

**EDUCATIONAL CHILD CARE CENTER**  
**REPORT ON FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2023**

## TABLE OF CONTENTS

### Page

INDEPENDENT ACCOUNTANT'S REVIEW REPORT.....	1
FINANCIAL STATEMENTS	
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Functional Expenses .....	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6-11



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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of the  
Educational Child Care Center

We have reviewed the accompanying financial statements of Educational Child Care Center (a nonprofit organization), which comprise the statement of financial position as of September 30, 2023, and related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### Management's Responsibility for the Financial Statements

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

### Accountant's Responsibility

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

We are required to be independent of Educational Child Care Center and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### Accountant's Conclusion

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

*Maner Costerisan PC*

August 7, 2024

**EDUCATIONAL CHILD CARE CENTER  
STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2023**

**ASSETS**

Current assets

Cash and cash equivalents	\$ 194,947
Accounts receivable	19,047
Prepaid expenses	<u>15,000</u>

Total current assets	<u>228,994</u>
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Noncurrent assets

Property and equipment, less accumulated depreciation	<u>367,189</u>
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TOTAL ASSETS	<u><u>\$ 596,183</u></u>
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**LIABILITIES AND NET ASSETS**

LIABILITIES

Current liabilities

Accounts payable	\$ 38,764
Deferred revenue	54,522
Accrued wages	93,501
Accrued interest	906
Current portion of long-term debt	16,932
Other	<u>2,434</u>

Total current liabilities	<u>207,059</u>
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Long-term liabilities

Long-term debt, less current portion	<u>247,212</u>
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TOTAL LIABILITIES	<u>454,271</u>
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NET ASSETS

Without donor restrictions	139,962
With donor restrictions	<u>1,950</u>

TOTAL NET ASSETS	<u>141,912</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 596,183</u></u>
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See independent accountant's review report  
and notes to financial statements.

**EDUCATIONAL CHILD CARE CENTER  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, CONTRIBUTIONS, AND OTHER SUPPORT			
Grants and contributions	\$ 186,565	\$ -	\$ 186,565
Tuition and related	1,557,660	-	1,557,660
Processing charges	9,275	-	9,275
Interest income	6,567	-	6,567
Fundraising, net of direct expenses	65	-	65
Net assets released from restrictions	13,960	(13,960)	-
	<u>1,774,092</u>	<u>(13,960)</u>	<u>1,760,132</u>
TOTAL REVENUE, CONTRIBUTIONS, AND OTHER SUPPORT			
EXPENSES			
Program services	1,413,272	-	1,413,272
Management and general	760,993	-	760,993
	<u>2,174,265</u>	<u>-</u>	<u>2,174,265</u>
TOTAL EXPENSES			
CHANGE IN NET ASSETS	(400,173)	(13,960)	(414,133)
NET ASSETS, beginning of year	540,135	15,910	556,045
	<u>540,135</u>	<u>15,910</u>	<u>556,045</u>
NET ASSETS, end of year	<u>\$ 139,962</u>	<u>\$ 1,950</u>	<u>\$ 141,912</u>

See independent accountant's review report  
and notes to financial statements.

**EDUCATIONAL CHILD CARE CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED SEPTEMBER 30, 2023**

	Program Services	Management and General	Total
EXPENSES			
Salaries and wages	\$ 964,638	\$ 519,420	\$ 1,484,058
Payroll taxes	80,727	43,469	124,196
Employee benefits	99,299	53,469	152,768
Professional services	6,126	3,299	9,425
Office expenses	5,424	2,920	8,344
Advertising and promotion	511	275	786
Information technology	50,983	27,453	78,436
Occupancy	70,799	38,123	108,922
Conferences and training	3,111	1,675	4,786
Interest expense	6,622	3,566	10,188
Depreciation	13,603	7,325	20,928
Insurance	20,613	11,099	31,712
Bank fees	9,170	4,937	14,107
Materials and supplies	21,719	11,695	33,414
Food costs	36,507	19,657	56,164
Licensing and permits	11,902	6,409	18,310
Payroll processing	9,799	5,277	15,076
Employee recruiting	1,719	926	2,645
	<u>1,413,272</u>	<u>760,993</u>	<u>2,174,265</u>
TOTAL EXPENSES	<u>\$ 1,413,272</u>	<u>\$ 760,993</u>	<u>\$ 2,174,265</u>

See independent accountant's review report  
and notes to financial statements.

