

# Joyce Preschool

## Financial Statements Together with Independent Auditors' Report

June 30, 2021

# JOYCE PRESCHOOL

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## 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, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### 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, 2021 and 2020, 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.

*Olsen Thielen + Co., LTD.*

Roseville, Minnesota  
December 2, 2021

**JOYCE PRESCHOOL**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2021 AND 2020**

ASSETS		
	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS:</b>		
Cash	\$ 454,845	\$ 396,147
Contributions Receivable	132,600	100,000
Other Receivables	3,149	27,447
Prepaid Expenses	2,000	469
Inventory	1,371	1,482
Total Current Assets	<u>593,965</u>	<u>525,545</u>
<b>INVESTMENTS</b>	<u>8,855</u>	<u>8,854</u>
<b>PROPERTY AND EQUIPMENT:</b>		
Leasehold Improvements	57,177	57,177
Office Equipment	6,401	6,401
Total Property and Equipment	<u>63,578</u>	<u>63,578</u>
Less Accumulated Depreciation	<u>63,578</u>	<u>63,578</u>
Property and Equipment, Net	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 602,820</b></u>	<u><b>\$ 534,399</b></u>
LIABILITIES AND NET ASSETS		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 1,497	\$ 2,978
Deferred Revenue	19,801	10,525
Other Accrued Liabilities	32,700	9,683
Total Current Liabilities	<u>53,998</u>	<u>23,186</u>
<b>LONG-TERM DEBT</b>	<u>-</u>	<u>122,599</u>
<b>NET ASSETS:</b>		
Without Donor Restrictions		
Undesignated	279,184	87,295
Designated - Operating Reserve	<u>125,000</u>	<u>125,000</u>
Total Without Donor Restrictions	<u>404,184</u>	<u>212,295</u>
With Donor Restrictions	<u>144,638</u>	<u>176,319</u>
Total Net Assets	<u>548,822</u>	<u>388,614</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 602,820</b></u>	<u><b>\$ 534,399</b></u>

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

## JOYCE PRESCHOOL

### STATEMENT OF ACTIVITIES YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>PUBLIC SUPPORT AND REVENUES:</b>						
Public Support:						
Corporate Foundations	\$ 112,287	\$ 158,100	\$ 270,387	\$ 80,116	\$ 215,000	\$ 295,116
Government Grants	218,031	-	218,031	-	-	-
Forgiveness of Debt	122,599	-	122,599	-	-	-
Individual Contributions	81,183	-	81,183	134,237	-	134,237
Church Contributions	1,975	-	1,975	3,425	-	3,425
In-Kind Contributions	3,198	-	3,198	200	-	200
Total Public Support	<u>539,273</u>	<u>158,100</u>	<u>697,373</u>	<u>217,978</u>	<u>215,000</u>	<u>432,978</u>
Revenues:						
Tuition, Net of Scholarships	239,311	-	239,311	265,024	-	265,024
Special Events, Net of Direct Expenses	818	-	818	17,888	-	17,888
Fees	35,590	-	35,590	54,158	-	54,158
Investment Income	151	1	152	309	4	313
Other Income	5,260	-	5,260	3,191	-	3,191
Total Revenues	<u>281,130</u>	<u>1</u>	<u>281,131</u>	<u>340,570</u>	<u>4</u>	<u>340,574</u>
Net Assets Released from Restrictions	<u>189,782</u>	<u>(189,782)</u>	<u>-</u>	<u>122,535</u>	<u>(122,535)</u>	<u>-</u>
Total Support and Revenue	<u>1,010,185</u>	<u>(31,681)</u>	<u>978,504</u>	<u>681,083</u>	<u>92,469</u>	<u>773,552</u>
<b>EXPENSES:</b>						
Program Services	600,302	-	600,302	537,165	-	537,165
Management and General	94,401	-	94,401	98,143	-	98,143
Fundraising	123,593	-	123,593	123,158	-	123,158
Total Expenses	<u>818,296</u>	<u>-</u>	<u>818,296</u>	<u>758,466</u>	<u>-</u>	<u>758,466</u>
CHANGE IN NET ASSETS	191,889	(31,681)	160,208	(77,383)	92,469	15,086
NET ASSETS at Beginning 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>
NET ASSETS at End of Year	<u>\$ 404,184</u>	<u>\$ 144,638</u>	<u>\$ 548,822</u>	<u>\$ 212,295</u>	<u>\$ 176,319</u>	<u>\$ 388,614</u>

