

# Joyce Preschool

## Financial Statements Together with Independent Auditors' Report

June 30, 2020

# JOYCE PRESCHOOL

## CONTENTS

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	<u>Page</u>
INDEPENDENT AUDITORS' 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

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Joyce Preschool  
Minneapolis, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of Joyce Preschool (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses 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.

### Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 Joyce Preschool as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the year then ended accordance with accounting principles generally accepted in the United States of America.

Roseville, Minnesota  
September 22, 2020



**JOYCE PRESCHOOL**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2020 AND 2019**

ASSETS		
	2020	2019
<b>CURRENT ASSETS:</b>		
Cash	\$ 396,147	\$ 313,425
Contributions Receivable	100,000	75,000
Other Receivables	27,447	26,663
Prepaid Expenses	469	372
Inventory	1,482	1,562
Total Current Assets	525,545	417,022
<b>INVESTMENTS</b>	8,854	8,850
<b>PROPERTY AND EQUIPMENT:</b>		
Leasehold Improvements	57,177	57,177
Office Equipment	6,401	6,401
Total Property and Equipment	63,578	63,578
Less Accumulated Depreciation	63,578	63,578
Property and Equipment, Net	-	-
<b>TOTAL ASSETS</b>	\$ 534,399	\$ 425,872
LIABILITIES AND NET ASSETS		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 2,978	\$ 1,738
Deferred Revenue	10,525	21,336
Other Accrued Liabilities	9,683	29,270
Total Current Liabilities	23,186	52,344
<b>LONG-TERM DEBT</b>	122,599	-
<b>NET ASSETS:</b>		
Without Donor Restrictions		
Undesignated	87,295	164,678
Designated - Operating Reserve	125,000	125,000
Total Without Donor Restrictions	212,295	289,678
With Donor Restrictions	176,319	83,850
Total Net Assets	388,614	373,528
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 534,399	\$ 425,872

*The accompanying notes are an integral part of the financial statements.*

**JOYCE PRESCHOOL**

**STATEMENT OF ACTIVITIES  
YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>			<u>2019</u>		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUES:</b>						
Public Support:						
Corporate Foundations	\$ 80,116	\$ 215,000	\$ 295,116	\$ 140,309	\$ 117,750	\$ 258,059
Individual Contributions	134,237	-	134,237	52,225	-	52,225
Church Contributions	3,425	-	3,425	10,240	-	10,240
In-Kind Contributions	200	-	200	6,965	-	6,965
Total Public Support	<u>217,978</u>	<u>215,000</u>	<u>432,978</u>	<u>209,739</u>	<u>117,750</u>	<u>327,489</u>
Revenues:						
Tuition, Net of Scholarships	265,024	-	265,024	317,170	-	317,170
Special Events, Net of Direct Expenses	17,888	-	17,888	10,838	-	10,838
Fees	54,158	-	54,158	134,784	-	134,784
Investment Income	309	4	313	1,441	8	1,449
Other Income	3,191	-	3,191	3,398	-	3,398
Total Revenues	<u>340,570</u>	<u>4</u>	<u>340,574</u>	<u>467,631</u>	<u>8</u>	<u>467,639</u>
Net Assets Released from Restrictions	<u>122,535</u>	<u>(122,535)</u>	<u>-</u>	<u>144,039</u>	<u>(144,039)</u>	<u>-</u>
Total Support and Revenue	<u>681,083</u>	<u>92,469</u>	<u>773,552</u>	<u>821,409</u>	<u>(26,281)</u>	<u>795,128</u>
<b>EXPENSES:</b>						
Program Services	537,165	-	537,165	554,328	-	554,328
Management and General	98,143	-	98,143	143,338	-	143,338
Fundraising	123,158	-	123,158	116,912	-	116,912
Total Expenses	<u>758,466</u>	<u>-</u>	<u>758,466</u>	<u>814,578</u>	<u>-</u>	<u>814,578</u>
CHANGE IN NET ASSETS	(77,383)	92,469	15,086	6,831	(26,281)	(19,450)
NET ASSETS at Beginning of Year	<u>289,678</u>	<u>83,850</u>	<u>373,528</u>	<u>282,847</u>	<u>110,131</u>	<u>392,978</u>
NET ASSETS at End of Year	<u>\$ 212,295</u>	<u>\$ 176,319</u>	<u>\$ 388,614</u>	<u>\$ 289,678</u>	<u>\$ 83,850</u>	<u>\$ 373,528</u>

