

CHILDREN'S CENTER OF MONTGOMERY, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

**CHILDREN'S CENTER OF MONTGOMERY, INC.
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SEPTEMBER 30, 2021**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Children's Center of Montgomery, Inc.

We have audited the accompanying financial statements of Children's Center of Montgomery, Inc. (the Center), which comprise the statement of financial position as of September 30, 2021, 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.

Auditors' 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 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 auditors' 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 auditors consider 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 Center as of September 30, 2021, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Center's 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of financial position – all funds, and the statement of activities – all funds on pages 16 and 17 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

The accompanying list of officers and board members, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Warren Averett, LLC

Montgomery, Alabama
December 1, 2021

CHILDREN'S CENTER OF MONTGOMERY, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2021
WITH COMPARATIVE TOTALS FOR 2020

ASSETS		
	2021	2020 TOTALS
Cash and cash equivalents	\$ 397,112	\$ 328,736
Accounts and grants receivable (net of allowance for doubtful accounts of \$3,000)	65,351	79,362
Deposits	3,328	3,328
Prepaid expenses	4,365	4,217
Investments	101,284	100,900
Property and equipment (net)	444,500	475,647
Beneficial interest in trust	276,308	265,047
TOTAL ASSETS	\$ 1,292,248	\$ 1,257,237
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 76,594	\$ 97,485
Payroll taxes payable	11,242	1,374
Deferred revenue	23,000	23,230
TOTAL LIABILITIES	110,836	122,089
NET ASSETS		
Without donor restrictions		
Undesignated	401,284	339,044
Board designated endowment	55,825	53,714
Investment in property and equipment, net	444,500	475,647
Total net assets without donor restrictions	901,609	868,405
With donor restrictions		
Restricted by time	276,308	265,047
Restricted by purpose	3,495	1,696
Total net assets with donor restrictions	279,803	266,743
TOTAL NET ASSETS	1,181,412	1,135,148
TOTAL LIABILITIES AND NET ASSETS	\$ 1,292,248	\$ 1,257,237

See notes to the financial statements.

CHILDREN'S CENTER OF MONTGOMERY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021
WITH COMPARATIVE TOTALS FOR 2020

	2021			2020 TOTALS
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	
REVENUE AND OTHER SUPPORT				
Contributions	\$ 44,487	\$ 11,764	\$ 56,251	\$ 53,432
Donated assets, services, and supplies	1,025	-	1,025	-
United Way	36,480	-	36,480	68,534
Governmental grants and fees	521,027	-	521,027	529,446
Tuition and fees	96,210	-	96,210	110,320
Change in value of split-interest agreement	-	17,268	17,268	21,759
Investment income	1,015	-	1,015	(450)
Other income	8,171	-	8,171	660
Special events	9,718	-	9,718	37,526
Unrealized gains on investments	384	-	384	994
Net assets released from restrictions:				
Satisfaction of time restrictions	6,006	(6,006)	-	-
Satisfaction of program restrictions	9,966	(9,966)	-	-
TOTAL REVENUE AND OTHER SUPPORT	734,489	13,060	747,549	822,221
EXPENSES AND LOSSES				
Direct program services:				
Special education services	492,799	-	492,799	503,634
Supporting services:				
Management and general	208,486	-	208,486	201,637
TOTAL EXPENSES	701,285	-	701,285	705,271
Loss on disposal of assets	-	-	-	128
TOTAL EXPENSES AND LOSSES	701,285	-	701,285	705,399
CHANGE IN NET ASSETS	33,204	13,060	46,264	116,822
NET ASSETS AT BEGINNING OF YEAR	868,405	266,743	1,135,148	1,018,326
NET ASSETS AT END OF YEAR	\$ 901,609	\$ 279,803	\$ 1,181,412	\$ 1,135,148

See notes to the financial statements.

