VARIETY CHILD LEARNING CENTER

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

CERINI & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

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FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
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CERINI & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Variety Child Learning Center
47 Humphrey Drive
Syosset, New York 11791

Opinion

We have audited the financial statements of Variety Child Learning Center (hereinafter "VCLC"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of VCLC as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of VCLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of VCLC for the year ended June 30, 2021, were audited by another auditor, who expressed an unmodified opinion on those statements on November 29, 2021.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about VCLC's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 VCLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about VCLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Cerini & Associates LLP

November 28, 2022
Bohemia, NY

STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 540,271	$ 758,065
Investments	1,279,804	2,599,680
Tuition receivables - net	3,028,708	2,772,121
Governmental and other grants receivable	140,862	90,618
Contributions receivable	123,963	185,310
Prepaid expenses and other assets	143,304	28,400
TOTAL CURRENT ASSETS	5,256,912	6,434,194
Property and equipment, net of accumulated depreciation	3,100,061	3,231,763
TOTAL ASSETS	$ 8,356,973	$ 9,665,957
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	$ 381,496	$ 325,980
Workers' compensation insurance payable	29,916	29,033
Accrued retirement benefits	224,478	446,827
Grant advances	81,433	-
Deferred revenue	1,349	-
Line of credit payable	1,855,062	1,225,000
Loan payable	-	2,613,690
Mortgage payable	-	1,120,628
TOTAL CURRENT LIABILITIES	2,573,734	5,761,158
Workers' compensation insurance payable, net of current portion	85,070	119,973
TOTAL LIABILITIES	2,658,804	5,881,131
Net Assets:		
Without donor restrictions	5,432,123	3,548,704
With donor restrictions	266,046	236,122
TOTAL NET ASSETS	5,698,169	3,784,826
TOTAL LIABILITIES AND NET ASSETS	$ 8,356,973	$ 9,665,957

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

REVENUE:	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Program Revenues:			
Student tuition and fees:			
Preschool	$ 13,395,868	$ -	$ 13,395,868
School Age	2,283,372	-	2,283,372
Itinerant services	418,572	-	418,572
Early intervention	603,883	-	603,883
Related services	115,295	-	115,295
Preschool evaluations	253,005	-	253,005
Other fees	776,794	-	776,794
Total program revenue	17,846,789	-	17,846,789
Support and other revenue/(expense):			
Grants - CARES Act Funding:			
Health and Human Services provider relief funds	-	-	-
Paycheck Protection Program forgiveness	2,639,364	-	2,639,364
Childcare Stabilization Grant	358,200	-	358,200
Grants - other	738,478	-	738,478
Contributions and other support	139,047	107,856	246,903
United Way contributions	7,649	-	7,649
Special event revenue (less direct costs of special events of $23,811)	21,485	4,085	25,570
Interest and dividends	15,743	-	15,743
Net assets released from restrictions	82,017	(82,017)	-
Total support and other revenue, net	4,001,983	29,924	4,031,907
TOTAL REVENUE	21,848,772	29,924	21,878,696
EXPENSES:			
Program services:			
Education programs	16,652,832	-	16,652,832
Other programs	966,403	-	966,403
Total program services	17,619,235	-	17,619,235
Supporting services:			
Management and general	2,038,585	-	2,038,585
Fundraising	109,624	-	109,624
Total supporting services	2,148,209	-	2,148,209
TOTAL EXPENSES	19,767,444	-	19,767,444
CHANGE IN NET ASSETS BEFORE OTHER ITEMS	2,081,328	29,924	2,111,252
Realized and unrealized loss on investments	(186,938)	-	(186,938)
Gain on swap agreement	9,234	-	9,234
Writeoff of unamortized mortgage costs due to early payoff	(20,205)	-	(20,205)
CHANGE IN NET ASSETS	1,883,419	29,924	1,913,343
Net assets, beginning of year	3,548,704	236,122	3,784,826
Net assets, end of year	$ 5,432,123	$ 266,046	$ 5,698,169

