



Giving every Galveston child the opportunity to soar

Moody Early Childhood Center Board of Directors
Board Meeting
Friday, February 25, 2022 @ 11:30 a.m.

Randall Room – Rosenberg Library,
2310 Sealy, Galveston, TX
& Via Zoom

<https://us02web.zoom.us/j/84893440820?pwd=VFd6dmxhOVBRYTJ1aHgybURzanhxUT09>

Meeting ID: 848 9344 0820

Passcode: 754959

AGENDA

1. Call to order
2. Review & Approval of January 28, 2022 Board Meetings Minutes (enclosed)
3. Public Comment on Agenda and Non-Agenda Items
4. Committee Reports
 - a) Finance
 - i. September – January 2022 reports (enclosed)
 - ii. Finance Committee highlights (enclosed)
 - iii. Audit Discussion/Action (enclosed)
 - iv. EIDL Loan Discussion/Action
 - b) Governance and Board Development
 - c) Resource Development
 - d) Scholarship
 - e) Government Affairs
5. Executive Director's report (enclosed)
6. Adjourn to Executive Session – The board may recess into Closed Executive Session as permitted by the Texas Open Meeting Act Government Code Sections 551.071-551.090 Subchapter D and E. Should any final action, final decision, or final vote be required in the opinion of the Board with regard to any matter considered in such closed meeting then the final action, final decision or final vote shall be either:
 - a) in the open meeting covered by the Notice upon the reconvening of the public meeting; or
 - b) at a subsequent public meeting of the Board upon notice thereof as the board shall determine
7. Reconvene from Executive Session and take any action warranted.
8. Next Board Meeting scheduled for Friday, March 25, 2022 @ 1:00pm
9. Adjourn

**MECC Board of Directors Meeting
January 28, 2022**

Attendees: Ms. Kinnear (Presiding), Dr. Brown, Dr. Prochaska, Mr. Henry, Dr. Jones, Dr. Ratcliff, Ms. Doherty, Ms. Kennedy, Ms. Miller, Angela Stephens (YPTC)

Absent: Mr. Parker, Ms. Massey, Ms. Brown, Ms. Adams

The meeting was called to order at 1:05pm by Ms. Kinnear.

No members of the public were present, and a quorum Board was present.

Ms. Doherty motioned to approve the minutes as presented, second by Ms. Kennedy. Motion passed unanimously.

Ms. Doherty reviewed the monthly financial report provided in the Board packet. Ms. Miller discussed a proposed loan application to pay off our line of credit with a new loan program opportunity to reduce our interest rate burden. A resolution from the Board would be needed to move forward.

A motion was made by Dr. Prochaska, seconded by Mr. Henry, to move forward with (pending Moody Foundation approval) submitting our application for the SBA loan as discussed. The motion passed unanimously.

Motion to approve budget amendments as they were presented by Ms. Doherty, seconded by Dr. Jones. The motion passed unanimously.

Dr. Prochaska reported that the Governance committee will be meeting next month to move forward with our Board and Executive Director annual evaluation. Ms. Doherty noted that adding a member with financial and/or accounting expertise could be a valuable addition to the Board's composition.

Dr. Jones reported that Scholarship Committee met. Two students and their families were reviewed.

Ms. Miller presented her Executive Director report as presented in the Board's meeting packet. She discussed current recruitment and enrollment, as well as COVID and COVID relief status.

Ms. Kinnear noted that the next board meeting is scheduled for February 25th.

Meeting was adjourned at 1:36pm.

Respectfully submitted by Dr. John Prochaska, Board Secretary

MECC FINANCE MEETING FEBRUARY 15TH 2022. NOTES:

This report includes the past 5 months (Sept. 2021- Jan. 2022) of our fiscal year as well as the expenses and income for Jan. 2022 alone.

New Income charts were given to us with additional easy-to-read expense charting to come soon.

Executive Summary: Both Positive and Negative Impacts in January

- MECC was closed for 1 week in Jan. due to COVID resulting in tuition being 45% lower than projected in our budget
- \$35,000 non-restrictive grant from Kempner Funds Received
- \$150,000 grant from PEF Received (grant was not budgeted for this year)
- Head Start ended and we should receive one more small payment in Feb.
- Payroll and related expenses were lower due to COVID

Cash on hand was \$2 Million as of Jan. 31st.

Without additional (currently unbudgeted) income, we will have only \$307,000 in the bank end of Aug. 2022. Not enough to make it to our next Moody Grant Deposit in Jan. 2023

This input caused the Finance Committee to recommend to the Board that we look into a Grant writer ASAP. This could be a part time contract position, hired according to the grant cycles.

Liabilities improvement- In Jan. we paid down our Line of Credit from \$283,000 to \$70,002

Finance Committee Expense Questions and Answers:

High Board Expense-\$3256 – this was our membership Dues to Charter School Assoc.

Professional Fees \$6348 – this was all YPTC doing our Jan. finances and getting Audit ready YPTC for the last 5 months has cost us \$25,283 or an average of \$5056/month

FYI-Last year's Audit cost was\$ 20,000

Still waiting on last year's reimbursement of Utility fees from GISD

Repairs and Maint. Is all K&K Cleaning Service and includes their supplies - \$62,446 -includes special COVID cleaning (averages \$12,489 a mo.)

Finance Committee will be meeting on Monday 2-21 to discuss the SBA Loan (EIDL), for which we have been approved, and make our recommendations to the Board at our Friday Feb. 25th meeting.

Please look over the Finance package before the Board meeting and let us know if you have any questions.

Angela Brown, Board Treasurer

MEMO

TO: Karin Miller, Executive Director
FROM: Angela Stephens, Your Part-Time Controller, LLC
DATE: February 15, 2022
SUBJECT: **January 2022 Financial Report for Moody Early Childhood Center**

Attached please find the financial reporting package for the five months ended January 31, 2022. It includes:

- Balance Sheets as of January 31, 2022 and January 31, 2021
- Income Statements & Budget Analysis for the month ended January 31, 2022 and January 31, 2021
- Income Statements & Budget Analysis for the five months ended January 31, 2022 and January 31, 2021
- Statements of Cash Flows for the five months ended January 31, 2022 and January 31, 2021
- Rolling Forecast – 2021/2022

Executive Summary:

MECC was closed for a week in January due to the coronavirus. As a result, tuition revenue was 45% lower than projected and 8% lower than January 2021.

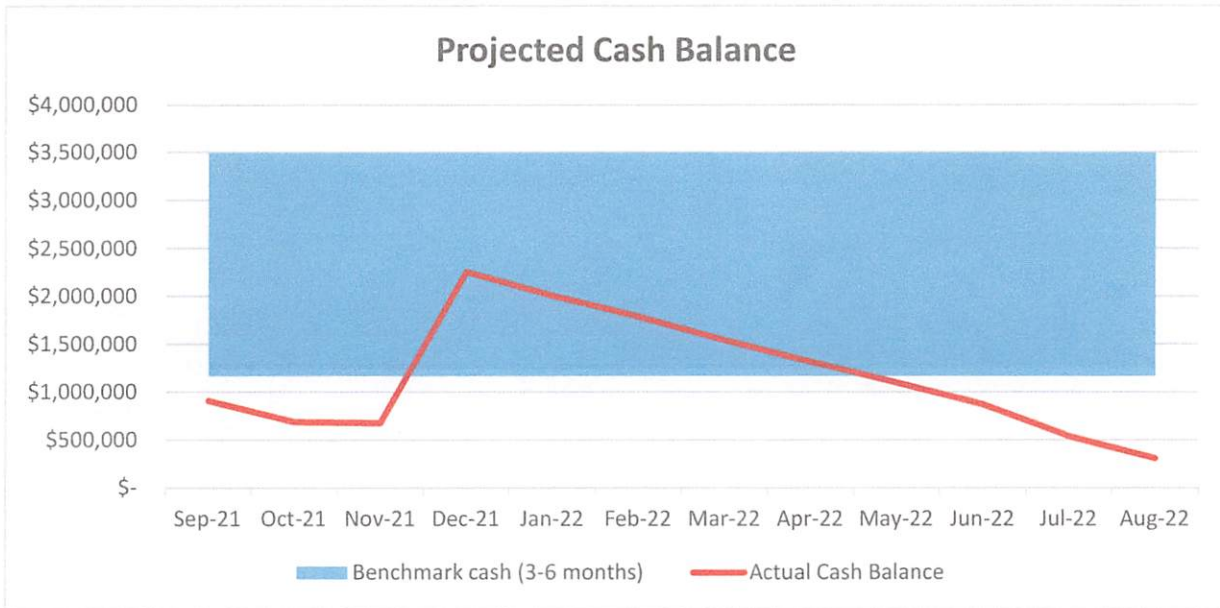
MECC received a \$35k grant from the Kempner Fund in January.

