



Financial Statements

December 31, 2020 and 2019

Early Care and Learning Council

Financial Statements

December 31, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2021, 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 15, 2021



Early Care and Learning Council

Statements of Financial Position

	December 31,	
	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 777,326	\$ 414,202
Accounts and grants receivable	793,887	659,264
Prepaid expenses	9,852	9,939
Property and equipment, net	<u>7,980</u>	<u>15,205</u>
Total assets	<u>\$ 1,589,045</u>	<u>\$ 1,098,610</u>
LIABILITIES		
Accounts payable	\$ 28,452	\$ 40,919
Accrued expenses	50,016	39,719
Deferred revenue	<u>-</u>	<u>3,000</u>
	<u>78,468</u>	<u>83,638</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions		
Undesignated	292,233	268,064
Designated by the Board of Directors	1,217,967	746,531
With donor restrictions	<u>377</u>	<u>377</u>
	<u>1,510,577</u>	<u>1,014,972</u>
Total liabilities and net assets	<u>\$ 1,589,045</u>	<u>\$ 1,098,610</u>

Early Care and Learning Council

Statement of Activities

	Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Grants	\$ 2,851,004	\$ -	\$ 2,851,004
Membership dues	75,847	-	75,847
Meetings, retreats, and fees	1,500	-	1,500
Staff consulting	14,200	-	14,200
Fundraising	1,505	-	1,505
Other	5,500	-	5,500
Total revenues and other support	<u>2,949,556</u>	<u>-</u>	<u>2,949,556</u>
EXPENSES			
Program services expenses			
Child care resource and referral day care training	2,095,267	-	2,095,267
Birth to 5	20,468	-	20,468
Hunger Solutions	51,408	-	51,408
Membership services and special events	57,061	-	57,061
Staff consultant services	7,616	-	7,616
Sublease and other cost	27,009	-	27,009
Total program services expenses	<u>2,258,829</u>	<u>-</u>	<u>2,258,829</u>
Management and general	217,858	-	217,858
Total expenses	<u>2,476,687</u>	<u>-</u>	<u>2,476,687</u>
CHANGE IN NET ASSETS FROM OPERATIONS	472,869	-	472,869
NONOPERATING REVENUE			
Interest income	467	-	467
Rental income	22,269	-	22,269
Change in net assets	495,605	-	495,605
NET ASSETS, beginning of year	<u>1,014,595</u>	<u>377</u>	<u>1,014,972</u>
NET ASSETS, end of year	<u>\$ 1,510,200</u>	<u>\$ 377</u>	<u>\$ 1,510,577</u>

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	5,060	-	5,060
Net assets released from restriction	408	(408)	-
Total revenues and other support	<u>2,368,701</u>	<u>(408)</u>	<u>2,368,293</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 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	728,218	(408)	727,810
NONOPERATING REVENUE			
Interest income	186	-	186
Rental income	19,506	-	19,506
Change in net assets	747,910	(408)	747,502
NET ASSETS, beginning of year	<u>266,685</u>	<u>785</u>	<u>267,470</u>
NET ASSETS, end of year	<u>\$ 1,014,595</u>	<u>\$ 377</u>	<u>\$ 1,014,972</u>

Early Care and Learning Council

Statement of Functional Expenses

Year Ended December 31, 2020

Program Services Expenses									
	<u>CCR&R Day Care Training</u>	<u>Birth to 5</u>	<u>Hunger Solutions</u>	<u>Membership Services and Special Events</u>	<u>Staff Consultant Services</u>	<u>Sublease and Other Cost</u>	<u>Total Program Services Expenses</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries	\$ 992,025	\$ 14,872	\$ 27,556	\$ 39,397	\$ 4,524	\$ -	\$ 1,078,374	\$ 173,868	\$ 1,252,242
Payroll taxes and benefits	139,151	(61)	3,805	5,943	182	-	149,020	22,236	171,256
Conferences and training	38,119	88	221	1,381	-	-	39,809	527	40,336
Dues and subscriptions	25,515	32	(135)	1,591	219	-	27,222	118	27,340
Depreciation	7,082	26	47	70	-	-	7,225	-	7,225
Equipment rental and maintenance	25,945	155	457	(3,494)	-	4,137	27,200	3,090	30,290
Insurance	4,254	106	108	177	-	-	4,645	756	5,401
Interest	-	-	-	485	-	-	485	-	485
Office rent	74,326	1,021	1,953	2,551	-	22,256	102,107	13,456	115,563
Office supplies and postage	7,976	1,769	668	313	-	616	11,342	5	11,347
Other	1,406	67	(288)	2,304	24	-	3,513	196	3,709
Printing	2,349	2,000	8,061	610	-	-	13,020	-	13,020
Professional fees	753,230	-	8,557	4,658	-	-	766,445	2,734	769,179
Telephone	15,471	393	398	544	-	-	16,806	874	17,680
Training material and facilities	5,747	-	-	-	2,667	-	8,414	-	8,414
Travel	2,671	-	-	531	-	-	3,202	-	3,202
	<u>\$ 2,095,267</u>	<u>\$ 20,468</u>	<u>\$ 51,408</u>	<u>\$ 57,061</u>	<u>\$ 7,616</u>	<u>\$ 27,009</u>	<u>\$ 2,258,829</u>	<u>\$ 217,858</u>	<u>\$ 2,476,687</u>

See accompanying Notes to Financial Statements.