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

REVENUE:	Without Donor Restrictions	With Donor Restrictions	Total
Program Revenues:			
Student tuition and fees:			
Preschool	$ 12,689,288	$ -	$ 12,689,288
School Age	2,528,640	-	2,528,640
Itinerant services	253,001	-	253,001
Early intervention	627,623	-	627,623
Related services	95,185	-	95,185
Preschool evaluations	163,802	-	163,802
Other fees	289,733	-	289,733
Total program revenue	16,647,272	-	16,647,272
Support and other revenue/(expense):			
Grants - CARES Act Funding:			
Health and Human Services provider relief funds	358,608	-	358,608
Paycheck Protection Program forgiveness	-	-	-
Childcare Stabilization Grant	-	-	-
Grants - other	582,963	-	582,963
Contributions and other support	190,946	14,324	205,270
United Way contributions	10,584	-	10,584
Special event revenue (less direct costs of special events of $13,960)	21,981	(235)	21,746
Interest and dividends	18,653	-	18,653
Net assets released from restrictions	5,274	(5,274)	-
Total support and other revenue, net	1,189,009	8,815	1,197,824
TOTAL REVENUE	17,836,281	8,815	17,845,096
EXPENSES:			
Program services:			
Education programs	16,637,402	-	16,637,402
Other programs	1,483,850	-	1,483,850
Total program services	18,121,252	-	18,121,252
Supporting services:			
Management and general	2,052,665	-	2,052,665
Fundraising	46,326	-	46,326
Total supporting services	2,098,991	-	2,098,991
TOTAL EXPENSES	20,220,243	-	20,220,243
CHANGE IN NET ASSETS BEFORE OTHER ITEMS	(2,383,962)	8,815	(2,375,147)
Realized and unrealized gain on investments	812,289	-	812,289
Gain on swap agreement	19,351	-	19,351
CHANGE IN NET ASSETS	(1,552,322)	8,815	(1,543,507)
Net assets, beginning of year	5,101,026	227,307	5,328,333
Net assets, end of year	$ 3,548,704	$ 236,122	$ 3,784,826

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services			Supporting Services			
	Education Programs	**Other Programs**	**Total**	**Management and General**	**Fundraising**	**Total**	**Total**
Salaries	$ 12,383,694	$ 734,768	$ 13,118,462	$ 981,293	$ 15,074	$ 996,367	$ 14,114,829
Payroll taxes and employee benefits	2,470,308	136,006	2,606,314	188,273	3,979	192,252	2,798,566
Total salaries and related expenses	14,854,002	870,774	15,724,776	1,169,566	19,053	1,188,619	16,913,395
Contracted services	228,539	13,720	242,259	118,068	24,240	142,308	384,567
Professional fees	888	120	1,008	111,580	-	111,580	112,588
Supplies and equipment	164,556	10,028	174,584	102,579	799	103,378	277,962
Utilities	214,066	12,758	226,824	8,004	-	8,004	234,828
Telephone	30,401	1,469	31,870	21,024	-	21,024	52,894
Insurance	130,725	2,005	132,730	21,665	-	21,665	154,395
Interest	22,322	-	22,322	56,665	-	56,665	78,987
Rent	281,617	23,183	304,800	-	-	-	304,800
Repairs and maintenance	331,538	12,083	343,621	16,457	147	16,604	360,225
Leased equipment and vehicles	38,810	1,412	40,222	18,974	-	18,974	59,196
Venue, catering and entertainment	-	-	-	-	23,811	23,811	23,811
Depreciation	299,290	2,244	301,534	239,244	434	239,678	541,212
Bad debt expense	1,378	2,049	3,427	-	53,500	53,500	56,927
Miscellaneous	54,699	14,559	69,258	154,760	11,451	166,211	235,469
Total	16,652,832	966,403	17,619,235	2,038,585	133,435	2,172,020	19,791,255
Less: direct costs of special events deducted directly on the statement of activities	-	-	-	-	(23,811)	(23,811)	(23,811)
Total expenses reported by function on the statement of activities	$ 16,652,832	$ 966,403	$ 17,619,235	$ 2,038,585	$ 109,624	$ 2,148,209	$ 19,767,444