Year-to-Date Financial Highlights:

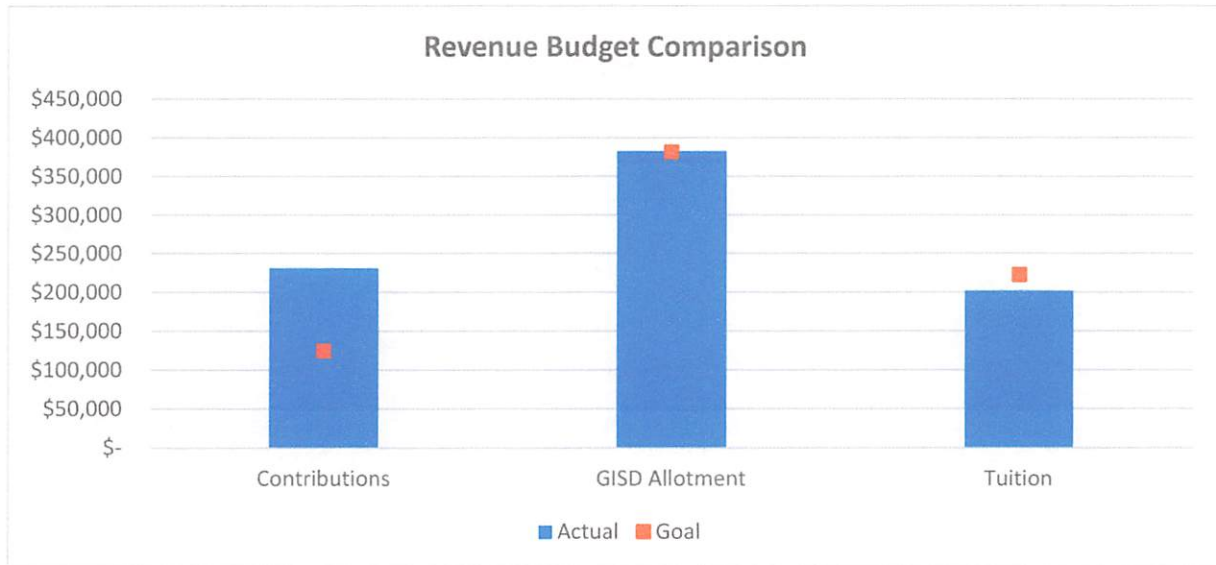
- Total Revenue of \$1.6m was \$1.2m below budgeted levels of \$2.8m due to the following transactions:
 - The \$1.97m annual grant payment from the Moody Foundation was booked as a receivable for fiscal year 2020 and is not included in current year revenue.
 - The second PPP loan of \$633k was forgiven by the SBA in December and recognized as revenue.
 - \$150k unbudgeted grant was received from the Permanent Endowment Fund for Scholarship funding.
 - The Head Start Contract ended on January 14, 2022.
- Total Expenses of \$1.94m (excluding depreciation) were \$35k under budgeted levels of \$1.98m. Significant variances are explained as follows:
 - Payroll and related expenses under budget by \$36k due to the school closure in January.
 - Professional fees under budget by \$13k due to lower accounting fees than budgeted.
- Cash on hand was \$2.0m as of January 31st. The current forecast predicts cash on hand to be \$307k as of August 31st, which is less than one month of average monthly expenses.

If you have any questions or would like to discuss in further detail, please feel free to contact me.

**Moody Early Childhood Center
Dashboard
For the five months ended January 31, 2022**



The above compares the actual cash balance for the fiscal year to the recommended benchmark cash level for 3-6 months of expenses.



The above shows revenue over/under budget for each major revenue category.

Moody Early Childhood Center
Balance Sheets
As of January 31, 2022 and January 31, 2021

| | <u>January 31, 2022</u> | <u>January 31, 2021</u> |
|---|-------------------------|-------------------------|
| ASSETS | | |
| Cash - Operating | \$ 346,671 | \$ 169,594 |
| Cash - Professional Development | - | 800 |
| Cash - Scholarship | 120,000 | 100,000 |
| Cash - Capital | 699 | - |
| Cash - Money Market | 1,533,549 | 1,648,781 |
| Accounts Receivable, net | 6,892 | (2,336) |
| Contributions Receivable | - | 1,966,666 |
| Prepaid Expenses | 12,814 | 13,468 |
| Other Assets | 9,900 | 10,797 |
| Total Current Assets | <u>2,030,525</u> | <u>3,907,770</u> |
| | | |
| Fixed Assets | 1,063,243 | 1,063,243 |
| Accumulated Depreciation | (458,702) | (347,651) |
| Total Fixed Assets, Net | <u>604,541</u> | <u>715,592</u> |
| TOTAL ASSETS | <u>\$ 2,635,066</u> | <u>\$ 4,623,362</u> |
| | | |
| LIABILITIES AND NET ASSETS | | |
| Accounts Payable and Accrued Expenses | \$ 6,178 | \$ 31,020 |
| Payroll Liabilities | 64,682 | 76,352 |
| Line of Credit | 70,002 | 291,911 |
| Refundable Advance | - | 633,100 |
| Total Liabilities | <u>140,862</u> | <u>1,032,383</u> |
| | | |
| Total Net Assets | <u>2,494,204</u> | <u>3,590,979</u> |
| | | |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 2,635,066</u> | <u>\$ 4,623,362</u> |

Moody Early Childhood Center
Income Statements & Budget Analysis
For the Month Ended January 31, 2022

| | ACTUALS | | BUDGET COMPARATIVE | | PRIOR YEAR COMPARATIVE | |
|--------------------------------|---------------------|---------------------|-----------------------------|-------------|-----------------------------|----------------------|
| | Jan-22 | Jan-22 | \$ Variance | | \$ Variance | |
| | | | Favorable/ (Unfavorable) | % Variance | Favorable/ (Unfavorable) | % Variance |
| REVENUES | | | | | | |
| Tuition | \$ 24,333 | \$ 44,458 | \$ (20,125) | -45% | \$ 26,360 | \$ (2,027) -8% |
| Contributions | 35,150 | 25,000 | 10,150 | 41% | 32,824 | 2,326 7% |
| GISD Allotment | 76,492 | 76,240 | 253 | 0% | 47,678 | 28,814 60% |
| Federal Food Services | 1,406 | 3,000 | (1,594) | -53% | 24,708 | (23,302) -94% |
| Federal Child Care Subsidy | 19,534 | 18,813 | 722 | 4% | 11,039 | 8,495 77% |
| Interest Income | 104 | 200 | (96) | -48% | 350 | (246) -70% |
| Federal Head Start Contract | 17,380 | 8,333 | 9,047 | 109% | - | 17,380 100% |
| Other Income | 280 | 1,250 | (970) | -78% | 712 | (432) -61% |
| TOTAL REVENUES | 174,679 | 177,294 | (2,615) | -1% | 143,671 | 31,008 22% |
| EXPENSES | | | | | | |
| Payroll and Related Expenses | 300,335 | 341,727 | 41,392 | 12% | 277,575 | (22,760) -8% |
| Food Services | - | 3,750 | 3,750 | 100% | 2,268 | 2,268 100% |
| Transportation | - | - | - | 0% | 18,044 | 18,044 100% |
| Family Engagement | 227 | 288 | 61 | 21% | - | (227) -100% |
| Professional Development | 40 | 1,250 | 1,210 | 97% | - | (40) -100% |
| Board Expenses | 3,256 | 4,000 | 744 | 19% | - | (3,256) -100% |
| Professional Fees | 6,348 | 7,667 | 1,319 | 17% | 5,510 | (838) -15% |
| Educational Consultants | 1,920 | 2,083 | 163 | 8% | - | (1,920) -100% |
| Supplies | 3,479 | 6,576 | 3,097 | 47% | 1,432 | (2,047) -143% |
| Repairs and Maintenance | 12,064 | 12,600 | 536 | 4% | 9,437 | (2,627) -28% |
| COVID-19 Expenses | - | 5,625 | 5,625 | 100% | 7,384 | 7,384 100% |
| Depreciation | 9,163 | - | (9,163) | -100% | 9,748 | 585 6% |
| Insurance | 3,440 | 3,375 | (65) | -2% | 2,931 | (509) -17% |
| Fundraising | - | - | - | 0% | 99 | 99 100% |
| Interest Expense | 231 | 542 | 311 | 57% | 1,143 | 912 80% |
| Printing and Postage | 810 | 948 | 138 | 15% | 543 | (267) -49% |
| Dues and Subscriptions | 2,341 | 1,167 | (1,174) | -101% | 1,730 | (611) -35% |
| Bank Fees | 319 | 550 | 231 | 42% | 310 | (9) -3% |
| Utilities | - | - | - | 0% | 17,747 | 17,747 100% |
| Travel | - | 625 | 625 | 100% | - | - 0% |
| Information Technology | 121 | 850 | 729 | 86% | 224 | 103 46% |
| Marketing | 196 | 500 | 304 | 61% | - | (196) -100% |
| Other Expenses | - | 1,533 | 1,533 | 100% | 2,603 | 2,603 100% |
| TOTAL EXPENSES | 344,290 | 395,654 | 51,364 | 13% | 358,728 | 14,438 4% |
| TOTAL NET INCOME (LOSS) | \$ (169,611) | \$ (218,361) | \$ 48,750 | -22% | \$ (215,057) | \$ 45,446 21% |