**EDUCATIONAL CHILD CARE CENTER  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2023**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

Cash flows from operating activities	
Increase (decrease) in net assets	\$ (414,133)

Adjustments to reconcile increase in net assets to net  
cash provided (used) by operating activities

Depreciation	20,928
Changes in assets and liabilities	
Accounts receivable	20,147
Prepaid expenses	7,875
Accounts payable	18,663
Accrued payroll and related items	(25,946)
Other accrued liabilities	898
Deferred revenue	(1,522)

Total adjustments	41,043
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Net cash used by operating activities	(373,090)
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Cash flows from investing activities	
Purchase of property and equipment	(23,465)

Cash flows from financing activities	
Principal payments on long-term debt	(15,612)

NET DECREASE IN CASH AND CASH EQUIVALENTS	(412,167)
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CASH and cash equivalents, beginning of year	607,114
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CASH and cash equivalents, end of year	\$ 194,947
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**SUPPLEMENTAL DISCLOSURES OF CASH  
FLOW INFORMATION**

Cash paid during the year for interest	\$ 10,188
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See independent accountant's review report  
and notes to financial statements.

**EDUCATIONAL CHILD CARE CENTER  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents consists of checking and savings accounts and cash on hand.

Accounts Receivable and Credit Losses

The Organization is exposed to credit losses primarily through tuition and related services. Accounts receivable represent the Organization's unconditional right to consideration in exchange for tuition and other services that the Organization has provided to the student based on contracted prices. Accounts receivable are recorded when invoices are issued and are presented on the statement of financial position at the amount the Organization expects to collect. The Organization provides for probable uncollectible amounts through credit losses expense and an adjustment to the allowance for credit losses. The Organization's expected loss allowance methodology for accounts receivable is developed using historical collection experience.

The Organization evaluates contract terms and conditions, economic and industry risk, student credit worthiness, and may require prepayment to mitigate risk of loss. Specific allowance amounts are established to record the appropriate provision for students that have a higher probability of default. The Organization monitors changes to the receivables balance on a timely basis, and balances are written off as they are determined to be uncollectable after all collection efforts have been exhausted. See Note 2 regarding concentrations of credit risk.

Currently, the Organization has determined the value of an allowance for credit losses is immaterial and the recording of such balance is not considered necessary.

Beginning and ending balances for accounts receivable is reported as follows for the year ended September 30, 2023:

Accounts receivable, beginning of year	<u>\$ 39,194</u>
Accounts receivable, end of year	<u>\$ 19,047</u>

Property, Equipment, and Depreciation

Property and equipment are recorded at cost, when purchased. Depreciation is computed on the estimated useful lives of the assets using the straight-line method. Assets with an estimated useful life greater than one year are capitalized. The capitalization policy is \$2,500.



**EDUCATIONAL CHILD CARE CENTER  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Deferred Revenue

The Organization records deferred revenue when cash payments are received or due in advance of the Organization's performance, including amounts which are refundable. Beginning and ending balances for deferred revenue is reported as follows for the year ended September 30, 2023:

Deferred revenue, beginning of year	<u>\$ 56,044</u>
Deferred revenue, end of year	<u>\$ 54,522</u>

Advertising

Advertising is expensed when incurred.

Net Assets

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

*Net Assets without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

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

Tuition Revenue

Fees for tuition are charged in advance of the period for which the service is intended to be provided which results in a contract asset (accounts receivable). Revenue is recognized over time as the performance obligation is met. There is generally only a single performance obligation, which is providing space in a classroom to enrolled students for days which the facility is expected to be open to students.

Grant and Contribution Revenue

Contributions of cash and other assets without donor restrictions concerning the use of such assets are reported as increases in net assets without donor restrictions. Contributions of cash or other assets to be used in accordance with donor stipulations are reported as increases in net assets with donor restrictions. Contributions with donor restrictions whose restrictions are met in the same reporting period are reported as revenue without donor restrictions.

## **EDUCATIONAL CHILD CARE CENTER NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Grant and Contribution Revenue (continued)

The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires and at that time the related resources are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. All contributions made to the Organization are considered available for use, unless specifically restricted by the donor.

The Organization reports gifts of land, buildings, and equipment as increases in net assets without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as increases in net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

#### Contributed Services

The Organization benefits from volunteers whose services do not meet the criteria for recognition according to generally accepted accounting principles. It is not practical to estimate the value of contributed services, which include services such as board member service and fundraising event volunteers.