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services			Supporting Services			
	Education Programs	Other Programs	Total	Management and General	Fundraising	Total	Total
Salaries	$ 12,308,807	$ 1,149,319	$ 13,458,126	$ 1,114,384	$ 16,525	$ 1,130,909	$ 14,589,035
Payroll taxes and employee benefits	2,384,805	265,321	2,650,126	207,046	5,214	212,260	2,862,386
Total salaries and related expenses	14,693,612	1,414,640	16,108,252	1,321,430	21,739	1,343,169	17,451,421
Contracted services	336,532	14,974	351,506	93,493	2,603	96,096	447,602
Professional fees	-	-	-	89,145	-	89,145	89,145
Supplies and equipment	300,571	3,128	303,699	63,324	12,076	75,400	379,099
Utilities	172,172	3,785	175,957	6,883	-	6,883	182,840
Telephone	39,838	960	40,798	12,626	-	12,626	53,424
Insurance	123,433	624	124,057	23,088	-	23,088	147,145
Interest	51,891	25,674	77,565	52,605	-	52,605	130,170
Rent	280,500	11,000	291,500	-	-	-	291,500
Repairs and maintenance	273,388	3,489	276,877	12,956	-	12,956	289,833
Leased equipment and vehicles	42,418	496	42,914	16,882	-	16,882	59,796
Venue, catering and entertainment	-	-	-	-	5,805	5,805	5,805
Depreciation	302,436	1,276	303,712	220,883	-	220,883	524,595
Bad debt expense	-	-	-	-	-	-	-
Miscellaneous	20,611	3,804	24,415	139,350	18,063	157,413	181,828
Total	16,637,402	1,483,850	18,121,252	2,052,665	60,286	2,112,951	20,234,203
Less: direct costs of special events deducted directly on the statement of activities	-	-	-	-	(13,960)	(13,960)	(13,960)
Total expenses reported by function on the statement of activities	$ 16,637,402	$ 1,483,850	$ 18,121,252	$ 2,052,665	$ 46,326	$ 2,098,991	$ 20,220,243

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 1,913,343	$ (1,543,507)
Adjustment to reconcile change in net assets to net cash used in operating activities		
Gain on swap agreement	(9,234)	(19,351)
Forgiveness of Paycheck Protection Program Loan	(2,613,690)	-
Forgiveness of accrued interest payable	(25,674)	-
Depreciation	541,211	524,595
Writeoff of unamortized mortgage costs due to early payoff	20,205	-
Bad debt expense	56,927	7,976
Amortization of debt issuance costs included in interest expense	1,766	4,239
Net realized and unrealized loss/(gain) on investments	186,938	(812,289)
Changes in operating assets and liabilities:		
Tuition receivables	(313,514)	(740,860)
Governmental and other grants receivable	(50,244)	226,484
Contributions receivable	61,347	(61,878)
Prepaid expenses and other assets	(114,904)	20,907
Accounts payable and accrued expenses	90,319	(13,192)
Accrued retirement benefits	(222,349)	(78,415)
Grant advances	81,433	-
Deferred revenue	1,349	-
NET CASH USED IN OPERATING ACTIVITIES	(394,771)	(2,485,291)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Fixed asset acquisitions	(410,296)	(389,340)
Purchase of investments	(302,091)	(378,888)
Proceeds from sale of investments	1,435,922	393,303
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	723,535	(374,925)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from/(repayments of) line of credit, net	630,062	(350,000)
Payments on mortgage payable	(1,142,600)	(69,600)
Payments on workers' compensation	(34,020)	(34,020)
NET CASH USED IN FINANCING ACTIVITIES	(546,558)	(453,620)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(217,794)	(3,313,836)
Cash and cash equivalents, beginning of year	758,065	4,071,901
Cash and cash equivalents, end of year	$ 540,271	$ 758,065
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$ 78,987	$ 130,170

NOTE 1 – NATURE OF OPERATIONS

Variety Child Learning Center (hereinafter, "VCLC"), located in Syosset, New York is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and files tax returns in the U.S. federal jurisdiction. VCLC serves primarily young children with learning, language and behavioral problems with autism, and their families. VCLC also provides training to early childhood professional personnel, and performs programmatic research.

VCLC operated the following programs during the year:

- The education programs provide special education and related services to children from birth to eight years of age, in addition to support services and parent education for their families. The primary support for these services is student tuition and fees.

