

NORTH BAY CHILDREN'S CENTER, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2021



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
North Bay Children's Center, Inc.
Novato, California

We have audited the accompanying financial statements of North Bay Children's Center, Inc. (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.



Goranson and Associates, Inc.

717 College Avenue, First Floor, Santa Rosa, CA 95404 Phone: 707/542-1256 Fax 707/978-3090

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Bay Children's Center, Inc. as of June 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited the North Bay Children's Center, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Goranson and Associates, Inc.

December 14, 2021
Santa Rosa, CA

NORTH BAY CHILDREN'S CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
(With summarized comparative totals for June 30, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 559,923	\$ 875,786
Accounts receivable (net of \$32,544 of allowance)	32,111	43,572
Contributions and contracts receivable	2,826,688	1,913,122
Prepaid expenses and deposits	29,370	29,104
Total current assets	<u>3,448,092</u>	<u>2,861,584</u>
Property and equipment:		
Land and buildings	1,842,162	1,793,874
Construction in process	1,342,618	1,310,663
Equipment	189,743	189,743
Subtotal	<u>3,374,523</u>	<u>3,294,280</u>
Less accumulated depreciation	(1,272,302)	(1,193,950)
Net property and equipment	<u>2,102,221</u>	<u>2,100,330</u>
Total assets	<u><u>\$ 5,550,313</u></u>	<u><u>\$ 4,961,914</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 127,759	\$ 67,748
Accrued personnel costs and other liabilities	373,648	337,236
Deferred revenue	171,476	86,812
Contingent grant advance	788,522	788,522
Total current liabilities	<u>1,461,405</u>	<u>1,280,318</u>
Net assets:		
Without restriction	2,920,703	2,599,750
With donor restriction	1,168,205	1,081,846
Total net assets	<u>4,088,908</u>	<u>3,681,596</u>
Total liabilities and net assets	<u><u>\$ 5,550,313</u></u>	<u><u>\$ 4,961,914</u></u>

The accompanying notes are an integral part of these financial statements

NORTH BAY CHILDREN'S CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
(With summarized comparative totals for the year ended June 30, 2020)

	<u>Without restriction</u>	<u>With donor restriction</u>	<u>2021 Total</u>	<u>2020 Total</u>
SUPPORT AND REVENUE:				
Family fees	\$ 380,042		\$ 380,042	\$ 445,339
State apportionments	5,928,798		5,928,798	3,978,520
Child care food program	49,301		49,301	43,840
Grants and contracts	539,389	\$ 204,592	743,981	598,046
Contributions	102,672	-	102,672	141,666
Capital campaign grants and contributions	-	87,632	87,632	1,131,130
Special events, net of \$119,810 costs	316,307	30,500	346,807	230,418
Other revenue	13,869	-	13,869	8,987
Net assets released from restriction	236,365	(236,365)	-	-
Total revenue and support	<u>7,566,743</u>	<u>86,359</u>	<u>7,653,102</u>	<u>6,577,946</u>
EXPENSES:				
Program services	6,240,705		6,240,705	4,958,708
Management	554,608		554,608	564,562
Fundraising	402,933		402,933	185,089
Capital campaign	47,544		47,544	44,332
Total expenses	<u>7,245,790</u>		<u>7,245,790</u>	<u>5,752,691</u>
CHANGE IN NET ASSETS:	320,953	86,359	407,312	825,255
NET ASSETS, beginning of year	2,599,750	1,081,846	3,681,596	2,815,308
Prior period adjustment	-	-	-	41,032
NET ASSETS, beginning of year restated	<u>2,599,750</u>	<u>1,081,846</u>	<u>3,681,596</u>	<u>2,856,340</u>
NET ASSETS, end of year	<u>\$ 2,920,703</u>	<u>\$ 1,168,205</u>	<u>\$ 4,088,908</u>	<u>\$ 3,681,595</u>

The accompanying notes are an integral part of these financial statements

NORTH BAY CHILDREN'S CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

(With summarized comparative totals for the year ended June 30, 2020)

