Cash Used in Operating Activities	<u>(24,228)</u>	<u>(159,368)</u>
Cash Flows from Investing Activities		
Proceeds from Sale of Investments	657,241	965,486
Purchase of Investments	<u>(551,744)</u>	<u>(775,105)</u>
Net Cash Provided by Investing Activities	<u>105,497</u>	<u>190,381</u>
Net Increase in Cash	81,269	31,013
Cash, Beginning	<u>93,063</u>	<u>62,050</u>
Cash, Ending	<u><u>174,332</u></u>	<u><u>93,063</u></u>

See accompanying notes to financial statements
and independent accountants' review report.

EDWARD STREET CHILD SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

(See Independent Accountants' Review Report)

Note 1. Organization

Edward Street Child Services, Inc. (the Organization) is a non-profit organization located in Worcester, Massachusetts and is exempt from income taxes under Internal Revenue Code Section 501(c)(3). It serves to promote the growth of children and strengthening of families by improving the delivery of early learning services.

Note 2. Summary of Significant Accounting Policies

The Organization prepares its financial statements on the accrual method of accounting.

Revenue and the related costs are recorded by the Organization when evidence of an arrangement exist, services have been rendered, the fee is fixed or determinable, and the collection of resulting receivables is reasonably assured.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, "Revenue from Contracts with Customers" ("Topic 606"), which outlines a five-step model for recognizing revenue and supersedes most existing revenue recognition guidance. Topic 606 is effective for nonpublic entities for annual periods beginning after December 15, 2018 with early adoption permitted for annual period beginning after December 15, 2016. The core principle of Topic 606 is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. The three permitted transition methods under the new standard are the full retrospective method, retrospective with certain practical expedients and a cumulative effect approach. Under the cumulative effect alternative, an entity would apply the new revenue standard only to contracts that are incomplete under legacy U.S. GAAP at the date of initial application and recognize the cumulative effect of the new standard as an adjustment to the opening balance of retained earnings. That is, prior years would not be restated, and additional disclosures would be required to enable users of the financial statements to understand the impact of adopting the new standard in the current year compared to prior years that are presented under legacy U.S. GAAP.

The guidance was adopted effective July 1, 2020 and was applied to all contracts on a cumulative effect approach.

The Organization has analyzed the impact of the standard based on a review of its accounting policies and practices in relation to the five-step model to ensure proper assessment of operating results under Topic 606. The analysis of the Academy's processes under Topic 606 supports the recognition of revenue over time as clients simultaneously receive and consume benefits of the services provided.

EDWARD STREET CHILD SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(See Independent Accountants' Review Report)

Note 2. Summary of Significant Accounting Policies (cont.)

In adopting Topic 606, the Academy elected the practical expedients related to immaterial contract acquisition costs and insignificant financing components of the transaction price.

The adoption of Topic 606 on July 1, 2020 had no material impact on the Academy's statement of financial position as of June 30, 2021 and statement of activities for the year ended June 30, 2021.

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or passage of time.

Net assets without donor restrictions – Net assets not subject to donor-imposed stipulations.

Grants and other contributions are reported as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization records certain types of in-kind support, including professional services, as contribution revenue. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying financial statements as in-kind support are offset by equal amounts included in expenses or, if capitalized, property and equipment.

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support and revenue and expenses. Actual results could vary from the estimates that were used.

Property and equipment purchases in excess of \$2,500 are capitalized at cost, if purchased, or if donated, at the fair value at the date of receipt and are depreciated on a straight-line basis over the estimated useful lives of the assets.

EDWARD STREET CHILD SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

(See Independent Accountants' Review Report)

Note 2. Summary of Significant Accounting Policies (cont.)

Investments are stated at fair value and accordingly, changes in unrealized gains or losses are recognized in the period in which the changes occur. Investments are initially recorded on the trade date at the cost to purchase each investment, and donated investments are initially valued at fair value at the date of receipt.

Refundable advances represents unexpended amounts under the Paycheck Protection Program Loan. Support is recognized as the qualified expenses are paid.

The Organization is exempt from income tax under Section 501(3) of the Internal Revenue Code. Management does not believe the Organization's financial statements contain any uncertain tax positions. Generally, the Organization's tax returns remain subject to examination for a period of three years.

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Note 3. Investments

Investments are recorded at fair value determined from quoted market prices at each measurement date. Fair value is defined as the price that would be received to sell an asset (i.e. the "exit price") in an orderly transaction between market participants.