Moody Early Childhood Center
Income Statements & Budget Analysis
For the Five Months Ended January 31, 2022

| | ACTUALS | | BUDGET COMPARATIVE | | | | PRIOR YEAR COMPARATIVE | | | | |
|-----------------------------------|------------------------|------------------------|-----------------------------|--------------|-----------------------------|-------------------|------------------------|--|--|--|--|
| | Sep 2021 - Jan 2022 | Sep 2021 - Jan 2022 | \$ Variance | | \$ Variance | | | | | | |
| | | | Favorable/ (Unfavorable) | % Variance | Favorable/ (Unfavorable) | % Variance | | | | | |
| REVENUES | | | | | | | | | | | |
| Tuition | \$ 201,666 | \$ 222,292 | \$ (20,626) | -9% | \$ 186,116 | \$ 15,550 | 8% | | | | |
| Contributions | 231,090 | 125,000 | 106,090 | 85% | 77,254 | 153,836 | 199% | | | | |
| Contributions - PPP Loan Forgiven | 633,100 | - | 633,100 | 100% | - | 633,100 | 100% | | | | |
| Contributions - Moody | - | 1,900,000 | (1,900,000) | -100% | - | - | 0% | | | | |
| GISD Allotment | 382,458 | 381,198 | 1,260 | 0% | 151,049 | 231,409 | 153% | | | | |
| Federal Food Services | 13,853 | 15,000 | (1,147) | -8% | 28,185 | (14,332) | -51% | | | | |
| Federal Child Care Subsidy | 94,473 | 94,063 | 410 | 0% | 77,541 | 16,932 | 22% | | | | |
| Interest Income | 305 | 1,000 | (695) | -70% | 699 | (394) | -56% | | | | |
| Federal Head Start Contract | 42,870 | 41,667 | 1,203 | 3% | - | 42,870 | 100% | | | | |
| Other Income | 10,583 | 6,250 | 4,333 | 69% | 1,582 | 9,001 | 569% | | | | |
| TOTAL REVENUES | 1,610,398 | 2,786,470 | (1,176,072) | -42% | 522,426 | 1,087,972 | 208% | | | | |
| EXPENSES | | | | | | | | | | | |
| Payroll and Related Expenses | 1,672,855 | 1,708,633 | 35,778 | 2% | 1,559,151 | (113,704) | -7% | | | | |
| Food Services | 20,842 | 18,750 | (2,092) | -11% | 15,371 | (5,471) | -36% | | | | |
| Transportation | - | - | - | 0% | 18,044 | 18,044 | 100% | | | | |
| Family Engagement | 2,715 | 1,438 | (1,277) | -89% | 810 | (1,905) | -235% | | | | |
| Professional Development | 5,270 | 6,250 | 980 | 16% | 3,572 | (1,698) | -48% | | | | |
| Board Expenses | 3,571 | 4,000 | 429 | 11% | - | (3,571) | -100% | | | | |
| Professional Fees | 25,283 | 38,333 | 13,050 | 34% | 33,313 | 8,030 | 24% | | | | |
| Educational Consultants | 29,433 | 25,000 | (4,433) | -18% | 56,533 | 27,100 | 48% | | | | |
| Supplies | 33,760 | 32,878 | (882) | -3% | 36,873 | 3,113 | 8% | | | | |
| Repairs and Maintenance | 62,446 | 63,000 | 554 | 1% | 13,280 | (49,166) | -370% | | | | |
| COVID-19 Expenses | 24,689 | 28,125 | 3,436 | 12% | 30,253 | 5,564 | 18% | | | | |
| Depreciation | 45,813 | - | (45,813) | -100% | 48,524 | 2,711 | 6% | | | | |
| Insurance | 17,015 | 16,875 | (140) | -1% | 19,555 | 2,540 | 13% | | | | |
| Fundraising | - | - | - | 0% | 495 | 495 | 100% | | | | |
| Interest Expense | 4,307 | 2,708 | (1,599) | -59% | 4,411 | 104 | 2% | | | | |
| Printing and Postage | 3,803 | 4,740 | 937 | 20% | 2,713 | (1,090) | -40% | | | | |
| Dues and Subscriptions | 13,994 | 5,833 | (8,161) | -140% | 6,803 | (7,191) | -106% | | | | |
| Bank Fees | 2,486 | 2,750 | 264 | 10% | 3,379 | 893 | 26% | | | | |
| Utilities | 7,022 | - | (7,022) | -100% | 9,747 | (2,725) | -28% | | | | |
| Travel | 1,171 | 3,125 | 1,954 | 63% | - | (1,171) | -100% | | | | |
| Information Technology | 5,850 | 4,250 | (1,600) | -38% | 1,252 | (4,598) | -367% | | | | |
| Marketing | 3,286 | 2,500 | (786) | -31% | 329 | (2,957) | -899% | | | | |
| Other Expenses | 1,872 | 7,667 | 5,795 | 76% | 6,750 | 4,878 | 72% | | | | |
| TOTAL EXPENSES | 1,987,483 | 1,976,855 | (10,628) | -1% | 1,871,158 | (116,325) | -6% | | | | |
| TOTAL NET INCOME (LOSS) | \$ (377,085) | \$ 809,615 | \$ (1,186,700) | -147% | \$ (1,348,732) | \$ 971,647 | 72% | | | | |
| CASH FLOW ADJUSTMENTS | | | | | | | | | | | |
| Contributions - Moody | 1,966,666 | | | | 1,966,667 | | | | | | |
| Contributions - PPP Loan Forgiven | (633,100) | | | | - | | | | | | |
| NET CASH FLOW | \$ 956,481 | | | | \$ 617,935 | | | | | | |

Moody Early Childhood Center
Statements of Cash Flows
For the Five Months Ended January 31, 2022 and January 31, 2021

| | <u>Sep 2021 - Jan 2022</u> | <u>Sep 2020 - Jan 2021</u> |
|--|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Total Net Income (Loss) | \$ (377,085) | \$ (1,348,732) |
| Adjustments to Reconcile Total Net Income (Loss) to Net Cash (Used)/Provided by Operating Activities: | | |
| Depreciation | 45,813 | 48,524 |
| Changes in Operating Assets and Liabilities: | | |
| Accounts Receivable | 81,138 | 170,166 |
| Contributions Receivable | 2,180,176 | 2,115,564 |
| Prepaid and Other Current Assets | 1,774 | (76) |
| Accounts Payable and Accrued Expenses | <u>(35,570)</u> | <u>2,185</u> |
| Net Cash (Used)/Provided by Operating Activities | <u>1,896,246</u> | <u>987,631</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Refundable Advance | (633,100) | - |
| Line of Credit Draw/(Repayment) | <u>(212,998)</u> | <u>(3,089)</u> |
| Net Cash Provided/(Used) by Financing Activities | <u>(846,098)</u> | <u>(3,089)</u> |
| CHANGE IN CASH [increase/(decrease)] | <u>1,050,148</u> | <u>984,542</u> |
| Cash, Beginning of Period | <u>950,771</u> | <u>934,633</u> |
| Cash, End of Period | <u>\$ 2,000,919</u> | <u>\$ 1,919,175</u> |