*The accompanying notes are an integral part of the financial statements.*

**JOYCE PRESCHOOL**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020				2019			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel Costs:								
Salaries and Wages	\$ 396,510	\$ 38,520	\$ 93,368	\$ 528,398	\$ 410,277	\$ 66,823	\$ 95,993	\$ 573,093
Payroll Taxes	30,641	2,977	7,215	40,833	31,722	5,167	7,422	44,311
Benefits	13,810	9,357	2,951	26,118	10,552	11,265	2,458	24,275
Total Salaries and Related Expenses	<u>440,961</u>	<u>50,854</u>	<u>103,534</u>	<u>595,349</u>	<u>452,551</u>	<u>83,255</u>	<u>105,873</u>	<u>641,679</u>
Classroom Expense	6,679	—	—	6,679	20,226	—	—	20,226
In-Kind Classroom Expense	132	—	—	132	6,500	—	—	6,500
Classroom Enrichment	604	—	—	604	2,282	—	—	2,282
Model Sharing and Strategic Plan	—	—	—	—	113	—	—	113
Emergency Family Relief	14,334	—	—	14,334	—	—	—	—
Parent Support	2,826	—	—	2,826	6,874	—	—	6,874
Facilities and Rent	40,689	2,027	5,937	48,653	37,104	3,710	3,247	44,061
Professional Fees	5,413	41,492	—	46,905	928	47,016	2,500	50,444
Events and Meetings	3,281	735	4	4,020	769	3,677	26	4,472
Transportation Expense	8,148	—	—	8,148	10,240	—	—	10,240
Advertising and Marketing	3,788	—	—	3,788	—	6	400	406
Tech Support and Equipment	581	192	7,519	8,292	7,010	701	613	8,324
Dues, Licenses, Annual Fees	4,730	658	317	5,705	1,643	1,826	—	3,469
Fundraising Expense	—	—	1,205	1,205	—	—	1,428	1,428
Bank and Credit Card Fees	4	1,296	3,000	4,300	—	1,379	688	2,067
Office Supplies	1,508	146	355	2,009	1,743	284	408	2,435
Postage	252	405	551	1,208	141	406	278	825
Internet and Telephone	1,820	177	429	2,426	2,439	397	571	3,407
Printing	1,302	126	307	1,735	1,224	199	286	1,709
Other Expense	113	35	—	148	—	68	—	68
Depreciation	—	—	—	—	2,541	414	594	3,549
<b>Total</b>	<b>\$ 537,165</b>	<b>\$ 98,143</b>	<b>\$ 123,158</b>	<b>\$ 758,466</b>	<b>\$ 554,328</b>	<b>\$ 143,338</b>	<b>\$ 116,912</b>	<b>\$ 814,578</b>

*The accompanying notes are an integral part of the financial statements.*

**JOYCE PRESCHOOL**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	<b>\$ 15,086</b>	\$ (19,450)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Depreciation	-	3,549
Reinvestment of Investment Income	(4)	(8)
Changes in Assets and Liabilities:		
Contributions Receivable	(25,000)	(20,271)
Other Receivables	(784)	8,335
Prepaid Expenses	(97)	(372)
Inventory	80	485
Accounts Payable	1,240	(5,240)
Deferred Revenue	(10,811)	4,785
Other Accrued Liabilities	(19,587)	(176)
	<b>122,599</b>	-
Net Cash Flows From Operating Activities	<b>82,722</b>	(28,363)
 NET CHANGE IN CASH	 <b>82,722</b>	 (28,363)
CASH at Beginning of Year	<b>313,425</b>	341,788
CASH at End of Year	<b>\$ 396,147</b>	\$ 313,425

*The accompanying notes are an integral part of the financial statements.*

**JOYCE PRESCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

Joyce Preschool (the Organization) is a nondenominational program whose mission is to provide children from diverse ethnic, linguistic and economic backgrounds with development and culturally appropriate preparation for success in school and lifelong learning.