	Child Care	Other Programs	Total Program	Management and General	Fundraising	Capital Campaign	2021 Total	2020 Total
Salaries and wages	\$3,676,180	\$94,636	\$ 3,770,816	\$349,666	\$231,607	\$40,567	\$ 4,392,656	\$ 3,874,186
Payroll tax expense	296,957	7,558	304,515	26,934	18,492	3,113	353,054	315,685
Employee benefits	267,330	7,304	274,634	11,531	7,986	2,736	296,887	268,212
Occupancy	109,390	3,846	113,236	173	168	24	113,601	94,427
Consultants and contractors	65,140	12,981	78,121	14,106	10,343	27	102,597	125,213
Supplies and equipment	932,914	35,370	968,284	7,921	1,509	75	977,789	251,535
Depreciation	82,872	1,099	83,971	1,128	1,099	154	86,352	117,830
Food	89,401	2,256	91,657	10	6	1	91,674	75,328
Telephone	47,828	4,789	52,617	601	306	26	53,550	77,749
Insurance	19,402	257	19,659	12,508	257	36	32,460	30,147
Advertising and marketing	2,310	4,866	7,176	2,011	848	2	10,037	10,813
Interest expense	-	-	-	9,224	4,867	-	14,091	44,062
Travel	17,421	3,639	21,060	-	-	63	21,123	1,404
Other operating expenses	414,280	40,679	454,959	118,795	125,445	720	699,919	466,099
Total expense	<u>\$ 6,021,425</u>	<u>\$ 219,280</u>	<u>\$ 6,240,705</u>	<u>\$ 554,608</u>	<u>\$ 402,933</u>	<u>\$ 47,544</u>	<u>\$ 7,245,790</u>	<u>\$ 5,752,690</u>

The accompanying notes are an integral part of these financial statements

NORTH BAY CHILDREN'S CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
(With summarized comparative totals for the year ended June 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 407,312	\$ 825,256
Adjustments to reconcile change in net assets to cash from operations		
Depreciation and amortization	86,352	117,830
(Increase) decrease in:		
Accounts receivable	11,462	22,822
Contracts receivable	(913,566)	(1,186,101)
Pledges receivable	-	-
Prepaid expenses	(266)	15,744
Increase (decrease) in:		
Accounts payable	60,011	(219,594)
Accrued expenses	36,412	102,370
Deferred revenue	84,664	86,812
Contingent grant advance	-	788,522
Total cash provided by operations	(227,619)	553,661
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net purchase of capital assets	(88,244)	(330,400)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of line of credit	-	(184,000)
NET CHANGE IN CASH	(315,863)	39,261
CASH, beginning of year	875,786	836,525
CASH, end of year	\$ 559,923	\$ 875,786
Supplemental information:		
Cash paid for interest	\$ -	\$ 22,551

The accompanying notes are an integral part of these financial statements

NORTH BAY CHILDREN'S CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 ORGANIZATION

North Bay Children's Center, Inc. (Center) is a non-profit, community-supported organization founded in 1986 to provide a nurturing environment for children that fosters their emotional, intellectual, social, and physical well-being. The Center's primary mission is to provide quality child development programs that focus on school readiness, as well as family support programs that promote self-sufficiency, health and nutrition, and access to additional educational resources. The Center believes the three most important components of a high-quality child care program are: age-appropriate curriculum that nurtures and supports child development; strong partnership with parents; and experienced professionals who understand how children grow and develop.

In addition to the full-day, year-round childcare services for children from birth through age five, and after school care for children from five through age eight, the Center has created wonderfully unique educational programs with the help of the community at large. The Center serves children from Marin County and Sonoma County, with five campuses in Novato, two in Petaluma, six in Santa Rosa, one in Sonoma Valley, and one in Healdsburg.

All of the Center's sites include the Garden of Eatin' health and nutrition program which not only brings the joy of gardening to the children's lives but enables the Center to teach and develop healthy eating habits through the meal programs by incorporating the Center's own garden fresh fruits and vegetables into the daily meal programs and partnering with community partners for healthy living.

The Center is funded by the California Department of Education, public and private grants, family fees, and contributions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The Center reports information regarding its financial position and activities on an accrual basis according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net assets without donor restriction – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.

Net assets with donor restriction – Net assets that are subject to donor-imposed stipulations that may be fulfilled by actions of the Center to meet the stipulations or that become net assets without donor restriction at the date specified by the donor.