Moody Early Childhood Center
Rolling Forecast - 2021/2022

| | ACTUAL | | | | | FORECAST | | | | | | |
|--------------------------------------|-------------------|--------------------|--------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Sep-21 | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 | Jul-22 | Aug-22 |
| REVENUES | | | | | | | | | | | | |
| Tuition | 40,488 | 48,568 | 42,832 | 45,470 | 24,333 | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 |
| Contributions | 152,500 | 5,135 | 37,241 | 1,064 | 35,150 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| Contributions - PPP Loan Forgiveness | - | - | - | 633,100 | - | - | - | - | - | - | - | - |
| GISD Allotment | 76,492 | 76,492 | 76,492 | 76,492 | 76,492 | 76,492 | 76,492 | 76,492 | 76,492 | 76,492 | 76,492 | 76,492 |
| Federal Food Services | 7,176 | 1,804 | 1,845 | 1,622 | 1,406 | 1,406 | 1,406 | 1,406 | 1,406 | 1,406 | 1,406 | 1,406 |
| Federal Child Care Subsidy | 16,694 | 15,908 | 20,513 | 21,833 | 19,534 | 19,534 | 19,534 | 19,534 | 19,534 | 19,534 | 19,534 | 19,534 |
| Interest Income | 89 | 31 | 30 | 42 | 104 | 104 | 104 | 104 | 104 | 104 | 104 | 104 |
| Federal Head Start Contract | 6,621 | - | 8,938 | 9,831 | 17,380 | - | - | - | - | - | - | - |
| Other Income | 339 | 180 | 9,485 | 300 | 280 | 280 | 280 | 280 | 280 | 280 | 280 | 280 |
| TOTAL REVENUES | 300,376 | 148,116 | 197,376 | 789,854 | 174,679 | 187,816 | 187,816 | 187,816 | 187,816 | 187,816 | 187,816 | 187,816 |
| EXPENSES | | | | | | | | | | | | |
| Payroll and Related Expenses | 290,592 | 299,950 | 402,717 | 373,679 | 300,335 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 |
| Food Services | 3,739 | 2,657 | 5,233 | 9,312 | 227 | 280 | 250 | 250 | 250 | 250 | 250 | 250 |
| Family Engagement | 285 | - | - | 2,203 | 40 | - | 250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 |
| Professional Development | 1,461 | 635 | 1,780 | 1,944 | 3,258 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 |
| Board Expenses | 315 | - | - | - | - | - | - | - | - | - | - | - |
| Professional Fees | 4,270 | 4,340 | 4,900 | 5,425 | 6,348 | 5,000 | 25,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Educational Consultants | 10,587 | 8,095 | 300 | 8,620 | 1,920 | - | - | - | - | - | - | - |
| Supplies | 5,928 | 9,140 | 8,088 | 7,126 | 3,479 | 6,576 | 6,576 | 6,576 | 6,576 | 6,576 | 6,576 | 6,576 |
| Repairs and Maintenance | 9,476 | 13,908 | 10,656 | 16,343 | 12,064 | 12,800 | 12,600 | 12,600 | 12,600 | 12,600 | 12,600 | 12,600 |
| COVID-19 Expenses | 4,853 | 7,612 | 5,912 | 6,311 | 5,825 | 5,825 | 5,825 | 5,825 | 5,825 | 5,825 | 5,825 | 5,825 |
| Insurance | 3,255 | 3,440 | 3,440 | 3,440 | 3,440 | 3,440 | 3,440 | 3,440 | 3,440 | 3,440 | 3,440 | 3,440 |
| Interest Expense | 1,002 | 1,002 | 1,038 | 1,002 | 231 | 231 | 231 | 231 | 231 | 231 | 231 | 231 |
| Printing and Postage | 891 | 826 | 546 | 630 | 810 | 810 | 810 | 810 | 810 | 810 | 810 | 810 |
| Dues and Subscriptions | 3,979 | 2,478 | 2,545 | 2,653 | 2,341 | 2,341 | 2,341 | 2,341 | 2,341 | 2,341 | 2,341 | 2,341 |
| Bank Fees | 1,303 | 250 | 285 | 328 | 319 | 319 | 319 | 319 | 319 | 319 | 319 | 319 |
| Utilities | 1,706 | - | - | 5,315 | - | (5,315) | - | - | - | - | - | - |
| Travel | 389 | - | - | 813 | 121 | 850 | 850 | 850 | 850 | 850 | 850 | 850 |
| Information Technology | 1,830 | 345 | 1,092 | 1,705 | 196 | 500 | 500 | 500 | 500 | 500 | 500 | 500 |
| Marketing | 894 | 1,830 | 376 | 376 | 186 | 1,533 | 1,533 | 1,533 | 1,533 | 1,533 | 1,533 | 1,533 |
| Other Expenses | - | 1,183 | 4,890 | 1,593 | - | 1,533 | 1,533 | 1,533 | 1,533 | 1,533 | 1,533 | 1,533 |
| TOTAL EXPENSES | 347,604 | 357,589 | 453,228 | 448,118 | 395,127 | 388,010 | 411,325 | 391,325 | 391,325 | 391,325 | 391,325 | 391,325 |
| TOTAL NET INCOME (LOSS) | \$(47,228) | \$(209,473) | \$(255,852) | \$341,736 | \$(160,448) | \$(218,194) | \$(243,509) | \$(223,509) | \$(223,509) | \$(223,509) | \$(223,509) | \$(223,509) |
| CASH FLOW ADJUSTMENTS: | | | | | | | | | | | | |
| Net Income | (47,228) | (209,473) | (255,852) | 341,736 | (160,448) | (218,194) | (243,509) | (223,509) | (223,509) | (223,509) | (223,509) | (223,509) |
| Change in Receivables | 98,752 | (9,823) | 230,088 | 1,959,934 | 4,333 | - | - | - | - | - | - | - |
| Change in Other Current Assets | (10,119) | 2,060 | (7,338) | 85,967 | (87,065) | - | - | - | - | - | - | - |
| Change in Payables | (9,780) | (4,639) | 22,647 | 35,955 | 8,080 | - | - | - | - | - | - | - |
| Change in Other Current Liabilities | (77,008) | - | (848,088) | 1,580,534 | (284,617) | (218,194) | (243,509) | (223,509) | (223,509) | (223,509) | (223,509) | (223,509) |
| Change in Loans | (45,381) | (221,975) | (8,413) | 1,580,534 | (284,617) | (218,194) | (243,509) | (223,509) | (223,509) | (223,509) | (223,509) | (223,509) |
| NET CASH FLOW | \$(45,381) | (221,975) | (8,413) | 1,580,534 | (284,617) | (218,194) | (243,509) | (223,509) | (223,509) | (223,509) | (223,509) | (223,509) |

Moody Early Childhood Center
Rolling Forecast - 2021/2022

| | ACTUAL | | | | | FORECAST | | | | | | |
|----------------------------------|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|----------------|----------------|----------------|----------------|
| | Sep-21 | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 | Jul-22 | Aug-22 |
| Beginning, Checking | 239,210 | 337,131 | 166,127 | 188,720 | 601,162 | 346,545 | 420,659 | 177,150 | 245,949 | 22,440 | 91,239 | (242,270) |
| Deposits/(Withdrawals) | (194,387) | (221,004) | (27,407) | 412,442 | (254,617) | (218,194) | (243,509) | (223,509) | (223,509) | (223,509) | (333,509) | (228,509) |
| Transfer from/(to) Scholarship | - | 50,000 | 50,000 | - | - | - | - | - | - | - | - | - |
| Transfer from/(to) Money Market | 292,308 | - | - | - | - | 292,308 | - | 292,308 | - | 292,308 | - | 292,308 |
| Ending, Checking | 337,131 | 166,127 | 188,720 | 601,162 | 346,545 | 420,659 | 177,150 | 245,949 | 22,440 | 91,239 | (242,270) | (178,471) |
| Beginning, Money Market | 660,862 | 367,560 | 366,589 | 365,583 | 1,533,675 | 1,533,675 | 1,241,367 | 1,241,367 | 949,059 | 949,059 | 656,751 | 656,751 |
| MM Deposits/(Withdrawals) | (994) | (971) | (1,006) | 1,168,092 | - | - | - | - | - | - | - | - |
| Transfer from/(to) Checking | (292,308) | - | - | - | - | (292,308) | - | (292,308) | - | (292,308) | - | (292,308) |
| Ending, Money Market | 367,560 | 366,589 | 365,583 | 1,533,675 | 1,533,675 | 1,241,367 | 1,241,367 | 949,059 | 949,059 | 656,751 | 656,751 | 364,443 |
| Beginning, Scholarship & Capital | 50,699 | 200,699 | 150,699 | 120,699 | 120,699 | 120,699 | 120,699 | 120,699 | 120,699 | 120,699 | 120,699 | 120,699 |
| Scholarship Deposit/(Draw) | 150,000 | (50,000) | (30,000) | - | - | - | - | - | - | - | - | - |
| Ending, Scholarship & Capital | 200,699 | 150,699 | 120,699 | 120,699 | 120,699 | 120,699 | 120,699 | 120,699 | 120,699 | 120,699 | 120,699 | 120,699 |
| Beginning, Total Cash | 950,771 | 905,390 | 683,415 | 675,002 | 2,255,536 | 2,000,919 | 1,782,725 | 1,539,216 | 1,315,707 | 1,092,198 | 868,689 | 535,180 |
| Checking Deposits/(Withdrawals) | (194,387) | (221,004) | (27,407) | 412,442 | (254,617) | (218,194) | (243,509) | (223,509) | (223,509) | (223,509) | (333,509) | (228,509) |
| MM Deposits/(Withdrawals) | (994) | (971) | (1,006) | 1,168,092 | - | - | - | - | - | - | - | - |
| Scholarship Deposit/(Draw) | 150,000 | - | 20,000 | - | - | - | - | - | - | - | - | - |
| Ending, Total Cash | 905,390 | 683,415 | 675,002 | 2,255,536 | 2,000,919 | 1,782,725 | 1,539,216 | 1,315,707 | 1,092,198 | 868,689 | 535,180 | 306,671 |