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

**JOYCE PRESCHOOL**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021				2020			
	<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	\$ 455,858	\$ 32,043	\$ 90,843	\$ 578,744	\$ 396,510	\$ 38,520	\$ 93,368	\$ 528,398
Payroll Taxes	34,873	3,169	6,949	44,991	30,641	2,977	7,215	40,833
Benefits	23,265	1,632	4,626	29,523	13,810	9,357	2,951	26,118
Total Salaries and Related Expenses	<u>513,996</u>	<u>36,844</u>	<u>102,418</u>	<u>653,258</u>	440,961	50,854	103,534	595,349
Classroom Expense	15,216	–	–	15,216	6,679	–	–	6,679
Facilities and Rent	33,383	2,250	6,217	41,850	40,689	2,027	5,937	48,653
Professional Fees	800	37,553	–	38,353	5,413	41,492	–	46,905
Parent Support	18,962	–	–	18,962	17,160	–	–	17,160
Tech Support and Equipment	1,223	4,214	7,456	12,893	581	192	7,519	8,292
Events and Meetings	4,055	4,521	25	8,601	3,281	735	4	4,020
Bank & Credit Card Fees	978	2,269	2,863	6,110	4	1,296	3,000	4,300
Dues, Licenses, Annual Fees	1,776	2,873	409	5,058	4,730	658	317	5,705
Printing	3,501	246	698	4,445	1,302	126	307	1,735
Supplies	602	2,141	1,575	4,318	1,508	146	355	2,009
Advertising and Marketing	1,291	1,197	310	2,798	3,788	–	–	3,788
Internet & Telephone	2,054	144	409	2,607	1,820	177	429	2,426
In-Kind Classroom Expense	1,348	–	–	1,348	132	–	–	132
Postage	567	149	330	1,046	252	405	551	1,208
Fundraising Expense	–	–	718	718	–	–	1,205	1,205
Classroom Enrichment	417	–	–	417	604	–	–	604
Other Expense	109	–	165	274	113	35	–	148
COGS - T Shirts	24	–	–	24	–	–	–	–
Transportation Expense	–	–	–	–	8,148	–	–	8,148
<b>Total</b>	<u>\$ 600,302</u>	<u>\$ 94,401</u>	<u>\$ 123,593</u>	<u>\$ 818,296</u>	<u>\$ 537,165</u>	<u>\$ 98,143</u>	<u>\$ 123,158</u>	<u>\$ 758,466</u>

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

**JOYCE PRESCHOOL**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	<b>\$ 160,208</b>	\$ 15,086
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Reinvestment of Investment Income	<b>(1)</b>	(4)
Forgiveness of Debt	<b>(122,599)</b>	-
Changes in Assets and Liabilities:		
Contributions Receivable	<b>(32,600)</b>	(25,000)
Other Receivables	<b>24,298</b>	(784)
Prepaid Expenses	<b>(1,531)</b>	(97)
Inventory	<b>111</b>	80
Accounts Payable	<b>(1,481)</b>	1,240
Deferred Revenue	<b>9,276</b>	(10,811)
Other Accrued Liabilities	<b>23,017</b>	(19,587)
Net Cash Flows From Operating Activities	<b>58,698</b>	<b>(39,877)</b>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Note Payable	<b>-</b>	122,599
NET CHANGE IN CASH	<b>58,698</b>	82,722
CASH at Beginning of Year	<b>396,147</b>	313,425
CASH at End of Year	<b>\$ 454,845</b>	<b>\$ 396,147</b>

*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 December 2, 2021, 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**

Effective July 1, 2020, Joyce Preschool adopted Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers* (Topic 606) and all subsequently issued clarifying ASU's which replaced most existing revenue recognition guidance in US Generally Accepted Accounting Principles (GAAP). The new guidance requires Joyce Preschool to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which Joyce Preschool expects to be entitled in exchange for those goods or services. The new guidance also requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of this new guidance was done using the modified retrospective method. Joyce Preschool applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of July 1, 2020. Results for reporting periods beginning after July 1, 2020, are presented under Topic 606 while prior periods amounts are not adjusted and continue to be reported in accordance with legacy GAAP.