- The other programs provide additional activities for the students in the areas of socialization, recreation, respite, and educational skills. Support for these programs is from user fees, contributions, and government grants and fees.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of VCLC is presented to assist in understanding the financial statements. These financial statements and notes are representations of VCLC's management, which is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Recent Accounting Pronouncements: During the year ended June 30, 2021, VCLC adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606); using the modified retrospective approach. ASU No. 2014-09 supersedes the revenue recognition requirements in Accounting Standards Codification ("ASC") 605, *Revenue Recognition*, and most industry specific guidance. The core principle under ASU No. 2014-09 is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration at which the entity expects to be entitled in exchange for those goods or services. Additionally, ASU No. 2014-09 requires enhanced disclosures of revenue arrangements.

Under the modified retrospective approach, the guidance is applied to the most current period presented, recognizing a cumulative effect of the adoption change as an adjustment to beginning net assets. VCLC has determined that there was no change to the timing of revenue recognition under ASU No. 2014-09.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

In accordance with ASC 606-10-50-13, VCLC is required to include disclosure of the remaining performance obligations. Due to the nature of the VCLC's contracts, these reporting requirements are not applicable. The majority of the VCLC's contracts meet the exemption as defined in ACS 606-10-50-14 because the performance obligations are part of a contract that has an original expected duration of one year or less. Performance obligations are satisfied as rendered. Payments are due upon receipts of related billing.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: Cash and cash equivalents include highly liquid investments with initial maturities, when acquired, of three months or less. VCLC maintains cash and cash equivalents that, at times, may exceed federally insured limits.

At June 30, 2022 and 2021, cash equivalents consisted of money market accounts with financial institutions. Uninvested cash and cash equivalents included in investment accounts are not considered to be cash and cash equivalents.

Tuition Receivables: Accounts receivable is stated at the amount of consideration to which VCLC has unconditional right to receive in exchange for providing educational and other services. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. As of June 30, 2022 and 2021, the allowance for tuition receivable was $20,000.

Investments and Net Investment Return: VCLC measures equity securities at fair value. Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Property and Equipment: Property and equipment acquisitions over $1,000 with a useful life greater than two years are capitalized and are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment assets are as follows:

Building and building improvements............	5-40 years
Furniture, fixtures and equipment	5-10 years
Vehicles..	5 years

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Debt Issuance Costs: Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. Debt issuance costs are reflected as a reduction of the carrying amount of the related debt and are amortized over the life of the associated debt. Amortization of debt issuance costs is included in interest expense. As of June 30, 2022 there was no unamortized debt issuance costs as a result of the early mortgage payoff.

Grant advances/deferred revenue: VCLC's grant advance liability represents cost reimbursement grant monies received in advance of the grant's period of performance. Grant advances are typically amortized over the life of the grant's period of performance as costs are incurred. Grant advances were $81,433 as of June 30, 2022. There were no grant advances as of June 30, 2021. VCLC's deferred revenue consists of fees received in advance of the next fiscal year and are deferred until such fiscal year begins. VCLC's deferred revenues were $1,349 June 30, 2022. There were no deferred revenues as of June 30, 2021.

Net Assets: Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Effective July 1, 2021, VCLC modified its treatment of net assets without donor restrictions to include any donor restricted net assets received and released within the same year. Under the modified retrospective approach, the guidance is applied to the most current period presented. VCLC has determined there is no change to the total net assets as of June 30, 2021. Accordingly, net assets and changes therein are classified and reported as follows:

> Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.
>
> Net assets with donor restrictions – Net assets subject to donor-imposed stipulations or other stipulations that may or will be met, either by action of VCLC and/or the passage of time. When a restriction expires, these net assets are reclassified annually to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue and Receivables: Revenue from government agencies, including Medicaid, the New York State Education Department ("SED"), and other third-party payers, are recognized at approved rates when VCLC satisfies their performance obligations under contracts by delivering services to the individuals it serves. VCLC's performance obligations include providing educational, therapeutic, counseling, and evaluation services to developmentally delayed preschool students funded by SED; early intervention ("EI") services to developmentally delayed children birth to three funded by the Department of Health, and therapeutic and counseling services to school age children with developmental disabilities funded directly by school districts. A large portion of the EI services are funded through Medicaid. The transaction price is based on established charges for services provided. These rates are determined by allowable expenditures in rate setting periods or published rates by VCLC's funding sources.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

SED reimburses for Special Education Itinerant Teacher ("SEIT") services according to a cost-based rate per unit of service, subject to certain screens developed by SED based upon a cost report filed by VCLC and regional average rates established by SED. Any unspent SEIT funds are restricted and must be expended in future years on SEIT related services. VCLC is reimbursed for EI services based upon regional fees for services dependent upon the type and length of services provided.

