

CHARLOTTE BILINGUAL PRESCHOOL, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020

CHARLOTTE BILINGUAL PRESCHOOL, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Charlotte Bilingual Preschool, Inc.
Charlotte, North Carolina

We have audited the accompanying financial statements of Charlotte Bilingual Preschool, Inc. (the "Preschool" - a nonprofit corporation), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 in the first paragraph present fairly, in all material respects, the financial position of Charlotte Bilingual Preschool, Inc., as of June 30, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

C. Dewitt Foard & Company, P.A.
November 16, 2020

CHARLOTTE BILINGUAL PRESCHOOL, INC.

Statement of Financial Position

June 30, 2020

ASSETS

Cash	\$	857,484
Receivables:		
Grants, net		300,673
Accounts		53,823
Sales tax		3,146
Prepaid expenses		3,113
Property and equipment (net of accumulated depreciation)		51,108

TOTAL ASSETS **\$ 1,269,347**

LIABILITIES

Accounts payable	\$	39,470
Payroll liabilities		8,079
Refundable advance liability		9,053

Total Liabilities **56,602**

NET ASSETS

Net Assets:		
Without donor restrictions		803,636
With donor restrictions		409,109

Total Net Assets **1,212,745**

TOTAL LIABILITIES AND NET ASSETS **\$ 1,269,347**

CHARLOTTE BILINGUAL PRESCHOOL, INC.

Statement of Activities

Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>TOTALS</u>
<u>SUPPORT AND REVENUE</u>			
Governmental Grants:			
Smart Start	\$ -	\$ 192,182	\$ 192,182
Paycheck Protection	-	115,347	115,347
Non-governmental grants	622,517	386,000	1,008,517
Contributions	337,012	-	337,012
Governmental Revenue:			
Mecklenburg Pre-K	595,964	-	595,964
Special Nutrition	23,286	-	23,286
Participation fees	89,792	-	89,792
Fundraising (net of \$4,390 direct benefit)	42,295	-	42,295
Other income	3,374	-	3,374
Net assets released from restrictions	386,882	(386,882)	-
<i>Total</i>	<i>2,101,122</i>	<i>306,647</i>	<i>2,407,769</i>
<u>EXPENSES</u>			
Program services	1,149,785	-	1,149,785
Management and general	293,534	-	293,534
Fundraising	217,358	-	217,358
<i>Total</i>	<i>1,660,677</i>	<i>-</i>	<i>1,660,677</i>
<i>CHANGE IN NET ASSETS</i>	<i>440,445</i>	<i>306,647</i>	<i>747,092</i>
<i>NET ASSETS, BEGINNING</i>	<i>330,627</i>	<i>74,679</i>	<i>405,306</i>
<i>Prior Period Adjustment (Note B)</i>	<i>32,564</i>	<i>27,783</i>	<i>60,347</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 803,636</i>	<i>\$ 409,109</i>	<i>\$ 1,212,745</i>

CHARLOTTE BILINGUAL PRESCHOOL, INC.**Statement of Functional Expenses****Year Ended June 30, 2020**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>TOTALS</u>
<u>PERSONNEL</u>				
Salaries	\$ 730,315	\$ 132,982	\$ 171,611	\$ 1,034,908
Payroll taxes and benefits	112,160	20,423	26,356	158,939
<i>Total</i>	<i>842,475</i>	<i>153,405</i>	<i>197,967</i>	<i>1,193,847</i>
<u>OTHER EXPENSES</u>				
Program supplies	167,756	-	-	167,756
Contracted services	54,419	80,026	1,750	136,195
Office expenses	19,686	35,240	15,437	70,363
Occupancy	41,056	14,663	2,933	58,652
Training and education	9,781	5,493	2,719	17,993
Insurance	5,475	1,955	391	7,821
Depreciation expense	5,273	1,883	377	7,533
Communications	2,432	869	174	3,475
Travel	1,432	-	-	1,432
<i>Total</i>	<i>307,310</i>	<i>140,129</i>	<i>23,781</i>	<i>471,220</i>
TOTAL EXPENSES	<i>1,149,785</i>	<i>293,534</i>	<i>221,748</i>	<i>1,665,067</i>
Less- Amounts deducted directly against support and revenue	-	-	4,390	4,390
NET EXPENSES	<i>\$ 1,149,785</i>	<i>\$ 293,534</i>	<i>\$ 217,358</i>	<i>\$ 1,660,677</i>

CHARLOTTE BILINGUAL PRESCHOOL, INC.