Early Care and Learning Council

Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services Expenses							
	CCR&R Day Care Training	Hunger Solutions	Membership Services and Special Events	Staff Consultant Services	Sublease and Other Cost	Total Program Services Expenses	Management and General	Total 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

Statements of Cash Flows

	Year Ended December 31,	
	2020	2019
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ 495,605	\$ 747,502
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	7,225	5,629
(Increase) decrease in		
Accounts and grants receivable	(134,623)	(364,537)
Prepaid expenses	87	1,563
Increase (decrease) in		
Accounts payable	(12,467)	35,396
Accrued expenses	10,297	12,035
Deferred revenue	(3,000)	2,381
	363,124	439,969
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchase of equipment	-	(10,640)
CASH FLOWS USED BY FINANCING ACTIVITIES		
Line-of-credit, net	-	(25,000)
Net increase in cash	363,124	404,329
CASH, beginning of year	414,202	9,873
CASH, end of year	\$ 777,326	\$ 414,202
SUPPLEMENTARY CASH FLOW INFORMATION		
Cash paid during the year for		
Interest	\$ -	\$ 30

Early Care and Learning Council

Notes to Financial Statements
December 31, 2020 and 2019

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, 2020 and 2019. 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, 2020 and 2019

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, 2020 and 2019.

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.

The Board of Directors has designated approximately \$1,218,000 and \$746,500 of net assets without donor restrictions for one-time, nonrecurring expenses or special events in the future as of December 31, 2020 and 2019, respectively. 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, 2020 and 2019.

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; and
- Recognize revenue when or as the performance obligations are satisfied.

Early Care and Learning Council

Notes to Financial Statements
December 31, 2020 and 2019

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 had contract receivables of approximately \$700 and \$2,000 as of December 31, 2020 and 2018, respectively. The Council did not have any contract receivables as of December 31, 2019. 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, 2020 and 2019

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, 2020 and 2019.

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. Salaries and payroll taxes are allocated on the basis of estimated time and effort.

m. Subsequent Events

The Council has evaluated subsequent events for potential recognition or disclosure through June 15, 2021 the date the financial statements were available to be issued.

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,	
	2020	2019
Total assets	\$ 1,589,045	\$ 1,098,610
Less		
Prepaid expenses	(9,852)	(9,939)
Property and equipment, net	(7,980)	(15,205)
Net assets without donor restrictions, Board Designated	(1,217,967)	(746,531)
Net assets with donor restrictions	<u>(377)</u>	<u>(377)</u>
	<u>\$ 352,869</u>	<u>\$ 326,558</u>

The Council has approximately \$352,900 of financial assets available within one year of the statement of financial position date consisting of cash of approximately \$291,400, and accounts and grants receivable of approximately \$61,500.

The Council has two Child Care and Development Block Grants, which have approximately \$4,002,600 budgeted for the year ending December 31, 2021. 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, 2021.

Early Care and Learning Council

Notes to Financial Statements December 31, 2020 and 2019

Note 2 - Liquidity and Availability - Continued

The Council has a board designated net asset without donor restrictions of approximately \$1,218,000, 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 \$300,000, 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,	
	2020	2019
Property and equipment	\$ 10,640	\$ 36,124
Less accumulated depreciation	2,660	20,919
Property and equipment, net	<u>\$ 7,980</u>	<u>\$ 15,205</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, 2020 and 2019.

Depreciation expense was approximately \$7,200 and \$5,600 for the years ended December 31, 2020 and 2019, respectively.

Note 4 - Line-of-Credit

The Council has a \$300,000 and had a \$150,000 unsecured line-of-credit agreement with M&T Bank, of which no balance was outstanding as of December 31, 2020 and 2019. The line-of-credit is renewable annually. Borrowings bear interest at the bank's prime rate plus one percent (effective rate of 4.25% and 5.75% at December 31, 2020 and 2019, 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 \$43,800 and \$14,200 for the years ended December 31, 2020 and 2019, 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.

Early Care and Learning Council

Notes to Financial Statements December 31, 2020 and 2019

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

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, 2020 and 2019.

The Council has a lease agreement for equipment, which requires monthly payments of approximately \$400 and expires during April 2022. In addition, the Council has one lease agreement for equipment that is month-to-month and requires monthly payments of approximately \$100. Total rental expense under these agreements was approximately \$4,800 and \$5,300 for the years ended December 31, 2020 and 2019, respectively.

Future minimum lease payments under these leases are as follows:

For the year ending December 31,	
2021	\$ 120,164
2022	<u>117,039</u>
	<u>\$ 237,203</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 2021. The rental income was approximately \$22,300 and \$19,500 for the years ended December 31, 2020 and 2019, respectively.

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 95% and 92% of total revenues and other support for the years ended December 31, 2020 and 2019, respectively.

Approximately 92% and 96% of accounts and grants receivable was due from the DOHH as of December 31, 2020 and 2019, 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.

Early Care and Learning Council

Notes to Financial Statements
December 31, 2020 and 2019

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

f. COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Council operates. On March 27, 2020, the CARES Act was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

In the State of New York, where the Council operates, the Governor issued Executive Order 202.6, during March 2020, which limited the operational ability of Council to perform non-essential services and limited the majority of the workforce to those that can perform in a remote capacity and for work designated as essential.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Council's financial position, revenues and expenses, and cash flows. The accompanying financial statements include no adjustments relating to the effects of this pandemic.

Note 7 - New Accounting Pronouncements Issued But Not Yet Implemented

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for like existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. 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's 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 Council on January 1, 2022.

The Council continues to assess the effect the guidance will have on its existing accounting policies and its financial statements and expects there will be an increase in assets and liabilities on the statement of financial position at adoption due to the recognition of right-of-use assets and corresponding lease liabilities, which is currently not expected to be material.