MOODY EARLY CHILDHOOD CENTER

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
As of and for the Years Ended August 31, 2021 and 2020**

**MOODY EARLY CHILDHOOD CENTER
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DRAFT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Moody Early Childhood Center:

We have audited the accompanying financial statements of Moody Early Childhood Center, a Texas non-profit corporation, which comprise the Statements of Financial Position as of August 31, 2021 and 2020, and the related Statements of Activities and Changes in Net Assets and Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Moody Early Childhood Center as of August 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Galveston, Texas
February __, 2022

MOODY EARLY CHILDHOOD CENTER
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2021 AND 2020

| | 2021 | 2020 |
|-----------------------------------|--------------|--------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 948,481 | \$ 934,501 |
| Receivables: | | |
| Tuition, net | - | 10,244 |
| Contribution | 1,966,666 | 1,966,667 |
| Other | 303,830 | 306,616 |
| Prepaid expenses | 24,488 | 22,357 |
| Other assets | - | 1,832 |
| | 3,243,465 | 3,242,217 |
| Total current assets | | |
| Contribution receivable, net | 5,772,359 | 1,966,666 |
| Property and equipment, net | 650,354 | 764,116 |
| Total assets | \$ 9,666,178 | \$ 5,972,999 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable | \$ 24,025 | \$ 21,713 |
| Accrued liabilities | 82,405 | 83,503 |
| Payroll protection program loan | 633,100 | 633,100 |
| Line of credit | 283,000 | 295,000 |
| Total liabilities | 1,022,530 | 1,033,316 |
| Net assets: | | |
| Without donor restrictions | 8,573,649 | 4,712,211 |
| With donor restrictions | 69,999 | 227,472 |
| Total net assets | 8,643,648 | 4,939,683 |
| Total liabilities and net assets | \$ 9,666,178 | \$ 5,972,999 |

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

MOODY EARLY CHILDHOOD CENTER
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2021

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|---------------------|
| Revenue and support: | | | |
| Contributions | \$ 5,851,263 | \$ 34,409 | \$ 5,885,672 |
| In-kind contributions | 1,185,778 | - | 1,185,778 |
| In-district charter school funding | 684,841 | - | 684,841 |
| Grants | 526,006 | - | 526,006 |
| Tuition, net | 609,823 | - | 609,823 |
| Interest income | 2,139 | - | 2,139 |
| Gain on forgiveness of PPP loan | 633,100 | - | 633,100 |
| Other | 11,200 | - | 11,200 |
| | <hr/> | <hr/> | <hr/> |
| Revenue before release of restrictions on net assets | 9,504,150 | 34,409 | 9,538,559 |
| Net assets released from restrictions: | | | |
| Program expenditures | 191,882 | (191,882) | - |
| | <hr/> | <hr/> | <hr/> |
| Total revenue and support | 9,696,032 | (157,473) | 9,538,559 |
| | <hr/> | <hr/> | <hr/> |
| Expenses: | | | |
| Program expenses | 4,715,882 | - | 4,715,882 |
| Management and general | 1,118,712 | - | 1,118,712 |
| | <hr/> | <hr/> | <hr/> |
| Total expenses | 5,834,594 | - | 5,834,594 |
| | <hr/> | <hr/> | <hr/> |
| Change in net assets | 3,861,438 | (157,473) | 3,703,965 |
| Net assets at beginning of year | 4,712,211 | 227,472 | 4,939,683 |
| | <hr/> | <hr/> | <hr/> |
| Net assets at end of year | <u>\$ 8,573,649</u> | <u>\$ 69,999</u> | <u>\$ 8,643,648</u> |

The accompanying notes are an integral part of these financial statements

MOODY EARLY CHILDHOOD CENTER
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2020

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|---------------------|
| Revenue and support: | | | |
| Contributions | \$ 5,985,037 | \$ 288,671 | \$ 6,273,708 |
| In-kind contributions | 1,185,778 | - | 1,185,778 |
| In-district charter school funding | 638,192 | - | 638,192 |
| Grants | 323,571 | - | 323,571 |
| Tuition, net | 530,512 | - | 530,512 |
| Interest income | 5,774 | - | 5,774 |
| Other | 24,293 | - | 24,293 |
| | <hr/> | <hr/> | <hr/> |
| Revenue before release of restrictions on net assets | 8,693,157 | 288,671 | 8,981,828 |
| Net assets released from restrictions: | | | |
| Program expenditures | 331,989 | (331,989) | - |
| | <hr/> | <hr/> | <hr/> |
| Total revenue and support | 9,025,146 | (43,318) | 8,981,828 |
| | <hr/> | <hr/> | <hr/> |
| Expenses: | | | |
| Program expenses | 4,344,008 | - | 4,344,008 |
| Management and general | 1,134,676 | - | 1,134,676 |
| | <hr/> | <hr/> | <hr/> |
| Total expenses | 5,478,684 | - | 5,478,684 |
| | <hr/> | <hr/> | <hr/> |
| Change in net assets | 3,546,462 | (43,318) | 3,503,144 |
| Net assets at beginning of year | 1,165,749 | 270,790 | 1,436,539 |
| | <hr/> | <hr/> | <hr/> |
| Net assets at end of year | <u>\$ 4,712,211</u> | <u>\$ 227,472</u> | <u>\$ 4,939,683</u> |

The accompanying notes are an integral part of these financial statements

**MOODY EARLY CHILDHOOD CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2021**

| Description | Program Services | Management and General | Total Expenses |
|---------------------------------------|---------------------|---------------------------|---------------------|
| Payroll, benefits, and taxes | \$ 3,134,085 | \$ 659,982 | \$ 3,794,067 |
| Contract services | 92,061 | - | 92,061 |
| Professional fees | 1,196 | 86,405 | 87,601 |
| Program materials and services | 10,930 | 1,971 | 12,901 |
| Food services | 37,341 | - | 37,341 |
| Transportation | 39,729 | - | 39,729 |
| Professional development and training | 19,200 | 3,712 | 22,912 |
| Rent | 979,511 | 206,267 | 1,185,778 |
| Insurance | 33,013 | 6,952 | 39,965 |
| Utilities | 34,387 | 7,241 | 41,628 |
| Technology and communication | 11,516 | 2,425 | 13,941 |
| Supplies | 124,915 | 52,694 | 177,609 |
| Copying and printing | 13,332 | 2,807 | 16,139 |
| Advertising | - | 13,245 | 13,245 |
| Community outreach | 1,377 | - | 1,377 |
| Dues and subscriptions | 14,785 | 3,113 | 17,898 |
| Meeting expense | - | 863 | 863 |
| Licensing and other fees | - | 1,689 | 1,689 |
| Repairs and maintenance | 73,932 | 15,569 | 89,501 |
| Depreciation | 93,973 | 19,789 | 113,762 |
| Interest expense | - | 10,500 | 10,500 |
| Bank charges | - | 4,776 | 4,776 |
| Miscellaneous | 599 | 18,712 | 19,311 |
| Total expenses | <u>\$ 4,715,882</u> | <u>\$ 1,118,712</u> | <u>\$ 5,834,594</u> |

The accompanying notes are an integral part of these financial statements

MOODY EARLY CHILDHOOD CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020

| Description | Program Services | Management and General | Total Expenses |
|---------------------------------------|---------------------|---------------------------|---------------------|
| Payroll, benefits, and taxes | \$ 2,735,876 | \$ 597,094 | \$ 3,332,970 |
| Contract services | 125,512 | 27,392 | 152,904 |
| Professional fees | - | 140,875 | 140,875 |
| Program materials and services | 26,441 | - | 26,441 |
| Food services | 66,834 | - | 66,834 |
| Transportation | 44,333 | - | 44,333 |
| Professional development and training | 38,480 | 8,398 | 46,878 |
| Rent | 961,429 | 224,349 | 1,185,778 |
| Insurance | 33,028 | 7,208 | 40,236 |
| Utilities | 55,207 | 12,049 | 67,256 |
| Technology and communication | 3,457 | 754 | 4,211 |
| Equipment and rentals | 2,913 | 636 | 3,549 |
| Supplies | 113,176 | 19,673 | 132,849 |
| Copying and printing | 10,058 | 2,195 | 12,253 |
| Advertising | - | 16,643 | 16,643 |
| Community outreach | 2,586 | - | 2,586 |
| Dues and subscriptions | 12,811 | 2,796 | 15,607 |
| Travel | 4,754 | 1,037 | 5,791 |
| Meeting expense | - | 1,087 | 1,087 |
| Licensing and other fees | - | 792 | 792 |
| Repairs and maintenance | 22,981 | 5,015 | 27,996 |
| Depreciation | 82,747 | 18,059 | 100,806 |
| Interest expense | - | 16,090 | 16,090 |
| Bank charges | - | 10,877 | 10,877 |
| Miscellaneous | 1,385 | 21,657 | 23,042 |
| Total expenses | <u>\$ 4,344,008</u> | <u>\$ 1,134,676</u> | <u>\$ 5,478,684</u> |