**CHILDREN'S CENTER OF MONTGOMERY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021
WITH COMPARATIVE TOTALS FOR 2020**

	DIRECT PROGRAM SERVICES	SUPPORTING SERVICES	TOTAL ALL FUNCTIONS	
	SPECIAL EDUCATION SERVICES	MANAGEMENT AND GENERAL	2021	2020 TOTALS
Salaries	\$ 316,133	\$ 117,531	\$ 433,664	\$ 453,858
Employee benefits	26,666	10,624	37,290	32,573
Payroll taxes	25,883	9,832	35,715	36,554
Total salaries and related expenses	368,682	137,987	506,669	522,985
Conferences, conventions, and meetings	54	118	172	812
Depreciation	28,961	16,623	45,584	45,014
Insurance	7,877	11,475	19,352	14,087
Interest	152	19	171	292
Minor equipment purchases	2,186	265	2,451	5,275
Miscellaneous	-	3,188	3,188	2,362
Occupancy	6,423	10,324	16,747	19,677
Postage and shipping	902	110	1,012	878
Professional fees and contract services	39,921	16,616	56,537	53,509
Rental and maintenance of equipment	394	855	1,249	1,857
Special events	5,122	375	5,497	4,680
Supplies	24,574	7,389	31,963	23,312
Telephone	2,839	1,523	4,362	3,990
Travel	4,712	1,619	6,331	6,541
TOTAL FUNCTIONAL EXPENSES	\$ 492,799	\$ 208,486	\$ 701,285	\$ 705,271

See notes to the financial statements.

CHILDREN'S CENTER OF MONTGOMERY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
WITH COMPARATIVE TOTALS FOR 2020

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2021	2020 TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 46,264	\$ 116,822
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	45,584	45,014
Change in value of split-interest agreement	(17,268)	(21,759)
Loss on disposal of assets	-	128
Unrealized gains on investments	(384)	(994)
Changes in assets and liabilities:		
Accounts and grants receivable	14,011	(1,049)
Prepaid expenses	(148)	(2,006)
Accounts payable and accrued expenses	(18,913)	(16,621)
Payroll taxes payable	9,868	854
Deferred revenue	(230)	230
Net cash provided by operating activities	78,784	120,619
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(9,616)	(22,437)
Proceeds from sale of investments	16,007	31,514
Dividends reinvested	(384)	(727)
Purchase of property and equipment	(14,437)	(3,280)
Net cash provided by (used in) investing activities	(8,430)	5,070
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of capital lease obligation	(1,978)	(1,902)
INCREASE IN CASH AND CASH EQUIVALENTS	68,376	123,787
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	328,736	204,949
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 397,112	\$ 328,736

See notes to the financial statements.

CHILDREN'S CENTER OF MONTGOMERY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization and Presentation

The Children's Center of Montgomery, Inc. (the Center) is a not-for-profit corporation that serves individuals with intellectual and physical disabilities from birth through adulthood. The early intervention program is designed to meet the specific educational needs of each individual. The adult program provides stimulation for the clients through leisure activities.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities at year-end. Net assets, revenues, expenses, gains and losses are recorded based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

Investment in property and equipment, net – Assets invested by the Center in property and equipment, net of accumulated depreciation.

Board designated – Assets designated by the Board of Directors (the Board) to be held for endowment or other specified purposes. The Board can elect to remove these designations in the future.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Center and/or passage of time.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Substantially all of the Center's cash and cash equivalents are with one financial institution, and at certain times, may have deposits in excess of FDIC insured limits. Management, however, believes the credit risk associated with these deposits is minimal.

Accounts and Grants Receivable

The Center reports accounts and grants receivable at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge to the allowance for doubtful accounts. As accounts and grants receivable are recorded at net realizable value at the end of each reporting period, the allowance is adjusted accordingly through a charge against the change in net assets.