The adoption of this new standard did not result in a material impact to the Organization's financial statements. There was no significant effect on the financial statements related to the adoption of this new standard which would require a cumulative effect adjustment to net assets at the date of adoption under the modified retrospective method.

Contributions and offerings received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Conditional promises to give are not recognized until they become unconditional. 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

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

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

**Revenue Recognition (Continued)**

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 and reported in the statement of activities as net assets released from restrictions. Donor-imposed contributions whose restrictions are met in the same reporting period are reported as net assets with donor restrictions.

Government grants are recognized when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Refundable advances consist of contract revenue received but not yet expended. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made. Management believes that any disallowances, if any, would not have a significant effect on the statement of financial position.

Tuition revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for tuition revenue. The Organization bills the family for tuition the beginning of the month services will be provided. Revenue is recognized as the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges.

As a practical expedient, the Organization groups similar contracts or similar performance obligations together into portfolios of contracts if doing so does not result in a significant difference from applying the new accounting standard to the individual contracts.

**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.

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.

# JOYCE PRESCHOOL

## NOTES TO FINANCIAL STATEMENTS

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

#### 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 \$3,198 and \$200 in 2021 and 2020. Donated fundraising expense which was recognized in special event revenue was \$0 and \$6,340 in 2021 and 2020.

#### 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, 2021, the Organization had a credit risk concentration as a result of depositing \$77,012 of funds in excess of insurance limits in a single bank.

#### Recently Issued Accounting Pronouncements

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.

### NOTE 2 - CONTRIBUTIONS RECEIVABLE

The following is a schedule of contributions receivable at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
United Way	\$ 65,000	\$ 65,000
Sheltering Arms	10,000	-
Medica Foundation	-	10,000
Ciresi Walburn	-	10,000
MDE	57,600	-
Headwaters Foundation	-	15,000
Total Contributions Receivable	<u>\$ 132,600</u>	<u>\$ 100,000</u>

All contributions are expected to be received within 1 year.

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

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**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, 2021 and 2020 are as follows:

	<b>2021</b>	2020
Financial Assets:		
Cash	<b>\$ 454,845</b>	\$ 396,147
Contributions Receivable	<b>132,600</b>	100,000
Other Receivables	<b>3,149</b>	27,447
Investments	<b>8,855</b>	8,854
Total Financial Assets	<b>599,449</b>	532,448
Less Financial Assets Held to Meet Donor Restrictions	<b>144,638</b>	176,319
Less Designated Operating Reserve	<b>125,000</b>	125,000
Total not Available within One Year	<b>269,638</b>	301,319
Amounts Available for General Expenditure Within One Year	<b>\$ 329,811</b>	\$ 231,129

**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>2021</b>		<b>\$ 31,418</b>
2020		38,218
Commitments:		
2022		\$ 33,072
2023		33,072
Total		<b>\$ 66,144</b>

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

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**NOTE 5 - NET ASSETS**

Net assets with donor restrictions consist of the following:

	<u>2021</u>	<u>2020</u>
Ruth Marks Memorial-Perpetual Restricted	\$ 8,855	\$ 8,854
Time Restrictions	<u>135,783</u>	<u>167,465</u>
Total	<u>\$ 144,638</u>	<u>\$ 176,319</u>

Donor restricted net assets released from restriction were \$189,782 and \$122,535 in June 30, 2021 and 2020. 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 - 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 used it for the designated purposes. On December 18, 2020, the Organization received forgiveness for the full PPP loan which is recorded as forgiveness of debt in the Statement of Activities in the current period.

**NOTE 7 - 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.