Statement of Cash Flows

Year Ended June 30, 2020

OPERATING ACTIVITIES

Change in net assets	\$ 747,092
Adjustments to reconcile changes in net assets to net cash flows from operating activities:	
Depreciation	7,533
Decrease (increase) in operating assets:	
Grants receivable	(235,026)
Accounts receivable	(53,823)
Sales tax receivable	(2,057)
Prepaid	
Increase (decrease) in operating liabilities:	
Accounts payable	32,231
Payroll liabilities	6,839
Deferred revenue	9,053
<i>Cash Flows From Operating Activities</i>	<u>511,842</u>

INVESTING ACTIVITIES

Purchases of equipment	(40,286)
<i>Cash Flows From Investing Activities</i>	<u>(40,286)</u>

NET CHANGE IN CASH	471,556
CASH, BEGINNING	385,928
CASH, ENDING	<u>\$ 857,484</u>

CHARLOTTE BILINGUAL PRESCHOOL, INC.

Notes to Financial Statements

June 30, 2020

NOTE A – NATURE OF ACTIVITIES

Organization

Charlotte Bilingual Preschool, Inc., (the Preschool), formerly known as Central Avenue Bilingual Preschool, began as an unincorporated association in January, 1999, and was incorporated on October 2, 2001.

Purpose

The Preschool operates a bilingual preschool - Spanish and English - designed as a cooperative effort among parents, children, and staff to address the educational, emotional, physical, and social needs of preschool children and their families living in the neighborhoods of Charlotte. The Preschool is located at 6300 Highland Avenue, Charlotte, North Carolina.

Funding

The Preschool charges a minimal tuition amount - currently \$75 per month. The Preschool's activities for the year were funded by the Smart Start program of the North Carolina Partnership for Children, as well as grants and contributions from various foundations, organizations, and individuals.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets without donor restrictions can be both undesignated and designated in nature. Undesignated net assets without donor restrictions are those currently available for use in the day-to-day operation of the Preschool and those resources invested in fixed assets. From time to time, the Board of Directors may designate certain amounts to be utilized or invested to meet specific objectives of the Preschool. Such amounts are reflected as designated net assets without donor restrictions in the accompanying statement of financial position.

Net assets with donor restrictions – Net assets with donor restrictions consist of temporarily restricted net assets and permanently restricted net assets. Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Preschool or the passage of time. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Permanently restricted net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Preschool. As of June 30, 2020, the Preschool did not have any permanently restricted net assets.

CHARLOTTE BILINGUAL PRESCHOOL, INC.

Notes to Financial Statements

June 30, 2020

Presentation

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Contributions are recognized when the donor makes a promise to give to the Preschool that is, in substance, unconditional. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. Expenses are recorded as decreases in net assets without donor restrictions.

Accounts and grants receivable

Grants receivable are presented in the accompanying financial statements at net realizable value. Accounts receivable represents amounts billed for services rendered as of year-end. Other receivables consist primarily of sales tax that will be refunded. All receivables are expected to be collected during the next fiscal year. Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions. Based on the underlying nature of the receivables at June 30, 2020, management has recorded an allowance for uncollectable receivables of \$7,186.

Payroll protection program

The Preschool obtained a refundable advance for \$124,400 as part of the Payroll Protection Program (PPP) to mitigate the effects of the COVID-19 pandemic. Of the advance, \$115,347 was fully utilized by June 30, 2020, and is, therefore, recorded as income in the accompanying financial statements. As of June 30, 2020, \$9,053 was remaining to be utilized. Management expects this advance will be formally forgiven in the subsequent year when requests for forgiveness will be accepted. This program is not expected to be a recurring source of income for the Preschool.

Donated goods and services

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated equipment or materials, if significant, are included in support at fair value. During the year, the Preschool recorded no contributed services and \$7,497 of donated goods, which consisted of food and school supplies used in the classrooms.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Preschool with specific assistance programs and various assignments. The value of this contributed time is not reflected in these financial statements since it does not meet the above recognition criteria.

Functional allocation of expenses

The Preschool's activities are focused in three functional areas. Program services represent the primary focus of the Preschool's activities. Supporting services are fundraising activities and general and administrative activities. The expenses that are allocated include salaries and wages, employee

CHARLOTTE BILINGUAL PRESCHOOL, INC.

Notes to Financial Statements

June 30, 2020

benefits and payroll taxes which are allocated on the basis of estimates of time and effort. Occupancy expenses are allocated on a similar percentage as salaries and wages. Travel and meetings are allocated based on individual trips. All other expenses are based on an analysis by management of the various expenses that comprise those costs.

New accounting pronouncement

The Preschool expects to adopt the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers" (ASU 2014-09), in 2021. The core principle of this standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Preschool does not expect the implementation of this standard to have a material impact on its financial statements.