CHILDREN'S CENTER OF MONTGOMERY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

The Center carries investments in marketable equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Property and equipment are depreciated over the estimated useful lives of the assets using the straight-line method. The Center's policy is to capitalize expenditures for property and equipment when expenditures are in amounts greater than or equal to \$1,000. Depreciation expense was \$45,014 for the year.

Beneficial Interest in Trust

The Center recognizes its right to financial and nonfinancial assets held by a recipient organization (trustee) as a beneficial interest. The beneficial interest is measured at the fair value of the underlying trust assets since the Center has an unconditional right to receive all or a portion of the cash flows from a charitable trust or other asset pool.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a 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.

Use of Estimates in the Preparation of Financial Statements

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

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended September 30, 2020, from which the summarized information was derived.

CHILDREN'S CENTER OF MONTGOMERY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Allocation of Functional Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Center. The costs of providing various programs and other activities are allocated based on time and effort estimates of employee earnings and have been summarized in the statement of activities and in the statement of functional expenses.

Concentration of Credit Risk

The Center maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits of \$250,000. The Center has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Income Tax

The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of Alabama law and is classified by the Internal Revenue Service as an organization other than a private foundation.

As of September 30, 2021, the Center has no uncertain tax positions that qualify for recognition or disclosure in the financial statements and no interest and penalties related to income taxes.

Fair Value Measurement

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.
- Level 2 Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs which are derived principally from or corroborated by observable market data by correlation or other means.
 - If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

CHILDREN'S CENTER OF MONTGOMERY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value Measurement – Continued

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

New Accounting Standards

In February 2016, The FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Subtopic 842). The purpose of this ASU is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on their statement of financial position and disclosing key information about leasing arrangements. The amendments in this ASU require that lessees recognize the rights and obligations resulting from leases as assets and liabilities on their balance sheets, initially measured at the present value of the lease payments over the term of the lease, including payments to be made in optional periods to extend the lease and payments to purchase the underlying assets if the lessee is reasonably certain of exercising those options. Subtopic 842 requires recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous accounting principles generally accepted in the United States of America. The standard is effective for the Center for the year ending September 30, 2023. The Center is currently evaluating the impact of this guidance on the financial statements.

Subsequent Events

Management has evaluated subsequent events through December 1, 2021, which is the date the financial statements were available to be issued.

2. ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable as of September 30, 2021, consisted of the following:

State of Alabama:	
Department of Mental Health	\$ 25,800
Medicaid	22,313
River Region United Way	6,622
Various	<u>10,616</u>
Total	<u><u>\$ 65,351</u></u>

**CHILDREN'S CENTER OF MONTGOMERY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

3. INVESTMENTS

Investments as of September 30, 2021, consist of brokered certificates of deposit totaling \$101,284. Unrealized gains on investments reported at fair value totaled \$384 for the year ended September 30, 2021. Investment income and change in value of split-interest agreement included on the statement of activities for the year ended September 30, 2021, consist of earnings on investments reported at fair value totaling \$17,268, less \$6,006 in distributions, and interest on bank accounts totaling \$1,015.

4. PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2021, consisted of the following:

Land	\$ 59,050
Building	3,240,957
Special equipment	13,623
Furniture and fixtures	37,214
Computer equipment	8,452
Office equipment	9,911
Machinery and equipment	<u>179,706</u>
	3,548,913
Less accumulated depreciation	<u>(3,104,413)</u>
Property and equipment (net)	<u><u>\$ 444,500</u></u>

5. COMPUTER SOFTWARE

Computer software as of September 30, 2021, consisted of the following:

Computer software	\$ 2,500
Less accumulated depreciation	<u>(2,500)</u>
Computer software (net)	<u><u>\$ -</u></u>

6. BENEFICIAL INTEREST IN TRUST

The Center is named as the beneficiary of a charitable trust in which the trustee (Regions Bank) has not been granted variance power. Consequently, the Center has recognized its unconditional right to receive all or a portion of the specified cash flows from the charitable trust as specified in the trust agreement. The beneficial interest is valued at fair value and totaled \$276,308 as of September 30, 2021.