In determining fair value, the Organization uses various valuation approaches. U.S. generally accepted accounting principles establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

EDWARD STREET CHILD SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

(See Independent Accountants' Review Report)

Note 3. Investments (cont.)

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in the markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

All investments are valued under Level 1 hierarchy of fair value measurement.

The following is a summary of cost and fair values of investments at June 30, 2021:

	Cost	Fair Value
Cash Funds	89,375	89,375
Corporate Debt Securities	923,237	968,689
Equity Securities	979,137	1,673,184
Mutual Funds	50,000	64,153
Other	<u>52,482</u>	<u>81,042</u>
Total	<u>2,094,231</u>	<u>2,876,443</u>

The following is a summary of cost and fair values of investments at June 30, 2020:

	Cost	Fair Value
Cash Funds	76,544	76,544
Corporate Debt Securities	1,010,259	1,015,775
Equity Securities	976,660	1,335,140
Other	<u>30,250</u>	<u>51,708</u>
Total	<u>2,093,713</u>	<u>2,479,167</u>

EDWARD STREET CHILD SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

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(See Independent Accountants' Review Report)

Note 3. Investments (cont.)

The following is a summary of the components of investment return:

	2021	2020
Interest and Dividend Income	91,925	92,913
Realized Gain on Investments	146,024	54,162
Unrealized Gain on Investments	356,749	(76,438)
	594,698	70,637
Less: Investment Expense	20,676	21,250
Net	574,022	49,387

Note 4. Net Assets with Donor Restrictions

Net Assets with Donor Restrictions consist of:

	2021	2020
Purpose Restrictions		
Computer technology Grant	6,206	6,206
Day of Play	-	10,250
Together for Kids Grant	171,406	6,500
	177,612	22,956
Time Restrictions		
Master Teacher Grant	-	55,000
Total	177,612	77,956

EDWARD STREET CHILD SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(See Independent Accountants' Review Report)

Note 5. Operating Lease

The Organization leases its operating facilities under a non-cancelable operating lease agreement that expires in December 2022.

Following are the minimum future rental payments required under the lease for each of the next two years:

Year Ending June 30:		
	2022	20,464
	2023	<u>10,333</u>
	Total	<u><u>30,797</u></u>

Rent expense incurred under non-cancelable operating leases totaled \$18,408 in 2021 and \$20,502 in 2020.

Note 6. Operating Liquidity

Financial assets available for use by the Organization within one year from the statement of financial position date are as follows:

	2021
Cash	174,332
Receivables	68,085
Investments	<u>2,876,443</u>
	3,118,860
Less: Amount Subject to Donor Restrictions	<u>177,612</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>2,941,248</u></u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

EDWARD STREET CHILD SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

(See Independent Accountants' Review Report)

Note 7. Commitment and Contingencies

In March 2020, local, U.S. and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating the temporary shut-down of business in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management expects this matter may have a material financial impact on the Organization's financial position, investment balances and results of future operations, such potential impact cannot be reasonably estimated.

In an effort to reduce the negative economic impact of the global pandemic, the United States Government provided economic stimulus under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Part of the CARES Act includes a forgivable loan program administered by the Small Business Administration (SBA) called the Paycheck Protection Program (PPP). The Organization applied for a PPP loan and in May 2020, it received proceeds of \$66,500 and had twenty-four weeks to use at least sixty percent of the funds for payroll costs and the remainder for other qualified expenses. The Organization used the funds for the aforementioned criteria, and applied for and was granted loan forgiveness for the full amount of the loan. Qualified disbursements may be subject to audit by the SBA.

The Organization applied for a second PPP loan and on April 28, 2021, received proceeds of \$76,055. The requirements under the second PPP loan must meet the same criteria as the first PPP loan and the terms of forgiveness are also the same. Interest for this loan is set at 1%. Repayment of any amount not forgiven will commence after the determination of forgiveness is made or ten months after the end of the covered period and will be repaid over a two-year term. The loan can be prepaid at any time, without penalty.

The Organization has elected to treat the forgivable loan as a conditional contribution under FASB ASC 958-605. Accordingly, qualified expenses not paid by the end of the fiscal year are included in Refundable Advances totaling \$12,779 at June 30, 2021, while U.S. Government Grant support of \$73,017 and \$56,760 has been recognized in the statements of activities for the years ended June 30, 2021 and 2020, respectively.

Note 8. Date Through Which Subsequent Events Have Been Evaluated

The Organization has evaluated all material subsequent events from the end of the fiscal year through November 11, 2021, the date the financial statements were available to be issued.