The Organization offers two-way bilingual immersion (Spanish/English) preschool classes for children ages 3-5, parent-child Spanish enrichment classes for children ages 2-4, and summer Spanish language camps for children 4-8 years old.

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues, expenses, gains and losses, and net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and related changes are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets without donor restrictions are resources available to support operations which the Board of Directors has discretionary control. Designated amounts represent an operating reserve approved by the Board of Directors.

Net Assets with Donor Restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

**Accounting Estimates**

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated for recognition or disclosure the events or transactions that occurred through September 22, 2020, the date the financial statements were issued. There were no subsequent events that required recognition or disclosure in the financial statements.

**Receivables**

Receivables are stated at net realizable value. The Organization provides for probable uncollectible amounts through charges to earnings and credits to the valuation allowance based on management's assessment of the current status of individual accounts. Balances that are still outstanding after the Organization has used reasonable collection efforts are written off through charges to the valuation allowance and credits to receivable accounts. Changes in the valuation allowance have not been material to the financial statements.



**JOYCE PRESCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Inventory**

Inventory consists of clothing valued at cost, determined on a first-in, first out basis.

**Investments**

Investments consist of money market funds. Investments are restricted for the Ruth Marks Memorial.

Investments in money market funds are recorded at cost which approximates fair value.

**Retirement Plan**

The Organization has a retirement plan covering employees who meet certain age and service requirements. Pension expense and the related accrual are not material to the financial statements.

**Property, Equipment and Depreciation**

Property and equipment are carried at cost. Additions, improvements, or major renewals exceeding \$1,000 are capitalized. If items of property are sold, retired or otherwise disposed of, they are removed from the asset and accumulated depreciation accounts and any gain or loss thereon is reflected in the statement of activities.

Depreciation is calculated using the straight-line method based on estimated useful lives of five years.

**Revenue Recognition**

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statement of activities as net assets released from restrictions. Donor-imposed contributions are reported as net assets with donor restrictions, even if it is anticipated such restrictions will be met in the current reporting period.

Tuition fees revenue is recognized when earned.

**Functional Allocation of Expenses**

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program are allocated directly according to their natural expenditure classification. General and administrative that are common to several functions are allocated based on the proportion of each program's direct and personnel expenses to the total program direct and personnel expenses.

**Income Taxes**

The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code, as amended. The Organization is also exempt from Minnesota income taxes.

# JOYCE PRESCHOOL

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Organization reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is exempt from income taxes or not subject to income taxes on unrelated business income. The Organization recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities based on the technical merits of the positions. The Organization has identified no significant income tax uncertainties. The Organization files informational returns as a tax-exempt organization. Should that status be challenged in the future, all years since inception could be subject to review by the IRS.

#### **In-Kind Donated Contributions**

The Organization recognized revenue for donated supplies and fundraising expenses for various events. Donated supplies and fundraising expenses are recorded at estimated fair value at the date of receipt. Donated supplies were \$200 and \$6,965 in 2020 and 2019. Donated fundraising expense which was recognized in special event revenue was \$6,340 and \$4,627 in 2020 and 2019.

#### **Credit Risk**

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization places its cash with high credit quality financial institutions in accounts, which at times may exceed federally insured limits. As of June 30, 2020, the Organization had a credit risk concentration as a result of depositing \$40,900 of funds in excess of insurance limits in a single bank.

#### **Recently Issued Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), which provides guidance for accounting for revenue from contracts with customers. The new guidance outlines a single comprehensive model for organizations to use in accounting for revenue from contracts with customers. On May 20, 2020, the FASB voted to allow certain companies to defer the adoption date of the ASC 606 revenue recognition standard for annual and interim periods beginning after December 15, 2019 with early adoption permitted. Impacted companies are nonpublic entities that have not yet issued their financial statements. It can be adopted using either a retrospective approach or a modified retrospective approach. The Organization decided to defer the adoption date of ASC 606 and is currently evaluating this guidance to determine the impact it may have on its financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842), which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. This ASU is effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022, with early adoption permitted. It is to be adopted using the modified retrospective approach. The Organization is currently evaluating this guidance to determine the impact it may have on its financial statements.