The accompanying notes are an integral part of these financial statements

MOODY EARLY CHILDHOOD CENTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

| | 2021 | 2020 |
|--|--------------|--------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 3,703,965 | \$ 3,503,144 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation expense | 113,762 | 100,806 |
| Gain on forgiveness of PPP loan | (633,100) | - |
| Changes in operating assets and liabilities: | | |
| Tuition receivable | 10,244 | (8,293) |
| Contribution receivable | (3,805,692) | (3,133,333) |
| Other receivables | 2,786 | (257,553) |
| Prepaid expenses | (2,131) | (6,356) |
| Other assets | 1,832 | (1,832) |
| Accounts payable | 2,312 | (15,773) |
| Accrued liabilities | (1,098) | (150,385) |
| | (607,120) | 30,425 |
| Net cash (used in) provided by operating activities | | |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | - | (140,624) |
| | - | (140,624) |
| Net cash used in investing activities | | |
| Cash flows from financing activities: | | |
| Proceeds from paycheck protection program | 633,100 | 633,100 |
| Payments (proceeds) from line of credit, net | (12,000) | 95,000 |
| | 621,100 | 728,100 |
| Net cash provided by financing activities | | |
| Net (decrease) increase in cash and cash equivalents | 13,980 | 617,901 |
| Cash and cash equivalents at beginning of year | 934,501 | 316,600 |
| Cash and cash equivalents at end of year | \$ 948,481 | \$ 934,501 |
| Supplemental cash flow disclosures: | | |
| Interest paid | \$ 10,500 | \$ 16,090 |

The accompanying notes are an integral part of these financial statements

MOODY EARLY CHILDHOOD CENTER

NOTES TO FINANCIAL STATEMENTS

1. Organization and Purpose

The Moody Early Childhood Center (the "Center") is a Texas not-for-profit corporation originally created on December 11, 2015, under the legal name Galveston Island Day School. On June 2, 2016, the Center changed its legal name to the Moody Early Childhood Center in accordance with stipulations in a grant agreement with The Moody Foundation, a private charitable foundation. On June 20, 2018, the Center entered into a cooperative partnership agreement (the "Agreement") with the Galveston Independent School District ("GISD") under Senate Bill No. 1882, which allowed the Center to operate as an in-district charter school.

The purpose of the Center is to provide education, development, and year-round child care for children six weeks to three years of age in the greater Galveston area. The Center is governed by a Board of Directors and is primarily supported by GISD, private grants and tuition fees. The Center operates in a mixed income setting with approximately 70% of their children receiving subsidies for tuition.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements of the Center have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and follows the guidance promulgated by the Financial Accounting Standards Board ("FASB") related to financial statements of not-for-profit organizations. Accordingly, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of the Center and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. As of August 31, 2021 and 2020, net assets without donor restrictions were \$2,801,290 and \$4,712,211, respectively.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that are either (i) restricted until the donor-imposed restriction has been met through the passage of time and/or by actions of the Board of Directors, or (ii) expected to be maintained in perpetuity. When a purpose restriction is accomplished, or a time restriction ends, net assets with donor restrictions are released to net assets without donor restrictions. As of August 31, 2021 and 2020, net assets with donor restrictions were \$69,999 and \$227,472, respectively.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 revenues and expenses during the reporting period, and the allocation of expenses among various functions. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Center considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents. Cash balances may periodically exceed the federal depository insurance limit. However, the Center believes risk of loss is minimal in these accounts due to the strength of the financial institutions in which funds are held.

Tuition Receivable and Allowance for Doubtful Accounts

Tuition receivable consists of amounts due from tuition billings. A provision is made for doubtful accounts, when considered necessary by management, to reflect tuition receivable at its estimated realizable value. Receivables are considered past due when payments are not made according to agreed-upon terms. As of August 31, 2021 and 2020, the allowance for doubtful accounts was \$1,291 and \$10,517, respectively.

**MOODY EARLY CHILDHOOD CENTER
NOTES TO FINANCIAL STATEMENTS**

2. Summary of Significant Accounting Policies, continued

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a specified measurement date. Fair value measurements are derived using inputs and assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. U.S. GAAP establishes a valuation hierarchy for disclosure of the inputs used to measure fair value. This three-tier hierarchy classifies fair value amounts recognized or disclosed in the financial statements based on the observability of inputs used to estimate fair values. The classification within the hierarchy of a financial asset or liability is determined based on the lowest level input that is significant to the fair value measurement. The hierarchy considers fair value amounts based on observable inputs (Levels 1 and 2) to be more reliable and predictable than those based primarily on unobservable inputs (Level 3).

Fair value estimates of financial instruments are based on relevant market information and may be subjective in nature and involve uncertainties and matters of significant judgment. The Center's financial instruments consist mainly of cash, cash equivalents, tuition receivable, contributions receivable, other receivables, accounts payable, accrued liabilities and a line of credit. The Center believes that the carrying value of its assets and liabilities approximates the fair value of such items due to the short term nature of the accounts. The Center does not hold or issue financial instruments for trading purposes.

Property and Equipment

Property and equipment are recorded at cost, or in the case of donated assets, at estimated fair value at the date of the donation. Expenditures for substantial renewals and betterments are capitalized, while repairs and maintenance are charged to expense as incurred. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized on a straight-line method over the lesser of the useful life of the asset or the term of the lease. The estimated useful lives of significant assets are as follows:

| | <u>Years</u> |
|------------------------|--------------|
| Leasehold improvements | 5-20 |
| Playground equipment | 15 |
| Office equipment | 5 |
| Furniture and fixtures | 7 |
| Software | 3 |

Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Center first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent the carrying value exceeds its fair value. No impairment on long-lived assets was recognized for the years ended August 31, 2021 and 2020. Long-lived assets to be disposed of by sale are reported at the lower of their carrying amount or their fair value less costs to sell and are not depreciated.

Revenue Recognition

On September 1, 2020, the Center adopted FASB Accounting Standards Codification Topic 606 ("ASC 606"), *Revenues from Contracts with Customers*, using the modified retrospective method applied to only those contracts that were incomplete upon adoption and there was no material impact to the nature and timing of revenue recognition. Results for reporting periods beginning after August 31, 2020 are presented under the new revenue standard, while prior period amounts are not adjusted and continue to be reported in accordance with historic accounting standards under ASC 605.

The Center generates revenue through a variety of sources including student tuition and fees, in-district charter school funding, grants and donor contributions.

MOODY EARLY CHILDHOOD CENTER

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Revenue Recognition, continued

The Center accounts for a contract with a student under ASC 606 and determines its revenue recognition through the following steps: (i) identification of the contract or contracts with a student; (ii) identification of the performance obligations with the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligation(s) within the contract; and (v) recognition of revenue when, or as the performance obligation has been satisfied.

Student tuition and fees are recognized in the period in which the services are provided and are shown net of discounts and student financial aid. Any tuition and fees collected in advance are reported as deferred revenue, a contract liability, until earned.

Revenues from contributions, including in-kind contributions, grants and in-district charter school funding, does not fall under the scope of ASC 606, as such revenue follows the accounting guidance of ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*.

Contributions

In accordance with the terms of the Agreement, due to the Center's in-district charter school status, the Center is eligible to receive funding from GISD based on projected enrollment at the beginning of the Center's fiscal year. The funding is received in monthly installments, due on the 15th of each month, and is recognized during the month due.

Contributions, including grants, are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence or nature of any donor restrictions. Unconditional contributions are recorded at their fair market value in the period in which the Center is notified of the intent of the contribution. Conditional contributions are not included in contributions until such time as the conditions are substantially met. Expirations of restrictions on net assets (i.e., the donor-restricted purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the Statement of Activities and Changes in Net Assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions.