NORTH BAY CHILDREN'S CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net assets released from donor restriction – Net assets with donor restriction are “released” to net assets without donor restriction when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

Other Basis of Presentation Policies – Revenues or support are reported as increases in net assets without restriction unless subject to donor-imposed restrictions. If net assets with restrictions are fulfilled in the same time period the revenue or support is received, the Center reports the revenue or support as without donor restriction. Expenses are reported as decreases in net assets without restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donation unless restricted by explicit donor stipulation or by law.

Cash and Cash Equivalents – Cash equivalents consist primarily of money market accounts and other investments with an original maturity of ninety days or less.

Concentrations of Credit Risk – The Center maintains cash balances at local financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account holder. The Center has \$289,905 over the FDIC limit at June 30, 2021.

Fair Value Measures – The Center reports its fair value measures by using a fair value hierarchy defined by generally accepted accounting principles (GAAP) that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

The three levels of the fair value hierarchy under GAAP are:

Level 1 – Unadjusted quoted prices in active markets accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices for valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (inputs are supported by little or no market activity).

NORTH BAY CHILDREN'S CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Accounts Receivable and Contracts Receivable – The Center has an allowance for doubtful accounts of \$32,544 at June 30, 2021.

Pledges Receivable – The Center is in a capital campaign and has received pledges towards the campaign. Management considers them collectible; accordingly, no allowance for doubtful accounts is required.

Property and equipment – The Center records purchased property and equipment at cost and donated fixed assets are recorded at fair value at the date received. The Center capitalized all assets over \$5,000. Assets purchased with government grant or contract funds are subject to certain restrictions for which depreciation may not be claimed against child development contracts. Assets purchased with government funds remain the property of the government for the life of the asset. The Center holds these assets in trust for the government and, therefore, the assets have been recorded on the statement of financial position. Purchases of those assets are recorded as expenses of the appropriate government program. Assets purchased with non-governmental funds are depreciated using the straight-line method over their estimated useful lives of the respective assets. Estimated useful lives range from three to thirty years.

Deferred Revenue – Deferred revenue consists of amounts received but not yet spent under governmental grants and contracts.

Income Taxes – The Center is exempt from Federal and State Income taxes under Internal Revenue Code Section 501(c)(3) and California Franchise Tax Board Code Section 23701(d). Therefore, no provision for income taxes has been made in the accompanying financial statements. In addition, the Internal Revenue Service has determined the Center is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Management of the Center considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to the Center's status as a not-for-profit entity. Management believes the Center met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax; therefore, no provision for income taxes has been provided in these financial statements. The Center's tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

NORTH BAY CHILDREN'S CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services.

Allocation Methodology – The Center allocates program expenses that can be specifically identified with a program directly to such program. In instances where a direct program expense benefits more than one program, the Center allocates the expense amongst the benefitting programs using a base that reflects how the cost benefits each program.

Reclassifications – Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations

Summarized Financial Information – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

NORTH BAY CHILDREN'S CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

NOTE 3 LIQUIDITY

The following reflects the Center's financial assets as of June 30, 2021 that are available for operations. The Center's restrictions come from donor restricted funds based on time and program as well as restricted fixed assets.

Financial assets at June 30, 2021	
Cash and cash equivalents	\$ 559,923
Accounts and contracts receivable	2,858,799
Less financial assets with donor restrictions, net of restricted fixed assets	<u>(1,168,205)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,250,517</u></u>

NOTE 4 CONTRIBUTIONS AND CONTRACTS RECEIVABLE

Contracts receivable at June 30, 2021 consists of the following:

Capital campaign contributions receivable	\$ 769,040
Santa Rosa City Schools	177,958
Healdsburg Unified School District	390,116
Novato Unified School District	228,555
Bellevue Union School District	270,169
Community Action Marin	54,884
Department of Education	711,180
Sonoma Valley Unified School District	45,363
Other grants, contracts and contributions	179,423
Total	<u><u>\$ 2,826,688</u></u>

NORTH BAY CHILDREN'S CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 ACCUMULATED VACATION AND SICK LEAVE

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Center. The value of accumulated vacation at June 30, 2021 is \$173,735.

Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of the Center since payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenses in the period sick leaves are taken.

NOTE 6 LINE OF CREDIT

The Center has available a \$ 500,000 line of credit, with interest at 5.25 percent and is secured by accounts and equipment. The line matures March 2022. There is zero balance at June 30, 2021.

NOTE 7 CONTINGENT GRANT ADVANCE

The Center has a Payroll Protection Program loan with the Small Business Administration that is considered a contingent grant advance in the amount of \$788,522. The period covered by the grant advance is April 30, 2020 through October 15, 2020. Subsequent to yearend, in October 2021, part of the Payroll Protection Program loan was forgiven. \$53,762 is still outstanding and required be paid in full by April 2022 with an interest rate of one percent.

NORTH BAY CHILDREN'S CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

NOTE 8 NET ASSETS WITH RESTRICTIONS

Net assets with restrictions are as follows as June 30, 2021:

Capital campaign	\$ 1,021,409
CRRSA	119,577
Night in Tucsony	25,000
Other programs	<u>2,219</u>
Total restricted for program purposes	<u><u>\$ 1,168,205</u></u>

NOTE 9 COMMITMENTS UNDER OPERATING LEASE

The Center leases one of its Novato campuses under a lease that commenced August 2015 and terminates May 2025. Annual rent is \$1. The value of the lease is \$60,390 annually and has been recorded into the financials appropriately.

The Center leases its two Petaluma campuses under a lease that commenced July 2017 and matures June 2022. Monthly rent is \$4,500 for both sites.

The Center leases modular classrooms beginning January 14, 2020 and terminating January 14, 2022. Monthly rent is \$3,915 for all four classrooms.

The Center leases two additional sites in Petaluma for \$700 and \$750 per month. The \$700 lease started in March 2020 and terminates in February 2022. The \$750 lease began October 2020 and terminated October 2025.

Rent expense for the year ended June 30, 2021 is \$113,600.

Future minimum rental lease payments are as follows:

2022	\$ 95,171
2023	14,601
2024	9,001
2025	9,001
2026	7,500

NORTH BAY CHILDREN'S CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 CAPITAL CAMPAIGN

In 2016, the Center launched a \$7.5 million capital campaign to replace its modular structures with a new state of the art building and playscapes that will transform its C street property into a vibrant, nurturing, contemporary, early learning campus. The entire 1.5-acre campus will be wrapped in an eco-friendly design that maximizes energy utilization, reduces operating costs, and includes a technology infrastructure to accommodate today's learning tools and tomorrow's innovations.

The new Campus will not only address the limitations of the Center's existing facilities, it will position the Center to advance its mission and vision for the future. The goal for the Bright Futures Capital Campaign is to pull permits in January 2022 and complete construction by April 2023.

Cumulative revenue of the Campaign	\$ 2,891,937
Cumulative prior expenses of the Campaign	(480,366)
Construction in process of the Campaign	(1,342,618)
Campaign expenses for the year ended 06/30/2020	(47,544)
Amount restricted for future Campaign expenses	<u>\$ 1,021,409</u>

NOTE 11 AUDIT FEES

Audit fees of \$15,000 for the year ended June 30, 2021, have been expensed in the fiscal year ended June 30, 2021 as allowed by grantor agencies. This is not in accordance with generally accepted accounting principles but is not considered material in relationship to the Center taken as a whole. The California State Legislature mandates the California Department of Education (CDE) responsibility for ensuring that audit fees are disclosed annually in the Center's audit report.

NOTE 12 CONCENTRATION OF CREDIT RISK

The Center receives 59 percent of total support and revenue from contracts with the California Department of Education and corresponding family fees required with the contracts. A significant reduction in the level of this support, should it occur, may have an effect on their programs.

NOTE 13 SUBSEQUENT EVENTS

The Center has evaluated subsequent events through December 14, 2021, the date the financial statements were available to be issued. In January 2020, COVID-19 emerged. The World Health Organization has declared COVID-19 a pandemic resulting in federal, state and local governments and private entities mandating various restrictions. This could have a material effect on the Center's operations, financial position, and cash flows. Also, as seen in Note 7, the Payroll Protection Loan was forgiven.