**JOYCE PRESCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 2 - CONTRIBUTIONS RECEIVABLE**

The following is a schedule of contributions receivable at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
United Way	\$ 65,000	\$ 65,000
Sheltering Arms	-	10,000
Medica Foundation	10,000	-
Ciresi Walburn	10,000	-
Headwaters Foundation	<u>15,000</u>	<u>-</u>
Total Contributions Receivable	<u>\$ 100,000</u>	<u>\$ 75,000</u>

All contributions are expected to be received within 1 year.

**NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet approximately two months of normal operating expenses, which are, on average, approximately \$125,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Board meets regularly to discuss whether the operating reserve is appropriate and whether any appropriations are necessary.

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash	\$ 396,147	\$ 313,425
Contributions Receivable	100,000	75,000
Other Receivables	27,447	26,663
Investments	8,854	8,850
Total Financial Assets	<u>532,448</u>	<u>423,938</u>
Less Financial Assets Held to Meet Donor Restrictions	176,319	83,850
Less Designated Operating Reserve	<u>125,000</u>	<u>125,000</u>
Total not Available within One Year	<u>301,319</u>	<u>208,850</u>
Amounts Available for General Expenditure Within One Year	<u>\$ 231,129</u>	<u>\$ 215,088</u>

**JOYCE PRESCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 4 - LEASE COMMITMENTS**

The Organization leases its office space. This lease is noncancelable and extend to 2023.

Lease expense and future minimum lease commitments are as follows:

Expense:		
<b>2020</b>		<b>\$ 38,218</b>
2019		37,032
Commitments:		
2021		\$ 31,418
2022		33,072
2023		<u>33,072</u>
Total		<u>\$ 97,562</u>

**NOTE 5 - NET ASSETS**

Net assets with donor restrictions consist of the following:

	<u>2020</u>	<u>2019</u>
Ruth Marks Memorial-Perpetual Restricted	<b>\$ 8,854</b>	\$ 8,850
Time Restrictions	<b><u>167,465</u></b>	<u>75,000</u>
Total	<b><u>\$ 176,319</u></b>	<b><u>\$ 83,850</u></b>

Donor restricted net assets released from restriction were \$122,535 and \$144,039 in 2020 and 2019. Restricted net assets were released from restriction due to satisfaction of program and time restrictions.

The Ruth Marks Memorial was dedicated to the memory of Ruth Marks, an organizer and first director of the Joyce Nursery school. The initial endowment and additional restricted contributions were managed by the trustees to Joyce United Methodist Church. Beginning in 2012, Joyce Preschool manages the endowment. The income may be distributed annually at the discretion of the Joyce Preschool Board of Directors for program materials, and scholarships to children in need. If current income is not distributed, investment earnings shall be added to the invested principal.

**NOTE 6 - LINE OF CREDIT**

The Organization had a revolving line of credit agreement with its bank which enables the Organization to borrow up to \$50,000 at an interest rate of 1% above the prime rate. The loan was secured by substantially all organization assets. No balance was outstanding on this loan as of June 30, 2019. The line of credit was not renewed in 2020.

## JOYCE PRESCHOOL

### NOTES TO FINANCIAL STATEMENTS

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#### **NOTE 7 - LONG-TERM DEBT**

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law. Part of CARES was the Paycheck Protection Program (PPP) which allowed for organizations to apply for a potentially forgivable loan if the proceeds were used for the specified purposes. In May 2020, the Organization received a \$122,599 loan from the PPP program and expects to use it for the designated purposes.

In June 2020, the Payroll Protection Program Flexibility Act of 2020 was signed which amended certain terms of the loan program. If all or a portion of the loan is not forgiven, the Organization will be liable to repay the remaining loan balance in either 24 or 60 monthly installments after an initial deferment period at an interest rate of 1.00%. The covered period will expire April 27, 2020 and repayment could be deferred until October 27, 2020. As such, this note is currently presented as a long-term liability on the statement of financial position as of June 30, 2020.

#### **NOTE 8 - RISKS AND UNCERTAINTIES**

In March 2020, the World Health Organization declared the novel strain of the coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption from this pandemic may impact the Organization's operations and financial statements.