Revenue under Medicaid, SED, and other third-party payer agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payer settlements are provided in the period the related services are rendered. Settlements with third-party payers for retroactive revenue adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing services using the most likely outcome method. These settlements are estimated based on the terms of the payment agreement with the payer, cost reports filed with the payer, correspondence from the payer and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known, (that is, new information becomes available), or as years are reconciled or are no longer subject to such audits, reviews, and investigations. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

Laws and regulations governing VCLC's various funding streams are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

<u>Contributions:</u> Contributions are provided to VCLC either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on VCLC overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.,* the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique utilizing appropriate risk adjusted interest rates in affect at the time the gift is made

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-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 statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue without donor restrictions.

Functional Allocation of Expenses: The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated by management among program, management and general, and fundraising categories.

The most significant expenses allocated, and their respective allocation methods, include the following:

- Salaries – Time and effort.
- Payroll taxes and employee benefits – Time and effort.
- Depreciation and amortization – Use of property.

Reclassifications: Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. Specifically, all COVID-19 related funding, including Health and Human Services (“HHS”) provider relief funds was reclassed from grants to its own line on the statement of activities. In addition, HHS relief funds, ($358,608) and other grants ($582,963) have been presented in the “Without Donor Restrictions” column on the statement of activities and net assets released from restricted was reduced by ($941,571) to $58,947. School Age related service revenue was reclassed from School age revenue to related services on the statement of activities. Additionally, parent event expenses were reclassified to be treated as direct expenses related to special events. The reclassifications did not have an impact on the change in net assets or the results of activities.

Subsequent Events: VCLC has evaluated events and transactions that occurred between July 1, 2022 and November 28, 2022 which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

NOTE 3 – REVENUE FROM CONTRACTS WITH STUDENTS

VCLC disaggregates revenue from contracts with customers by the type of service as this depicts the nature, amount, timing, and uncertainty of its revenue and cash flows as affected by economic factors.

As of June 30, 2022 and 2021, VCLC has a receivable due from Nassau County of approximately 76% and 77%, respectively of total receivables.

Revenue consists of the following for the years ended June 30,:

	2022		2021	
Funding Source **Revenue recognized at points in time**	**Revenue Amount**	**Percent of Total**	**Revenue Amount**	**Percent of Total**
Nassau County				
Self-Contained Preschool Tuition	$11,196,850	63%	$10,793,132	65%
Kindergarten Tuition	1,985,320	12%	2,229,336	13%
Integrated Preschool Tuition	1,007,445	6%	656,449	4%
Early Intervention	534,583	3%	587,869	4%
SEIT and ABA	392,112	2%	208,163	1%
Universal Pre-Kindergarten	256,825	1%	-	-%
Preschool Evaluations	228,009	1%	154,281	1%
Related Services	102,080	1%	87,560	1%
School Age Evaluations	13,825	-%	22,410	-%
Total Nassau County	15,717,049	89%	14,739,200	89%
Suffolk County				
Self-Contained Preschool Tuition	1,006,779	6%	955,551	6%
Kindergarten Tuition	59,267	-%	19,584	-%
Integrated Preschool Tuition	184,794	1%	284,155	2%
Early Intervention	69,300	-%	39,754	-%
SEIT and ABA	26,460	-%	44,838	-%
Preschool Evaluations	24,996	-%	9,521	-%
Related Services	9,585	-%	6,525	-%
School Age Evaluations	440	-%	-	-%
Total Suffolk County	1,381,621	7%	1,359,928	8%
NYCDOE				
Kindergarten Tuition	212,145	1%	236,190	1%
Other				
Private Pay Childcare	443,103	2%	220,859	1%
Private Pay Tuition	840	-%	-	-%
Other fees	92,031	1%	91,095	1%
Total Other	535,974	3%	311,954	2%
Total Program Revenue	$17,846,789	100%	$16,647,272	100%

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2022 and 2021 consists of:

	2022	2021
Land	$ 43,300	$ 43,300
Building and building improvements	8,653,329	8,510,445
Furniture, fixtures and equipment	3,609,051	3,342,426
Vehicles	5,200	5,200
Total cost	12,310,880	11,901,371
Less: accumulated depreciation	(9,210,819)	(8,669,608)
Property and equipment, net	$ 3,100,061	$ 3,231,763

VCLC evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2022 and 2021. To the extent VCLC purchased any property and equipment with SED funds, upon termination of the program, SED requires such equipment to be transferred to other SED funded special education providers.