Donated Materials, Use of Facilities and Services

Donated materials and use of facilities are recorded at fair value as contributions without donor restrictions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. The Center does not imply time restrictions for donations of long-lived assets. In the absence of donor-imposed restrictions, donations of long-lived assets are reported as revenue without donor restrictions. For both the years ended August 31, 2021 and 2020, the Center received in-kind rent of \$1,185,778 (See Note 8).

In accordance with FASB Accounting Standards Codification ("ASC") Topic 958-605, *Not-for-Profit Entities – Accounting for Contributions Received and Contributions Made*, the Center recognizes contributed services at their estimated fair value if the services received (i) create or enhance nonfinancial assets or (ii) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No amounts for contributed services have been reflected in the accompanying financial statements as they did not meet the criteria for recognition required by U.S. GAAP.

Income Tax Status

The Center is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code (the "IRC") and comparable state law. The Center is funded by tuition fees and private contributions. Contributions to the Center are tax deductible within the limitations prescribed by the IRC. However, the Center is subject to taxes on unrelated business income. For the years ended August 31, 2021 and 2020, there were no unrelated business activities; thus, no provision has been made for income taxes.

MOODY EARLY CHILDHOOD CENTER

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Functional Expense Allocation

The Center only has one program activity, which is the education of children in the greater Galveston area who are in the early stage of development. The cost of providing the program and the related management activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Asset. Accordingly, certain costs have been allocated among program services and management and general, based on the level of effort by employees and other methods determined by management.

Compensable Absences

Full time employees are allowed five days of paid time off ("PTO") after completing one year of service. Employees who leave in good standing with proper notification may receive pay in lieu of taking accrued time off. The Center has adopted a policy in which accrued PTO balances are reset to zero at the beginning of each year. Thus, no amount is accrued in the financial statements for compensated absences as of August 31, 2021 and 2020.

Recent Accounting Standards

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under ASU No. 2016-02, lessor accounting is largely unchanged. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019 with early application permitted. Lessees and lessors must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases expiring before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. In July 2019, the FASB approved the delay of the effective date of ASU No. 2016-02 by one year (effective for annual periods beginning after December 15, 2020). In June 2020, the FASB issued ASU No. 2020-05, which allowed certain entities who had not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of ASU No. 2016-02 to defer implementation for one year due to unique challenges resulting from the COVID-19 pandemic. Accordingly, ASU No. 2016-02 is effective for the Center for the year beginning September 1, 2022. Management is currently evaluating the effect the provisions of ASU No. 2016-02 will have on the Center's financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which is part of the FASB disclosure framework project to improve the effectiveness of disclosures in the notes to the financial statements. The amendments in the new guidance remove, modify and add certain disclosure requirements related to fair value measurements covered in FASB ASC Topic 820 ("ASC 820"), *Fair Value Measurements and Disclosures*. The new standard is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for either the entire standard or only the requirements that modify or eliminate the disclosure requirements, with certain requirements applied prospectively, and all other requirements applied retrospectively to all periods presented. The Center adopted ASU No. 2018-13 effective September 1, 2020 and its adoption did not have a significant impact on the Center's financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is designed to improve generally accepted accounting principles by increasing the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The amendments in the new guidance improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for not-for-profits, including additional disclosure requirements for recognized contributed services, covered in FASB ASC Topic 958 ("ASC 958") *Not-for-Profit Entities – Revenue Recognition*. The amendments in this update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021. Early adoption is permitted. Management does not expect the adoption of ASU No. 2020-07 to have a significant impact on the Center's financial statements.

**MOODY EARLY CHILDHOOD CENTER
NOTES TO FINANCIAL STATEMENTS**

3. Contributions Receivable

Contributions receivable at August 31, 2021 and 2020, consist of the following:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|---------------------|---------------------|
| Receivables due in less than one year | \$ 1,966,666 | \$ 1,966,667 |
| Receivables due in one to five years | <u>5,900,000</u> | <u>1,966,666</u> |
| Total contributions receivable | 7,866,666 | 3,933,333 |
| Less discount to net present value | <u>(127,641)</u> | <u>-</u> |
| Contributions receivable, net | <u>\$ 7,739,025</u> | <u>\$ 3,933,333</u> |

4. Property and Equipment

As of August 31, 2021 and 2020, property and equipment consist of the following:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------|-------------------|-------------------|
| Leasehold improvements | \$ 500,771 | \$ 500,771 |
| Furniture and fixtures | 314,416 | 314,416 |
| Playground equipment | 194,503 | 194,503 |
| Office equipment | 35,420 | 35,420 |
| Software | <u>18,133</u> | <u>18,133</u> |
| | 1,063,243 | 1,063,243 |
| Accumulated depreciation | <u>(412,889)</u> | <u>(299,127)</u> |
| Property and equipment, net | <u>\$ 650,354</u> | <u>\$ 764,116</u> |

For the years ended August 31, 2021 and 2020, depreciation expense was \$113,762 and \$100,806, respectively.

5. Accrued Liabilities

As of August 31, 2021 and 2020, accrued liabilities consist of the following:

| | <u>2021</u> | <u>2020</u> |
|--|------------------|------------------|
| Teacher Retirement System of Texas contributions | \$ - | \$ 41,683 |
| Payroll and taxes | 77,006 | 27,966 |
| Other | <u>5,399</u> | <u>13,854</u> |
| | <u>\$ 82,405</u> | <u>\$ 83,503</u> |

6. Line of Credit

In August 2020, the Center renewed an existing line of credit agreement with Moody Bank with a maximum draw of \$300,000 to assist in the periodic cash needs of the Center. Principal and interest is due monthly, beginning in September 2020, with interest calculated on the unpaid principal balances at an interest rate of 4.25% per annum. The line of credit matured in August 2021 and was renewed for an additional one year period under the same terms as the original agreement. Collateral for the line of credit consists of all Center assets. At August 31, 2021 and 2020, the outstanding balance on the line of credit was \$283,000 and \$295,000, respectively. During the years ended August 31, 2021 and 2020, interest expense associated with the line of credit is \$10,500 and \$16,090, respectively.

**MOODY EARLY CHILDHOOD CENTER
NOTES TO FINANCIAL STATEMENTS**

7. Paycheck Protection Program Loan

On March 27, 2020, the President of the United States signed into law the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, which, among other things, includes the Paycheck Protection Program (the “PPP”). On April 17, 2020, pursuant to the PPP, the Center received proceeds from an unsecured loan with Moody Bank, N.A. in the amount of \$633,100, bearing interest at a rate of 1.00% per year with a maturity date of April 9, 2022. The CARES Act allows principal, interest and fees to be deferred six months (“deferral period”), and accordingly, interest and principal is due in monthly installments of \$35,451 beginning October 9, 2020. Under the CARES Act, loan forgiveness may be available for certain qualifying expenses as defined in the CARES Act. On June 5, 2020, the President of the United States signed into law the PPP Flexibility Act, which, among other things, extended the deferral period for all entities that have applied for forgiveness from six months to the date that the financial institution receives the approved loan forgiveness funds from the Small Business Administration. The Center applied for and received forgiveness of the PPP Loan in February 2021. During the year ended August 31, 2021, the Center recognized \$633,100 as forgiveness of debt which is included as its own line item in the accompanying Statement of Activities and Changes in Net Assets.

During February 2021, the Center entered into an unsecured loan with Moody Bank, N.A. under the second round of the PPP in the amount of \$633,100, bearing interest at a rate of 1.00% per year with a maturity date of February 17, 2026. The principal, interest and fees is deferred for a period of ten months after the end of the loan forgiveness covered period. At August 31, 2021, \$633,100 was outstanding on the note. Under the PPP, loan forgiveness may be available for certain qualifying expenses as defined in the CARES Act. Management believes it has expended the loan proceeds in accordance with the provisions of the PPP, which should provide for full forgiveness of the loan.

8. Occupancy Transactions

On July 1, 2016, the Center and GISD entered into a five-year operating and lease agreement under which the Center leases, operates, and develops the early childhood center in GISD’s San Jacinto School building located at 21st Street Avenue L in Galveston, Texas. The building operates under the name of Moody Early Childhood Center on a year-round basis with the explicit intent of providing educational opportunities for a cross-section of Galveston youth. GISD also operates their Pre-Kindergarten 3 program in the same building but retains all operating authority over their program. Effective September 15, 2016, the lease agreement was amended to increase the number of classrooms rented and to modify the rental fee. Effective April 25, 2017, the lease agreement was again amended to increase the number of classrooms rented, to incorporate changes regarding the rental rate, and to change the policy related to payment of utilities. Beginning in 2018, MECC became an In-District Charter school with GISD and signed a Charter Agreement in August of 2018 that allows the Center to utilize the entire 61,759 square foot premises rent free. As such, for the years ended August 31, 2021 and 2020, the Center recorded in-kind contributions, as well as rent expense, in the amount of \$1,185,778.