CHILDREN'S CENTER OF MONTGOMERY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

7. CAPITAL LEASE OBLIGATION

The Center is obligated under a lease agreement for a copier reported on the Statement of Financial Position in accounts payable and accrued expenses. The capitalized lease agreement at September 30, 2021, consisted of the following:

Lease agreement with Canon Financial Services, Inc., payable in monthly installments of \$183, including interest at 4%, maturing 2023, secured by equipment.	<u>\$ 4,203</u>
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Following is a summary of property held under capital lease as of September 30, 2021:

Copier	\$ 9,911
Less accumulated depreciation	<u>5,781</u>
	<u>\$ 4,130</u>

Future minimum payments under the capital lease agreement as of September 30, 2021, are as follows:

2022	\$ 2,190
2023	<u>2,190</u>
Total lease payments	4,380
Less amount representing interest	<u>(177)</u>
Present value of minimum lease payments	<u>\$ 4,203</u>

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of September 30, 2021:

Beneficial interest in trust – due to time	\$ 276,308
CCAP Program – due to purpose	<u>3,495</u>
Total net assets with donor restrictions	<u>\$ 279,803</u>

CHILDREN'S CENTER OF MONTGOMERY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

9. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses or by acquiring assets satisfying the restricted purpose or by occurrence of events specified by donors. Purpose restrictions accomplished during the year ended September 30, 2021, consisted of the purchase of personal protection equipment and cleaning supplies totaling \$2,000, sound system totaling \$2,500 and materials and supplies for the Adult Learning Center art enrichment totaling \$2,500.

10. PENSION PLAN

The Center maintains a money-purchase pension plan for the benefit of its employees. The Plan is funded by employer contributions of 10% of eligible participant compensation. Pension expense for the year ended September 30, 2021, was \$37,290 and is included in employee benefits on the statement of functional expenses.

11. LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Center's financial assets as of September 30, 2021, reduced by the amounts not available for expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year or restricted as to use. The Board has set aside the funds for specific contingency reserves and projects or a long-term investment as board designated endowments.

Financial assets:	
Cash and cash equivalents	\$ 397,112
Accounts and grants receivable	65,351
Deposits	3,328
Investments	101,284
Beneficial interest in trust held by others	<u>276,308</u>
Financial assets, at year end	843,383
Less those unavailable for general expenditure within one year, due to:	
Trusts held by others not convertible to cash within the next 12 months	(276,308)
Assets and accumulated earnings subject to purpose restrictions	(3,661)
Board designated reserves	<u>(55,825)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 507,589</u></u>

**CHILDREN'S CENTER OF MONTGOMERY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

11. LIQUIDITY AND FUNDS AVAILABLE – CONTINUED

As part of the Center’s liquidity management it has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. Although the Center does not intend to spend from its board designated endowment other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts from its board designated endowment could be made available if necessary.

12. RELATED PARTY TRANSACTIONS

During the year, the Center conducted business with companies whose owners are members of the Center’s Board of Directors. These transactions were for ordinary operating expenses, and payments to these businesses totaled \$37,075 during the year. Contributions from related parties totaled \$8,550 for the year ended September 30, 2021.

13. FAIR VALUE MEASUREMENT

The Center’s assets measured at fair value are based primarily on a market approach. The beneficial interest in trust in Level 1 is valued primarily at the closing price reported on the active market on which the underlying investments are traded. The investments in Level 1 are valued primarily at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used as of September 30, 2021.