NOTE 5 – RETIREMENT PLAN

VCLC has a noncontributory defined contribution retirement plan covering all eligible employees, as defined in the plan document. Contributions are determined at the discretion of the Board of Trustees. VCLC's policy is to recognize the liability when the Board approves the amount of liability, if any, which typically occurs subsequent to the fiscal year end, but prior to the IRS's tax deadline. The retirement plan expense for the years ended June 30, 2022 and 2021 was $224,478 and $446,828, respectively. The retirement expense was allocated to employees' accounts in proportion to compensation. As of June 30, 2022 and 2021, the outstanding balance due to the plan was $224,478 and $446,828, respectively.

NOTE 6 – LINE OF CREDIT PAYABLE

VCLC has a line of credit agreement with a financial institution with a maximum limit to draw down in the amount of $3,000,000 as of June 30, 2022 and $2,800,000 as of June 30, 2021. Interest is charged at a rate equal to 2.25 percent in excess of the bank's prime rate or 3.25 percent, whichever is greater. The line of credit agreement is collateralized by the assets of VCLC and matures on July 1, 2024. The actual interest rate was 4.00 percent and 3.25 percent at June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, the balance was $1,855,062 and $1,225,000, respectively. Interest expense during the years ended June 30, 2022 and 2021 was $55,431 and $75,126, respectively.

NOTE 7 – MORTGAGE PAYABLE

VCLC had an outstanding mortgage within a financial institution that was paid off in November 2021 in advance of its due date. The agreement included principal payments of $5,800 per month for 119 months, with any unpaid principal and interest at maturity included in the final payment. Interest was charged at a variable rate equal to the one-month LIBOR plus 240 basis points. VCLC also entered into a swap agreement that locked in the interest rate at 4.245 percent. The mortgage was secured by real property and improvements at 47 Humphrey Drive, Syosset, NY; assignment of rents, leases and profits with respect to the premises; and all furniture and equipment located at the premises. As of June 30, 2021, $1,142,599 was outstanding. Interest expense was $21,790 and $50,805 in 2022 and 2021, respectively.

NOTE 8 – LOAN PAYABLE

As a result of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), during the year ended June 30, 2020, VCLC received a long-term note maturing in twenty-four months for a total of $2,613,690. The note was issued in May 2020 with a six-month deferral period that did not require payments to be made until the earlier of VCLC's forgiveness application submission or ten months after the twenty-four week covered period. Interest accrued on the unpaid principal at a rate of .98% per annum. The loan was granted as part of the Paycheck Protection Program ("PPP") to help businesses impacted by the COVID-19 pandemic. The terms of the loan allowed a portion or all of the loan to be forgiven and treated as a conditional contribution/grant. VCLC elected to treat the PPP loan as a conditional contribution with the United States Small Business Administration's ("SBA") approval for forgiveness at the time the conditions have been met. Forgiveness revenue will be recorded at the time the SBA approves VCLC's request for forgiveness. The PPP proceeds are subject to audit by the SBA. In September 2021, the loan was forgiven in full.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at June 30,:

	2022	2021
Building, furniture and equipment	$ 42,391	$ 92,416
Education, research projects and training	176,180	89,775
Needy family support	18,914	29,501
Parent events	28,561	24,430
Total	$ 266,046	$ 236,122

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors, excluding government grants were as follows:

	2022	2021
Building, furniture and equipment	$ 50,026	$ 4,000
Education, research projects and training	21,404	877
Needy family support	10,587	397
Total	$ 82,017	$ 5,274

NOTE 10 – SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Investments are recorded at fair value. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term, based on market fluctuations, and that such changes could materially affect the amounts reported in the financial statements.