#### Income Taxes

The Organization is organized as a tax-exempt entity under section 501(c)(3) of the Internal Revenue Code. The Organization is generally exempt from federal and state income taxes on its related activities. The Organization files its income tax return (Form 990) in the U.S. Federal Jurisdiction.

#### Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. All expenses used allocations except for those expenses related to licensing and employee recruiting, which are direct expenses solely attributable to certain functional categories. Expenses are allocated on the basis of estimates of time and effort.

### **NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES**

Educational Child Care Center (EC3, Organization) was organized in 1984 as a nonprofit corporation to improve the quality of early education for young children. EC3's vision is to be the premier childcare center in the greater Lansing area, and their mission is to provide developmentally appropriate childcare in a nurturing environment that promotes the growth of the child while responding to the needs of the family.

The Organization is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of temporary cash investments and accounts receivable. The Organization places its temporary cash investments with FDIC insured financial institutions. Although such investments and cash balances may exceed the federally insured limits at certain times during the year, they are, in the opinion of management, subject to minimal risk.

**EDUCATIONAL CHILD CARE CENTER  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES (continued)**

In addition, the Organization recognizes an allowance for credit losses at the time a receivable is recorded based on the Organization's estimate of expected credit losses, historical write-off experience, and current account knowledge, and adjusts this estimate over the life of the receivable as needed. The Organization evaluates the aggregation and risk characteristics of a receivable pool and develops loss rates that reflect historical collections, current forecasts of future economic conditions over the time horizon the Organization is exposed to credit risk, and payment terms or conditions that may materially affect future forecasts.

The Organization performs ongoing credit evaluations of its students' financial condition whenever deemed necessary. The Organization evaluates and maintains, if necessary, an allowance for credit losses based on the expected collectability of all accounts receivable, which takes into consideration an analysis of historical credit losses, specific student creditworthiness and current economic trends. The Organization believes that the concentration of credit risk is limited because of its large number of students and credit quality of the student base.

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state, and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state, and local tax returns generally remain open for examination by various taxing authorities for a period of three to four years.

The Organization evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through August 7, 2024, which is the date the financial statements were available to be issued.

**NOTE 3 - LIQUIDITY AND AVAILABILITY**

The following reflects the Organization's financial assets as of September 30, 2023, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the statement of financial position.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, comprise the following:

Financial assets at year end	
Cash and cash equivalents	\$ 194,947
Accounts receivable	19,047
	<hr/>
	213,994
Less net assets with donor restrictions	(1,950)
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Financial assets available to meet cash needs for general expenditures within one year	\$ 212,044
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**EDUCATIONAL CHILD CARE CENTER  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment at September 30, 2023 are summarized by major classifications as follows:

Land	\$ 33,750
Building and improvements	576,444
Furniture and equipment	<u>151,057</u>
	761,251
Less accumulated depreciation	<u>(394,062)</u>
	<u><u>\$ 367,189</u></u>

Depreciation expense for the year ended September 30, 2023 was \$20,928.

**NOTE 5 - LINE OF CREDIT**

The Organization has a revolving line of credit available with a bank allowing for borrowings up to a maximum of \$25,000, secured by all assets of the Organization, subject to covenants as specified in the agreement, and due on demand. Interest-only payments at prime plus 1.5% (minimum 4.75%) are required monthly until maturity in January 2024. Any outstanding principal balance is due at maturity if not previously demanded by the bank. There was no balance as of September 30, 2023.

**NOTE 6 - LONG-TERM DEBT**

Following is a summary of long-term debt at September 30, 2023:

Note payable - Payable in monthly installments of \$2,305 including interest at 4.15% secured by all land, property and equipment of the Organization, due December 2025.	\$ 264,144
Less current portion	<u>(16,932)</u>
	<u><u>\$ 247,212</u></u>

Long-term debt matures as follows:

<u>Year Ending September 30,</u>	
2024	\$ 16,932
2025	<u>247,212</u>
	<u><u>\$ 264,144</u></u>

**EDUCATIONAL CHILD CARE CENTER  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - DONOR RESTRICTED NET ASSETS**

Following is a summary of net assets with donor restrictions at September 30, 2023:

With donor restrictions	
Board capacity building	<u>\$ 1,950</u>

**NOTE 8 - RETIREMENT BENEFITS**

The Organization maintains a 403(b) defined contribution retirement plan to which employees may contribute an annual maximum amount established by the Internal Revenue Services. No contributions from the Organization were made for the year ended September 30, 2023.