The following table sets forth by level, within fair value hierarchy, the Center’s assets at fair value as of September 30, 2021:

	<u>Level 1</u>	<u>Total</u>
Beneficial interest in trust	\$ 276,308	\$ 276,308
Investments:		
Certificates of deposits	101,284	101,284
	<u>\$ 377,592</u>	<u>\$ 377,592</u>

CHILDREN'S CENTER OF MONTGOMERY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

14. CONTINGENCIES

The Center receives federal awards that are subject to review and audit by federal and state agencies. Such audits could result in the disallowance of reimbursed expenses by the applicable agency under the terms and conditions of the Federal Award programs. The Center's management's opinion is that such disallowances, if any, would not be material to the financial statements.

15. PAYROLL PROTECTION PROGRAM

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) commonly referred to as the CARES Act. One component of the CARES Act was the paycheck protection program (PPP) which provides small business with the resources needed to maintain their payroll and cover applicable overhead. The PPP is implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. The Center applied for and was accepted to participate in this program and received funding for \$104,000 in fiscal year 2020 and the loan was forgiven during the current fiscal year. In February 2021, the Center applied for and received a second draw under the PPP for \$104,184. It is the Center's intent to apply for loan forgiveness under the provisions of the CARES Act. Loan forgiveness is subject to the sole approval of the SBA. The Center is eligible for loan forgiveness in an amount equal to payments made during the 24-week period beginning on the loan date, with the exception that no more than 40% of the amount of loan forgiveness may be for expenses other than payroll expenses and experienced a 25% reduction in gross receipts. The Center used all loan proceeds for eligible expenses and demonstrated a loss of income and has therefore reported the funding as grant income on the statement of activities as of September 30, 2021.

16. RISK AND UNCERTAINTY

The outbreak of the novel coronavirus has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus pandemic and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the novel coronavirus. Nevertheless, the novel coronavirus presents material uncertainty and risk with respect to the Center, its performance and its financial results.

SUPPLEMENTARY INFORMATION

**CHILDREN'S CENTER OF MONTGOMERY, INC.
STATEMENT OF FINANCIAL POSITION – ALL FUNDS
SEPTEMBER 30, 2021**

	<u>General Fund</u>	<u>PPEI Program</u>	<u>Over 21 Program</u>	<u>Eliminations</u>	<u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ 243,990	\$ 70,186	\$ 82,936	\$ -	\$ 397,112
Accounts and grants receivable	7,522	55,864	29,156	(27,191)	65,351
Deposits	3,328	-	-	-	3,328
Prepaid expenses	3,497	603	265	-	4,365
Investments	101,284	-	-	-	101,284
Property and equipment (net)	304,833	5,949	133,718	-	444,500
Beneficial interest in trust	276,308	-	-	-	276,308
TOTAL ASSETS	<u>\$ 940,762</u>	<u>\$ 132,602</u>	<u>\$ 246,075</u>	<u>\$ (27,191)</u>	<u>\$ 1,292,248</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable and accrued expenses	\$ 55,933	\$ 32,463	\$ 15,389	\$ (27,191)	\$ 76,594
Payroll taxes payable	3,050	4,554	3,638	-	11,242
Deferred revenue	23,000	-	-	-	23,000
TOTAL LIABILITIES	<u>81,983</u>	<u>37,017</u>	<u>19,027</u>	<u>(27,191)</u>	<u>110,836</u>
NET ASSETS					
Without donor restrictions					
Undesignated	221,813	89,636	89,835	-	401,284
Board designated endowment	55,825	-	-	-	55,825
Investment in property and equipment, net	304,833	5,949	133,718	-	444,500
Total net assets without donor restrictions	<u>582,471</u>	<u>95,585</u>	<u>223,553</u>	<u>-</u>	<u>901,609</u>
With donor restrictions					
Restricted by time	276,308	-	-	-	276,308
Restricted by purpose	-	-	3,495	-	3,495
Total net assets with donor restrictions	<u>276,308</u>	<u>-</u>	<u>3,495</u>	<u>-</u>	<u>279,803</u>
TOTAL NET ASSETS	<u>858,779</u>	<u>95,585</u>	<u>227,048</u>	<u>-</u>	<u>1,181,412</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 940,762</u>	<u>\$ 132,602</u>	<u>\$ 246,075</u>	<u>\$ (27,191)</u>	<u>\$ 1,292,248</u>

See independent auditors' report.

**CHILDREN'S CENTER OF MONTGOMERY, INC.
STATEMENT OF ACTIVITIES – ALL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>General Fund</u>	<u>PPEI Program</u>	<u>Over 21 Program</u>	<u>Eliminations</u>	<u>Totals</u>
REVENUE AND OTHER SUPPORT					
Contributions	\$ 10,597	\$ -	\$ 45,654	\$ -	\$ 56,251
Donated assets, services, and supplies	-	-	1,025	-	1,025
United Way	8,848	-	27,632	-	36,480
Governmental grants and fees	218,184	302,843	-	-	521,027
Tuition and fees	-	-	96,210	-	96,210
Change in value of split-interest agreement	17,268	-	-	-	17,268
Investment income	739	-	276	-	1,015
Management fee revenue	52,793	-	-	(52,793)	-
Other income	46,739	7,968	27,333	(73,869)	8,171
Special events	-	-	9,718	-	9,718
Unrealized gains on investments	384	-	-	-	384
TOTAL REVENUE AND OTHER SUPPORT	355,552	310,811	207,848	(126,662)	747,549
EXPENSES AND LOSSES					
Direct program services:					
Special education services	102,084	298,204	213,456	(120,945)	492,799
Supporting services:					
Management and general	162,337	36,218	15,648	(5,717)	208,486
TOTAL EXPENSES	264,421	334,422	229,104	(126,662)	701,285
TOTAL EXPENSES AND LOSSES	264,421	334,422	229,104	(126,662)	701,285
CHANGE IN NET ASSETS	91,131	(23,611)	(21,256)	-	46,264
NET ASSETS AT BEGINNING OF YEAR	767,648	119,196	248,304	-	1,135,148
NET ASSETS AT END OF YEAR	\$ 858,779	\$ 95,585	\$ 227,048	\$ -	\$ 1,181,412

See independent auditors' report.

OTHER INFORMATION

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
DEPARTMENT OF MENTAL HEALTH CONTRACT**

Board of Directors
Children's Center of Montgomery, Inc.

We have audited contract/grant/agreement number G3-1895-72 between the Department of Mental Health (DMH) and Children's Center of Montgomery, Inc. (the Center), as of and for the year ended September 30, 2021.

Compliance with DMH contract/grant/agreement, Provider Agreement and all applicable laws, rules, and regulations applicable to the Center is the responsibility of the Center's management.

As part of obtaining reasonable assurance about whether the contract/grant/agreement, Provider Agreement and all applicable laws, rules, and regulations were complied with, we performed certain tests of transactions and made other determinations as outlined in each requirement of Section 12, Audit for Compliance with the Contract of the DMH Audit Guidelines. Revenues and expenditures were analyzed to determine if they were in compliance with applicable terms and conditions of the contract/grant/agreement.

The results of our tests disclosed no material instances of noncompliance with the DMH contract/grant/agreement, Provider Agreement and applicable laws, rules, and regulations.

This report is intended solely for the information of management and DMH. However, this report is a matter of public record and its distribution is not limited.

Warren Averett, LLC

Montgomery, Alabama
December 1, 2021

**CHILDREN'S CENTER OF MONTGOMERY, INC.
SUPPLEMENTARY SCHEDULE REQUIRED BY
DEPARTMENT OF MENTAL HEALTH
OFFICERS AND BOARD MEMBERS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

<u>NAME</u>	<u>OFFICIAL TITLE</u>
Jeffery Wright	President
Mona Martin	Vice President
Daniel Oakley	Treasurer
Lee Ellis	
Andy Grigsby	
Robert Newton	
Junie Pierce, III	
Mark Pierce	
Charles Savage	
Katie Simmons	
Chris Williams	
James Wright	