NOTE 11 – DERIVATIVE FINANCIAL INSTRUMENTS

In October 2013, VCLC entered into an interest rate swap agreement with a financial institution in order to convert the interest rate on its mortgage to a fixed rate of 4.245 percent. The swap agreement resulted in a mark-to-market gain of $9,234 and $19,350 for the years ended June 30, 2022 and 2021, respectively. The fair value of the swap agreement was a liability of $26,734 as of June 30, 2021. There was no liability as of June 30, 2022. The swap liability is reported in accounts payable and accrued expenses on the statements of financial position.

The swap is designated to hedge the risk of changes in interest payments on the note caused by changes in LIBOR. The notional amounts do not represent actual amounts exchanged by the parties, but instead represent the amounts on which the contracts are based.

The swap was issued at market terms so that it had no fair value or carrying value at its inception. The carrying amount of the swap has been adjusted to its fair value at the end of the year which, because of changes in forecasted levels of LIBOR, resulted in reporting a liability at June 30, 2021 for the fair value of the future net payments forecasted against the swap. There was no liability or receivable at June 30, 2022 because the mortgage was paid off in full during the year. The swap contract permitted settlement prior to maturity only through termination by VCLC. The settlement amount was determined based on forecasted changes in interest rates required under fixed and variable legs of the swap.

Since the critical terms of the swap and the mortgage were approximately the same, the swap was assumed to be effective as a hedge, and the changes in fair values were included as an "other change in net assets." The swap was terminated early during the year ended June 30, 2022, and the corresponding carrying amount was reclassified into revenues and gains or expenses before other changes.

NOTE 12 – WORKERS' COMPENSATION INSURANCE

VCLC was a member of Community Residences Insurance Saving Self-Insurance Trust ("Trust") from 2001 through August 2010 for workers' compensation coverage. A liability has been recorded as part of accounts payable and accrued expenses for VCLC's share of claims outstanding from the time VCLC participated in the group. A final settlement in the amount of $293,591 for outstanding claims has been recorded as per the agreement with NYS Workers' Compensation Board. Payments towards the liability began on April 1, 2017 in the amount of $2,835, including 3 percent interest to be paid monthly over a 10-year period. The balance as of June 30, 2022 and 2021 was $114,986 and $149,006, respectively.

NOTE 13 – OPERATING LEASES

On August 23, 2017, VCLC entered into an agreement to lease instructional and related services space, located in Island Trees school district, in connection with certain of VCLC's educational, social and family support programs. The lease is set to expire on June 30, 2027. The lease can be terminated with at least six (6) months' prior written notice by VCLC and nine (9) months' prior written notice by the school district. However, if VCLC terminates the lease during the first four years of the lease other than for cause, VCLC might be subject to certain termination fees.

On July 1, 2019, VCLC renewed an existing agreement to lease instructional and related services space, located in Oyster Bay school district, in connection with two special classes in an integrated setting. The lease will expire June 30, 2023. The lease can be terminated upon ninety days' written notice. Payments for the space and expenses are $3,600 for each location.

Future minimum lease payments are as follows for the years ending June 30,:

2023	$	329,800
2024		258,750
2025		267,806
2026		277,179
2027		286,881
Total	$	1,420,416

Rent expense was $304,800 and $291,500 for the years ended June 30, 2022 and 2021, respectively.

Effective for the year ending June 30, 2023, VCLC will be required to adopt FASB ASC 842 for all operating leases. Under this new accounting pronouncement, VCLC will recognize a right-of-use asset and a lease liability calculated based on the present value of the lease payments not yet paid, discounted using an appropriate discounted rate at the commencement date. The right-of-use asset will initially be equal to the lease liability plus any initial direct costs and prepaid lease payments less any lease incentives received. Under this approach, amortization of right-of-use assets are charged to lease expense which is recorded on the straight-line basis over the term of each lease, unless another systematic and rational basis is more representative of the time pattern in which use benefits is derived from the leased property, in which case that basis will be used.

NOTE 14 – FAIR VALUE MEASUEMENTS AND DISCLOSURES

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income, or cost approach are used to measure fair value.