Federal income tax status

The Preschool has been recognized as a nonprofit organization and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code with respect to its exempt function income. The Preschool is also classified as other than a private foundation as defined by Section 509(a) of the Internal Revenue Code.

Use of estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Therefore, actual results could be different from those estimates.

Prior period adjustment

At the beginning of the Preschool's fiscal year, management determined that the modified cash basis of accounting was no longer an appropriate basis of accounting for the Preschool. As a result, the Preschool converted from the modified cash basis of accounting to the accrual basis of accounting in accordance with GAAP. The conversion to the accrual basis resulted in an increase in net assets without restrictions of \$32,564 and an increase in net assets with donor restrictions of \$27,783, as disclosed in the accompanying statement of activities.

NOTE C – PROPERTY

Property

Property exceeding \$5,000 in value, which consists of furniture, computer equipment, and leasehold improvements, is recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets, which vary from three to seven years. Salvage values are not utilized.

Furniture and equipment	\$ 92,550
Less- Accumulated Depreciation	<u>41,442</u>
TOTAL	<u>\$ 51,108</u>

CHARLOTTE BILINGUAL PRESCHOOL, INC.

Notes to Financial Statements

June 30, 2020

NOTE D – NET ASSETS WITH DONOR RESTRICTIONS

Time-restricted:	
Gifts for subsequent year's operations	\$ 241,000
Purpose-restricted:	
Family program	50,000
Summer reading program	50,000
Dual Language Innovation Classroom	25,000
Behavior specialist	30,000
COVID-19 relief	13,109
	<hr/>
TOTAL	<u>\$ 409,109</u>

Net assets released from restrictions

During the year ended June 30, 2020, restricted net assets of \$386,882 were released from donor restrictions by incurring expenses satisfying their restricted purposes.

NOTE E – LEASES

The Preschool leased facilities under an agreement that expires June 30, 2023. Lease expense for the year ended June 30, 2020, was \$61,833. The future minimum payments under the agreement are \$81,227 during fiscal year 2021 and \$88,611 during the fiscal years 2022 and 2023.

NOTE F – RETIREMENT PLAN

The Preschool maintains a retirement plan, as described in Internal Revenue Code Section 401(k), for the benefit of its employees. Eligible employees can make pretax contributions to the plan up to limits established by the Internal Revenue Service, and the Preschool matches employee contributions of up to three percent of pay. The amount contributed during the year was \$18,927.

NOTE G – FUNCTIONAL EXPENSES

The Preschool's activities are focused in three functional areas based on management's estimates of time spent and various allocation methods appropriate to the type of expense. Program services represent the primary focus of the Preschool's activities. Supporting services are fundraising activities and general and administrative activities. Salaries and benefits have been allocated based on estimated time and effort, and occupancy is allocated based on the estimated square footage utilized by that function. All other expenses are allocated on an analysis of the various costs of which they are comprised.

CHARLOTTE BILINGUAL PRESCHOOL, INC.

Notes to Financial Statements

June 30, 2020

NOTE H – CONCENTRATIONS OF RISK

Cash

Cash held in bank accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The total cash held by the Preschool at June 30, 2020 includes \$606,899 in excess of insured limits covered by the FDIC. However, management believes that the risk related to the accounts is minimal because of the strong credit rating of the financial institution.

Revenue and receivables

The Preschool receives the majority of its funding from a limited number of funding sources, which represents a significant concentration of risk. The top two donors represent 22 percent of the Preschool's grants and contributions for 2020. Of the grants receivable, 67% was due from five grantors. Any significant reduction in this funding, if this were to occur, could have a significant effect on the Preschool's programs and activities.

Geographic region

The Preschool operates in a limited geographic area and is therefore sensitive to changes in the local economy.

Government grants

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audits. Such audits could result in claims against the Preschool for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NOTE I – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Preschool has \$1,215,126 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$857,484 and receivables of \$357,642, which are expected to be collected during the year. Of these amounts, \$409,109 are subject to donor restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Preschool has a policy to structure its financial assets to be available as its general liabilities and other obligations come due.

NOTE J - UNCERTAINTIES

The COVID-19 pandemic has resulted in major changes in the local economy. At this point, the full impact of this pandemic on the Preschool is unknown, but management believes that it will negatively impact its support and revenue for the foreseeable future.

CHARLOTTE BILINGUAL PRESCHOOL, INC.**Notes to Financial Statements****June 30, 2020**

NOTE K – SUBSEQUENT EVENTS

The Preschool has evaluated subsequent events from the date of the statement of financial position through the date of the audit report, which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified.