



Financial Statements

December 31, 2019 and 2018

Early Care and Learning Council

Financial Statements

December 31, 2019 and 2018

CONTENTS

	Page
Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-15



Independent Auditor's Report

Board of Directors
Early Care and Learning Council
Albany, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Early Care and Learning Council (Council), which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1m to the financial statements, in 2019, the Council adopted new accounting guidance in Financial Accounting Standards Board Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* and ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2020, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

BST & CO. CPAs, LLP

Albany, New York
June 16, 2020



Early Care and Learning Council

Statements of Financial Position

	December 31,	
	2019	2018
ASSETS		
Cash	\$ 414,202	\$ 9,873
Accounts and grants receivable	659,264	294,727
Prepaid expenses	9,939	11,502
Property and equipment, net	15,205	10,194
	<u>15,205</u>	<u>10,194</u>
Total assets	<u>\$ 1,098,610</u>	<u>\$ 326,296</u>
LIABILITIES		
Line-of-credit	\$ -	\$ 25,000
Accounts payable	40,919	5,523
Accrued expenses	39,719	27,684
Deferred revenue	3,000	619
	<u>83,638</u>	<u>58,826</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions		
Undesignated	268,064	266,685
Designated by the Board of Directors	746,531	-
With donor restrictions	377	785
	<u>1,014,972</u>	<u>267,470</u>
Total liabilities and net assets	<u>\$ 1,098,610</u>	<u>\$ 326,296</u>

See accompanying Notes to Financial Statements.

Early Care and Learning Council

Statement of Activities

	Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Grants	\$ 2,219,788	\$ -	\$ 2,219,788
Membership dues	75,847	-	75,847
Meetings, retreats, and fees	50,202	-	50,202
Staff consulting	14,650	-	14,650
Fundraising	2,746	-	2,746
Other	5,246	-	5,246
Net assets released from restrictions	408	(408)	-
Total revenues and other support	<u>2,368,887</u>	<u>(408)</u>	<u>2,368,479</u>
EXPENSES			
Program services expenses			
Child care resource and referral day care training	1,251,280	-	1,251,280
Hunger Solutions	48,736	-	48,736
Membership services and special events	105,260	-	105,260
Staff consultant services	7,110	-	7,110
Sublease and other cost	23,393	-	23,393
Total program services expenses	<u>1,435,779</u>	<u>-</u>	<u>1,435,779</u>
Management and general	<u>204,704</u>	<u>-</u>	<u>204,704</u>
Total expenses	<u>1,640,483</u>	<u>-</u>	<u>1,640,483</u>
CHANGE IN NET ASSETS FROM OPERATIONS	728,404	(408)	727,996
NONOPERATING REVENUE			
Rental income	<u>19,506</u>	<u>-</u>	<u>19,506</u>
Change in net assets	747,910	(408)	747,502
NET ASSETS, <i>beginning of year</i>	<u>266,685</u>	<u>785</u>	<u>267,470</u>
NET ASSETS, <i>end of year</i>	<u>\$ 1,014,595</u>	<u>\$ 377</u>	<u>\$ 1,014,972</u>

See accompanying Notes to Financial Statements.

Early Care and Learning Council

Statement of Activities - Continued

	Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Grants	\$ 1,144,505	\$ -	\$ 1,144,505
Membership dues	75,847	-	75,847
Meetings, retreats, and fees	40,157	-	40,157
Staff consulting	9,254	-	9,254
Fundraising	4,607	-	4,607
Other	3,405	-	3,405
Net assets released from restriction	334	(334)	-
Total revenues and other support	<u>1,278,109</u>	<u>(334)</u>	<u>1,277,775</u>
EXPENSES			
Program services expenses			
Child care resource and referral day care training	891,858	-	891,858
Copeland training	1,576	-	1,576
Hagedorn Foundation	23,558	-	23,558
Hunger Solutions	49,946	-	49,946
Membership services and special events	96,389	-	96,389
Prevent Child Abuse NY	3,000	-	3,000
Schott Foundation	10,000	-	10,000
Staff consultant services	5,320	-	5,320
Sublease and other cost	23,871	-	23,871
Total expenses	<u>1,105,518</u>	<u>-</u>	<u>1,105,518</u>
Management and general	183,117	-	183,117
Total expenses	<u>1,288,635</u>	<u>-</u>	<u>1,288,635</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(10,526)	(334)	(10,860)
NONOPERATING REVENUE			
Rental income	<u>19,869</u>	<u>-</u>	<u>19,869</u>
Change in net assets	9,343	(334)	9,009
NET ASSETS, <i>beginning of year</i>	<u>257,342</u>	<u>1,119</u>	<u>258,461</u>
NET ASSETS, <i>end of year</i>	<u>\$ 266,685</u>	<u>\$ 785</u>	<u>\$ 267,470</u>

See accompanying Notes to Financial Statements.

Early Care and Learning Council

Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services Expenses						Management and General	Total Expenses
	CCR&R Day Care Training	Hunger Solutions	Membership Services and Special Events	Staff Consultant Services	Sublease and Other Cost	Total Program Services Expenses		
Salaries	\$ 719,343	\$ 28,518	\$ 38,596	\$ 4,992	\$ -	\$ 791,449	\$ 160,762	\$ 952,211
Payroll taxes and benefits	93,223	3,923	4,836	869	-	102,851	17,953	120,804
Conferences and training	84,942	15	38,066	-	-	123,023	95	123,118
Dues and subscriptions	5,602	53	360	209	-	6,224	385	6,609
Depreciation	5,605	9	15	-	-	5,629	-	5,629
Equipment rental and maintenance	20,939	707	(1,357)	-	3,438	23,727	3,808	27,535
Insurance	3,896	174	258	-	-	4,328	902	5,230
Interest	-	-	898	-	-	898	-	898
Office rent	71,925	3,207	4,570	-	19,256	98,958	16,518	115,476
Office supplies and postage	27,605	158	2,308	-	699	30,770	-	30,770
Other	5,807	29	5,543	-	-	11,379	171	11,550
Printing	3,432	8,877	1,109	-	-	13,418	-	13,418
Professional fees	185,555	816	4,473	-	-	190,844	3,090	193,934
Telephone	4,442	198	282	-	-	4,922	1,020	5,942
Training material and facilities	2,321	-	855	-	-	3,176	-	3,176
Travel	16,643	2,052	4,448	1,040	-	24,183	-	24,183
	\$ 1,251,280	\$ 48,736	\$ 105,260	\$ 7,110	\$ 23,393	\$ 1,435,779	\$ 204,704	\$ 1,640,483

See accompanying Notes to Financial Statements.

Early Care and Learning Council

Statement of Functional Expenses - Continued

Year Ended December 31, 2018

	Program Services Expenses										Management and General	Total Expenses
	CCR&R Day Care Training	Copeland Training	Hagedorn Foundation	Hunger Solutions	Membership Services and Special Events	Prevent Child Abuse NY	Schott Foundation	Staff Consultant Services	Sublease and Other Cost	Total Program Services Expenses		
Salaries	\$ 582,139	\$ 1,005	\$ 12,292	\$ 22,951	\$ 23,509	\$ 1,455	\$ 3,500	\$ 2,912	\$ -	\$ 649,763	\$ 140,662	\$ 790,425
Payroll taxes and benefits	66,291	97	1,266	2,608	2,576	145	500	465	-	73,948	15,808	89,756
Conferences and training	13,573	-	3,053	16	40,710	-	-	10	-	57,362	97	57,459
Dues and subscriptions	5,072	-	-	88	2,985	-	-	209	-	8,354	458	8,812
Depreciation	5,096	-	-	-	-	-	-	-	-	5,096	-	5,096
Equipment rental and maintenance	21,900	-	-	882	2,284	-	-	-	2,361	27,427	4,693	32,120
Insurance	3,756	-	-	170	229	-	-	-	-	4,155	912	5,067
Interest	-	-	-	-	244	-	-	-	60	304	-	304
Office rent	71,283	-	-	3,499	4,038	-	-	-	19,256	98,076	17,400	115,476
Office supplies and postage	11,038	-	-	61	3,492	100	-	22	2,162	16,875	-	16,875
Other	6,416	-	-	21	3,476	-	-	-	32	9,945	140	10,085
Printing	1,050	-	-	12,469	979	-	5,117	-	-	19,615	-	19,615
Professional fees	79,933	474	4,700	6,389	4,970	1,000	-	800	-	98,266	1,724	99,990
Telephone	5,020	-	-	242	311	-	-	-	-	5,573	1,223	6,796
Training material and facilities	2,885	-	-	-	2,010	-	-	-	-	4,895	-	4,895
Travel	16,406	-	2,247	550	4,576	300	883	902	-	25,864	-	25,864
	<u>\$ 891,858</u>	<u>\$ 1,576</u>	<u>\$ 23,558</u>	<u>\$ 49,946</u>	<u>\$ 96,389</u>	<u>\$ 3,000</u>	<u>\$ 10,000</u>	<u>\$ 5,320</u>	<u>\$ 23,871</u>	<u>\$ 1,105,518</u>	<u>\$ 183,117</u>	<u>\$ 1,288,635</u>

See accompanying Notes to Financial Statements.

Early Care and Learning Council

Statements of Cash Flows

	Year Ended December 31,	
	2019	2018
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ 747,502	\$ 9,009
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	5,629	5,096
(Increase) decrease in		
Accounts and grants receivable	(364,537)	(147,096)
Prepaid expenses	1,563	1,252
Increase (decrease) in		
Accounts payable	35,396	(17,327)
Accrued expenses	12,035	1,410
Deferred revenue	2,381	(32,939)
	439,969	(180,595)
 CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Purchase of equipment	(10,640)	-
 CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES		
Line-of-credit, net	(25,000)	25,000
 Net increase (decrease) in cash	404,329	(155,595)
 CASH, <i>beginning of year</i>	9,873	165,468
 CASH, <i>end of year</i>	\$ 414,202	\$ 9,873
 SUPPLEMENTARY CASH FLOW INFORMATION		
Cash paid during the year for		
Interest	\$ 898	\$ 304

See accompanying Notes to Financial Statements.

Early Care and Learning Council

Notes to Financial Statements
December 31, 2019 and 2018

Note 1 - Organization and Summary of Significant Accounting Policies

a. Description of Organization

The Early Care and Learning Council (Council) was incorporated in April 1975 as a New York not-for-profit corporation. The Council was formed to coordinate, assist, strengthen, and promote childcare services in the State of New York and to provide a mechanism whereby childcare councils and other interested organizations, individuals, and agencies may join together to accomplish shared goals.

b. Basis of Accounting

The Council prepares its financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) for not-for-profit entities.

c. Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

d. Accounts and Grants Receivable

Accounts and grants receivable are carried at original invoice amount based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Management considers all accounts and grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required as of December 31, 2019 and 2018. Accounts and grants receivable are written off when deemed uncollectible, and recoveries of accounts previously written off are recorded when received.

Accounts and grants receivable are considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Interest is not charged on outstanding receivables.

e. Property and Equipment, Net

Property and equipment are reported at cost, net of accumulated depreciation. Expenditures for acquisitions and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. When property and equipment are retired or otherwise disposed of, the appropriate accounts are relieved of cost and accumulated depreciation, and any resultant gain or loss is credited in the statements of activities.

Depreciation is recorded using the straight-line method over the estimated useful lives of the assets of five years.

Early Care and Learning Council

Notes to Financial Statements
December 31, 2019 and 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

f. Long-Lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over its fair value. There were no impairments of long-lived assets as of December 31, 2019 and 2018.

g. Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors or grantors, as follows:

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

During 2019, the Board of Directors designated approximately \$746,500 of net assets without donor restrictions for one-time, nonrecurring expenses or special events in the future. Suitable uses may include, but are not limited to, building capacity (e.g. staff development or research and development), supporting advocacy efforts, and carrying out strategic initiatives of the Council.

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 may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Council reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Council did not have any net assets with donor restrictions to be maintained in perpetuity as of December 31, 2019 and 2018.

h. Revenue from Contracts with Customers

Revenue from contracts with customers is recognized under a five-step model as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as the performance obligations are satisfied.

Early Care and Learning Council

Notes to Financial Statements
December 31, 2019 and 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

h. Revenue from Contracts with Customers - Continued

The Council assesses the contract term as the period in which the parties to the contract have presently enforceable rights and obligations. The transaction price is the amount of consideration to which the Council expects to be entitled in exchange for transferring goods and services to the customer. Revenue from sales is recorded based on the transaction prices, which are generally established in the contract. The amounts are recorded as “Staff consulting” and “Meetings, retreats, and fees”, on the statement of activities.

Staff consulting revenue: Staff consulting revenue relates to training and coaching activities provided to State and local governments, nonprofit organizations, and private businesses.

Staff consulting revenue is recognized at the point in time when the service happens, which is when the Council achieves its performance obligation. The consulting agreements are fixed fee and generally invoiced based on the contractual agreement between the parties, typically on a monthly basis. Amounts received but not yet earned, if any, are reported as deferred revenue.

Meetings, retreats, and fee revenue: The Council holds conferences, meetings, and special events for which they receive registration fees and sponsorships. Revenue from such events is recognized at the point in time when the event happens, which is when the Council achieves its performance obligation. Transactions prices for these fees are set by the Council for each event. Payment is expected upon registration.

The Council did not have any contract receivables as of December 31, 2019 and 2017 and had a balance of contracts receivable of approximately \$2,000 as of December 31, 2018. Contracts receivable are included as a component of “Accounts and grants receivable”.

i. Grant Revenues

Revenues from government grants are recognized according to the specific agreement. Generally, revenue from grants are considered non-exchange transactions. Grant revenue is recognized when conditions that are specific to each grant agreement are overcome, which is largely to the extent of project expenses incurred.

j. Membership Dues

The Council receives support from membership dues, which are nonrefundable and relate to a membership period that corresponds with the calendar year. Their nature is that of a contribution. Membership dues are billed and recognized within the membership period and may be paid in full or in quarterly installments throughout the period.

k. Tax Status

The Council is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Council has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code.

Early Care and Learning Council

Notes to Financial Statements December 31, 2019 and 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

k. Tax Status - Continued

The Council files Form 990 annually with the Internal Revenue Service. When annual returns are filed, some tax positions taken are highly certain to be sustained upon examination by the taxing authorities, while other tax positions are subject to uncertainty about the technical merits of the position or amount of the position's tax benefit that would ultimately be sustained. Management evaluated the Council's tax positions and concluded that the Council had taken no tax positions that required adjustment in its financial statements as of December 31, 2019 and 2018.

l. Functional Allocation of Expenses

Expenses that are directly identifiable are charged to programs. Expenses related to more than one function are charged to program services and other functions using specific allocation methods. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Council. Expenses that are allocated include conferences and training, dues and subscriptions, equipment and maintenance, insurance, office rent, office supplies and postage, other, professional fees and telephone, which are allocated based on salaries; and salaries and benefits, which are allocated on the basis of estimated time and effort.

m. New Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of the new guidance is that an entity should recognize 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. In addition, the new guidance requires disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Council adopted the standard during the year ended December 31, 2019. There was no material impact on the Council's results of operations or financial condition upon adoption of the new standard.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The Council adopted the standard on January 1, 2019, utilizing the modified retrospective method, and evaluated its related revenue under this new guidance. There was no material impact on the Council's results of operations or financial condition upon adoption of the standard.

n. Subsequent Events

The Council has evaluated subsequent events for potential recognition or disclosure through June 16, 2020 the date the financial statements were available to be issued.

Early Care and Learning Council

Notes to Financial Statements December 31, 2019 and 2018

Note 2 - Liquidity and Availability

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 date, comprise the following:

	December 31,	
	2019	2018
Total assets	\$ 1,098,610	\$ 326,296
Less		
Prepaid expenses	(9,939)	(11,502)
Property and equipment, net	(15,205)	(10,194)
Net assets without donor restrictions, Board Designated	(746,531)	-
Net assets with donor restrictions	(377)	(785)
	<u>\$ 326,558</u>	<u>\$ 303,815</u>

The Council has approximately \$326,600 of financial assets available within one year of the statement of financial position date consisting of cash of approximately \$303,000, and accounts and grants receivable of approximately \$23,600.

The Council has a five-year Child Care and Development Block Grant that started in January 2018, which has approximately \$2,171,600 budgeted for the year ending December 31, 2020. In addition, the Council has reoccurring membership dues of approximately \$75,900 as well as rental revenue of approximately \$22,200 budgeted for the year ending December 31, 2020.

The Council has a board designated net asset without donor restrictions of \$746,500, that could be released if needed by the board.

As discussed in Note 4, the Council also has available a line-of-credit in the amount of \$150,000, which it could draw upon in the event of any unanticipated liquidity need.

Note 3 - Property and Equipment, Net

A summary of the Council's property and equipment, net, is as follows:

	December 31,	
	2019	2018
Property and equipment	\$ 36,124	\$ 25,484
Less accumulated depreciation	<u>20,919</u>	<u>15,290</u>
Property and equipment, net	<u>\$ 15,205</u>	<u>\$ 10,194</u>

Certain property and equipment were purchased with funds provided through federal grants. The title of these assets' rests with the Council, however, the grant specifies that they should be used to benefit program activities. There were no federally funded grant purchases of property and equipment for the years ended December 31, 2019 and 2018.

Depreciation expense was approximately \$5,600 and \$5,100 for the years ended December 31, 2019 and 2018, respectively.

Early Care and Learning Council

Notes to Financial Statements December 31, 2019 and 2018

Note 4 - Line-of-Credit

The Council has a \$150,000 unsecured line-of-credit agreement with M&T Bank, of which no balance was outstanding as of December 31, 2019 and \$25,000 was outstanding as of December 31, 2018. The line-of-credit is renewable annually. Borrowings bear interest at the bank's prime rate plus one percent (effective rate of 5.75% and 6.50 at December 31, 2019 and 2018, respectively).

Note 5 - Retirement Plan

The Council sponsors a Simplified Employee Pension Plan (SEP) which covers all employees who meet certain eligibility requirements. Contributions are discretionary, determined by the Board of Directors, and amounted to approximately \$14,200 and \$11,900 for the years ended December 31, 2019 and 2018, respectively.

Note 6 - Commitments, Contingencies, Risks, and Uncertainties

a. Concentrations of Credit Risk

Bank accounts at certain institutions are insured up to certain limits, established by the Federal Deposit Insurance Corporation (FDIC). At times, the Council has bank deposits in certain institutions in excess of amounts insured by the FDIC.

b. Operating Leases

The Council is obligated under a lease agreement for office space. The lease requires payments of approximately \$9,600 per month through December 2022. Total lease expense under this agreement was approximately \$115,500 for both the years ended December 31, 2019 and 2018.

The Council also has several lease agreements for equipment, which require monthly payments ranging from approximately \$100 to \$400 and expire at various dates ranging from February 2020 through April 2022. Total rental expense under these agreements was approximately \$5,300 and \$8,300 for the years ended December 31, 2019 and 2018, respectively.

Future minimum lease payments under these leases are as follows:

For the year ending December 31,	
2020	\$ 120,276
2021	120,164
2022	<u>117,039</u>
	<u>\$ 357,479</u>

c. Rental Revenue

The Council entered into three sublease agreements to rent a portion of its office space. The leases require rental payments totaling approximately \$1,900 per month and expire in December 2020. The rental income was approximately \$19,500 and \$19,900 for the years ended December 31, 2019 and 2018, respectively.

Early Care and Learning Council

Notes to Financial Statements December 31, 2019 and 2018

Note 6 - Commitments, Contingencies, Risks, and Uncertainties - Continued

d. Significant Revenue Sources

Grants from the U.S. Department of Health and Human Services (DOHH), passed through the New York Office of Children and Family Services, accounted for approximately 92% and 83% of total revenues and other support for the years ended December 31, 2019 and 2018, respectively.

Approximately 96% and 90% of accounts and grants receivable was due from the DOHH as of December 31, 2019 and 2018, respectively.

e. Regulatory Compliance

The Council is subject to audits and reviews of reimbursable costs by various governmental agencies. The outcome of the audits and reviews may have the effect of retroactively increasing or decreasing revenue from grants. These charges, if any, will be recognized in accordance with the rules and guidelines established by the various funding sources. Compliance with such laws and regulations can be subject to future governmental review and interpretations as well as regulatory actions unknown or unasserted at this time.

Note 7 - New Accounting Pronouncements Issued But Not Yet Implemented

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In July 2018, the FASB issued ASU 2018-11, *Leases* (Topic 842): Targeted Improvements, which provides an optional transition method allowing the standard to be applied at the adoption date.

A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The new standard provides a number of practical expedients. The new standard, as delayed by FASB ASU 2019-10 and 2020-05, is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. ASU 2016-02 will be effective for the Corporation on January 1, 2022. ASC 842 is expected to impact the Corporation's financial statements as the Corporation has certain operating leases arrangements for which it is the lessee. The Corporation is currently evaluating the impact of the pending adoption of the new standard on the financial statements, and currently expects that upon adoption of ASU 2016-02, right-of-use assets and lease liabilities will be recognized in the balance sheet in amounts that will be material.