Effective June 16, 2021, the Charter Agreement was renewed for a period commencing on the effective date and ending on June 30, 2024. Upon the end of the renewal term, the parties may elect to renew the Charter Agreement for an additional three year period with an automatic two year renewal, so long as the Center meets the performance standards outlined in the agreement.

9. Net Assets With Donor Restrictions

Net assets with donor restrictions at August 31, 2021 and 2020 are available for the following purposes:

| | 2021 | 2020 |
|---|-----------|------------|
| Subject to expenditure for a specified purpose: | | |
| Professional development | \$ - | \$ 48,300 |
| Scholarships | 69,999 | 150,000 |
| Special projects | - | 29,172 |
| | \$ 69,999 | \$ 227,472 |

**MOODY EARLY CHILDHOOD CENTER
NOTES TO FINANCIAL STATEMENTS**

10. Liquidity

The following reflects the Center's financial assets as of August 31, 2021 and 2020, reduced by amounts not available for general use due to contractual or donor-imposed restrictions within one year of the financial position date.

| | 2021 | 2020 |
|---|--------------|--------------|
| Financial assets, at year-end | \$ 8,991,336 | \$ 3,218,028 |
| Less those unavailable for general expenditure within one year, due to contractual or donor-imposed restrictions: | | |
| Restricted by donor with purpose restrictions | 5,842,358 | 227,472 |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 3,148,978 | \$ 2,990,556 |

The Center is substantially supported by contributions, grants, in-district charter school funding, and tuition revenue that do not contain donor-imposed restrictions; thus, the majority of the Center's financial assets are available as their general expenditures, liabilities, and other obligations come due.

11. Concentration of Credit Risk

A substantial amount of the Center's revenue consists of grants from foundations in Galveston County.

During the year ended August 31, 2021, grant revenue from one organization represented 50% of total revenues and support. During the year ended August 31, 2020, grant revenue from two organizations represented 86% of total revenues and support.

12. Risks and Uncertainties

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Center is monitoring the recent global health emergency driven by the potential impact of the COVID-19 virus, along with global supply and demand dynamics; however, the extent to which these events may impact the Center's business will depend on future developments, which are highly uncertain and cannot be predicted at this time. The duration and intensity of these impacts and resulting disruption to the Center's operations is uncertain and continues to evolve as of the date of this report. Accordingly, the Center will continue to monitor the impact of the global situation on its financial condition, liquidity, and operations.

13. Subsequent Events

In January 2022, the Center applied for and received forgiveness of the PPP loan it had taken under the second round of the program. The balance forgiven totaled \$633,100.

Management has evaluated subsequent events through February __, 2022, the date the financial statements were available to be issued and has concluded that there were no other significant events to be reported.



"Giving all Galveston children the opportunity to soar"

**MECC: Executive Director
Board Report
February 25, 2022**

A. Enrollment/Recruitment

i. Enrollment

- 134 PK
 - 86% Low SES
 - 14% Full Pay
- 78 Infant/Toddler
 - 56% Low SES
 - 44% Full Pay

ii. Recruitment

- Preliminary PK registration begins April 1st in Google, and Full registration begins May 2nd | Skyward
- Recruitment begins after Spring Break
 - Flyers/Banners/Signs
 - Neighborhood canvassing

iii. Items

- Gardens
 - GOFM
 - Butterfly
 - Farm??
- Pandemic Plan
 - Updated to CDC regulations
- GISD Presentation
 - Audit
 - Quarterly Report
 - CPALLS BOY
- Child Care Relief Funding (CCRF)
 - Waiting on WF to release in March
- EIDL Loan
 - Recap
 - 2.75% interest (LOC currently at 4.25%)
 - \$2 million
 - 2 year deferred payment
 - 30 year loan
 - No penalty for early payoff
 - HLB (Sylvia)

- has not heard any complaints of people unhappy with loan requirements
- most people are taking full amount to pay off high interest loans and "letting money work for them" in mutual and equity accounts
- she is confident we can just take a portion of the \$2m; if not, she suggested we just immediately payback since there is no penalty for early pay off
- suggestion was to take what we thought we needed and put rest in an interest-bearing acct then evaluate in a couple of months to see if it is what we want. If not, pay it back.

Amortization Schedule \$2,000,000

| Date | Interest | Principal | Balance |
|-------------|-----------------|-----------------|--------------------|
| Mar, 2022 | \$4,583 | \$3,581 | \$1,996,419 |
| Apr, 2022 | \$4,575 | \$3,590 | \$1,992,829 |
| May, 2022 | \$4,567 | \$3,598 | \$1,989,231 |
| Jun, 2022 | \$4,559 | \$3,606 | \$1,985,625 |
| Jul, 2022 | \$4,550 | \$3,614 | \$1,982,010 |
| Aug, 2022 | \$4,542 | \$3,623 | \$1,978,388 |
| Sep, 2022 | \$4,534 | \$3,631 | \$1,974,757 |
| Oct, 2022 | \$4,525 | \$3,639 | \$1,971,117 |
| Nov, 2022 | \$4,517 | \$3,648 | \$1,967,470 |
| Dec, 2022 | \$4,509 | \$3,656 | \$1,963,813 |
| 2022 | \$45,462 | \$36,187 | \$1,963,813 |

\$8,164.82
Monthly Payment

\$939,337
Total Interest Paid

\$2,939,337
Total of 360 Payments

Payoff Feb 2052

Amortization Schedule \$1,000,000

| Date | Interest | Principal | Balance |
|-------------|-----------------|-----------------|------------------|
| Mar, 2022 | \$2,292 | \$1,791 | \$998,209 |
| Apr, 2022 | \$2,288 | \$1,795 | \$996,414 |
| May, 2022 | \$2,283 | \$1,799 | \$994,615 |
| Jun, 2022 | \$2,279 | \$1,803 | \$992,812 |
| Jul, 2022 | \$2,275 | \$1,807 | \$991,005 |
| Aug, 2022 | \$2,271 | \$1,811 | \$989,194 |
| Sep, 2022 | \$2,267 | \$1,816 | \$987,378 |
| Oct, 2022 | \$2,263 | \$1,820 | \$985,559 |
| Nov, 2022 | \$2,259 | \$1,824 | \$983,735 |
| Dec, 2022 | \$2,254 | \$1,828 | \$981,907 |
| 2022 | \$22,731 | \$18,093 | \$981,907 |

\$4,082.41
Monthly Payment

\$469,668
Total Interest Paid

\$1,469,668
Total of 360 Payments

Payoff Feb 2052

Amortization Schedule \$750,000

| Date | Interest | Principal | Balance |
|-------------|-----------------|-----------------|------------------|
| Mar, 2022 | \$1,719 | \$1,343 | \$748,657 |
| Apr, 2022 | \$1,716 | \$1,346 | \$747,311 |
| May, 2022 | \$1,713 | \$1,349 | \$745,962 |
| Jun, 2022 | \$1,709 | \$1,352 | \$744,609 |
| Jul, 2022 | \$1,706 | \$1,355 | \$743,254 |
| Aug, 2022 | \$1,703 | \$1,359 | \$741,895 |
| Sep, 2022 | \$1,700 | \$1,362 | \$740,534 |
| Oct, 2022 | \$1,697 | \$1,365 | \$739,169 |
| Nov, 2022 | \$1,694 | \$1,368 | \$737,801 |
| Dec, 2022 | \$1,691 | \$1,371 | \$736,430 |
| 2022 | \$17,048 | \$13,570 | \$736,430 |

\$3,061.81
Monthly Payment

\$352,251
Total Interest Paid

\$1,102,251
Total of 360 Payments

Payoff Feb 2052

Amortization Schedule

| Date | Interest | Principal | Balance |
|-------------|----------------|----------------|------------------|
| Mar, 2022 | \$802 | \$627 | \$349,373 |
| Apr, 2022 | \$801 | \$628 | \$348,745 |
| May, 2022 | \$799 | \$630 | \$348,115 |
| Jun, 2022 | \$798 | \$631 | \$347,484 |
| Jul, 2022 | \$796 | \$633 | \$346,852 |
| Aug, 2022 | \$795 | \$634 | \$346,218 |
| Sep, 2022 | \$793 | \$635 | \$345,582 |
| Oct, 2022 | \$792 | \$637 | \$344,946 |
| Nov, 2022 | \$791 | \$638 | \$344,307 |
| Dec, 2022 | \$789 | \$640 | \$343,667 |
| 2022 | \$7,956 | \$6,333 | \$343,667 |

\$1,428.84
Monthly Payment

\$164,384
Total Interest Paid

\$514,384
Total of 360 Payments

Payoff Feb 2052