NOTE 14 – FAIR VALUE MEASUEMENTS AND DISCLOSURES *(continued)*

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2022 and 2021:

	Assets at Fair Value as of June 30, 2022		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Total**
Equity securities			
Consumer goods	$ 282,255	$ -	$ 282,255
Financial	191,289	-	191,289
Health care	277,524	-	277,524
Services	152,036	-	152,036
Technology	289,763	-	289,763
Real estate	69,520	-	69,520
Total equity securities (investments reported on the fair value hierarchy)	1,262,387	-	1,262,387
Money market funds			17,417
Total investments			$ 1,279,804
Swap liability			$ -

NOTE 14 – FAIR VALUE MEASUEMENTS AND DISCLOSURES *(continued)*

	Assets at Fair Value as of June 30, 2021		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Total**
Equity securities			
Consumer goods	$ 562,145	$ -	$ 562,145
Financial	360,002	-	360,002
Health care	468,373	-	468,373
Services	430,423	-	430,423
Technology	648,981	-	648,981
Real estate	122,103	-	122,103
Total equity securities (investments reported on the fair value hierarchy)	2,592,027	-	2,592,027
Money market funds			7,653
Total investments			$ 2,599,680
Swap liability			$ (26,734)

The following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2022 and 2021.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

NOTE 15 – COMMITMENTS

VCLC's Chief Executive Officer and Chief Financial Officer have entered into three-year contracts with an expiration date of June 30, 2023. The agreements provide for severance payments equal to 12 months' compensation in the event of termination in certain circumstances, as defined in the agreements.

NOTE 16 – LIQUIDITY

The following represents VCLC's financial assets at June 30,:

	2022	2021
Cash and cash equivalents	$ 540,271	$ 758,065
Investments	1,279,804	2,599,680
Tuition receivables, net	3,028,708	2,772,121
Governmental and other grants receivable	140,862	90,618
Contributions receivable	123,963	185,310
Subtotal	5,113,608	6,405,794
Less: net assets with donor restrictions	(266,046)	(236,122)
Financial assets available to meet general expenditures over the next twelve months	$ 4,847,562	$ 6,169,672

VCLC's goal is generally to maintain financial assets to meet ninety days of operating expenses (approximately $4,820,000 and $4,925,000 for the years ended June 30, 2022 and 2021, respectively). As of June 30, 2022 and 2021, VCLC had sufficient funds to meet this goal. In addition, VCLC has additional borrowing against its line of credit as outlined in Note 6.

NOTE 17 – CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT

During the year ended June 30, 2022, VCLC was awarded and received the Childcare Stabilization Grant 1.0 ("1.0 Grant") from the New York State Office of Children and Family Services ("OCFS") in the amount of $358,200. The grant funds from OCFS are not subject to repayment, and were provided to VCLC through federal funding related to the COVID-19 pandemic through the American Rescue Plan Act ("ARPA") and the Coronavirus Response and Relief Supplemental Appropriations ("CRRSA") Act. The grant funds were awarded to licensed child care providers using a formula that took into account the average childcare prices, modality, geography, capacity, and program size to stabilize child care providers who were licensed prior to March 11, 2021 and incurred costs after January 31, 2020 in response to the COVID-19 pandemic. Allowable costs the 1.0 Grant funds could be used for included: personnel costs, rent, facility maintenance, personal protective equipment, purchase/updates to equipment, goods and services, mental health services and health and safety training.

Subsequent to the year ended June 30, 2022, VCLC was awarded and began receiving funds from the Childcare Stabilization Grant 2.0 ("2.0 Grant") Workforce Supports from the OCFS. Terms (funding formula and eligible providers) of the grant as similar to the 1.0 Grant, except that providers needed to be licensed prior to January 1, 2022. 75% of the funds must be used to assist with workforce recruitment and retention efforts (i.e. bonuses or wage increases, contributions towards health insurance to reduce employee costs, retirement contributions, supplemental educational tuition reimbursement, mental health supports and services, etc.). The remaining 25% of the funds must be used in a similar manner as how the Grant 1.0 funds were used. VCLC was awarded approximately $191,000 under this program, which is required to be utilized by September 30, 2023.

NOTE 17 – CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT ***(continued)***

During the year ended June 30, 2021, VCLC received $358,608 of stimulus funding through HHS. These distributions from the Provider Relief Fund are not subject to repayment, provided VCLC is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to the Coronavirus pandemic, as defined by the Department of Health and Human Services.

As a result of the spread of the Coronavirus pandemic, economic uncertainties have arisen, which may negatively impact operating results. The long-term impact of the pandemic on VCLC's operating results is uncertain and the financial impact of this matter cannot be estimated at this time.