UNIVERSITY CITY CHILDREN'S CENTER
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

UNIVERSITY CITY CHILDREN'S CENTER

DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
University City Children's Center and Subsidiary

We have audited the accompanying consolidated financial statements of **University City Children's Center and Subsidiary** (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated 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 consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **University City Children's Center and Subsidiary** as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Subsequent Events
As discussed in Note 10 to the financial statements, UCCC has been impacted by the effects of the world-wide coronavirus pandemic. Our opinion is not modified with respect to that matter.

Kiefer Bonfanti & Co. LLP

St. Louis, Missouri
May 18, 2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets

	December 31, 2019	December 31, 2018
Current Assets		
Cash and cash equivalents	**$ 608,311**	$ 505,599
Receivable from United Way of Greater St. Louis, Inc.	**146,803**	151,392
Pledges and grants receivable	**96,054**	115,360
Accounts receivable, net of allowance of $16,034 and $17,209 in 2019 and 2018, respectively	**117,508**	169,324
Other current assets	**4,228**	14,080
Cash surrender value of life insurance	**-**	69,334
Total Current Assets	**972,904**	1,025,089
Pledges and Grants Receivable, Non-Current	**20,000**	155,000
Property and Equipment, Net	**803,560**	960,035
Total Assets	**$ 1,796,464**	$ 2,140,124

Liabilities and Net Assets

	2019	2018
Current Liabilities		
Accounts payable and accrued expenses	**$ 97,650**	$ 71,121
Accrued salaries	**109,750**	183,399
Accrued and withheld taxes	**26,849**	29,790
Deferred revenue	**42,402**	38,545
Total Current Liabilities	**276,651**	322,855
Other Liabilities		
Deferred rent liability	**103,003**	125,713
Total Liabilities	**379,654**	448,568
Net Assets		
Without donor restrictions	**720,668**	1,017,205
With donor restrictions	**696,142**	674,351
Total Net Assets	**1,416,810**	1,691,556
Total Liabilities and Net Assets	**$ 1,796,464**	$ 2,140,124

CONSOLIDATED STATEMENTS OF ACTIVITIES

	Years Ended December 31,	
	2019	2018
Without Donor Restrictions		
Support, Revenue and Gains		
Program service fees - private	**$ 1,969,374**	$ 1,879,076
Program service fees - government programs	**480,576**	467,824
Less tuition assistance	**(293,422)**	(312,396)
Program service fees, net of tuition assistance	**2,156,528**	2,034,504
Contributions	**544,133**	413,956
Grants	**78,083**	71,060
Special events	**138,001**	197,481
Consulting fees	**277,150**	575,628
Other unrestricted revenue	**5,446**	21,252
In-kind contributions	**-**	10,850
Support and Revenues Available	**3,199,341**	3,324,731
Net assets released from restrictions	**414,469**	720,239
Total Support, Revenue and Gains Without Donor Restrictions	**3,613,810**	4,044,970
Expenses		
Program services	**3,289,927**	3,939,439
Management and general	**299,922**	301,025
Fundraising	**320,498**	431,067
Total Expenses	**3,910,347**	4,671,531
Decrease in Net Assets Without Donor Restrictions	**(296,537)**	(626,561)
With Donor Restrictions		
United Way of Greater St. Louis, Inc.	**146,803**	151,392
Other restricted contributions	**289,457**	280,935
Net assets released from restrictions	**(414,469)**	(720,239)
Increase (Decrease) in Net Assets With Donor Restrictions	**21,791**	(287,912)
Decrease in Net Assets	**(274,746)**	(914,473)
Net Assets, Beginning of Year	**1,691,556**	2,606,029
Net Assets, End of Year	**$ 1,416,810**	$ 1,691,556

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	Years Ended December 31,							
	2019				2018			
	Program services	**Mgmt and General**	**Fund-raising**	**Total**	Program services	Mgmt and General	Fund-raising	Total
Salaries	$ 2,008,027	187,614	191,886	**$ 2,387,527**	$ 2,505,443	193,360	247,219	$ 2,946,022
Employee health and retirement benefits	299,366	15,660	13,602	**328,628**	286,691	12,511	20,907	320,109
Payroll taxes	156,465	14,026	15,215	**185,706**	192,891	13,983	18,332	225,206
Total salaries and related expenses	2,463,858	217,300	220,703	**2,901,861**	2,985,025	219,854	286,458	3,491,337
Occupancy	215,179	21,347	7,868	**244,394**	233,313	20,265	10,007	263,585
Less: shared occupancy costs	4,560	(2,078)	(2,482)	**-**	-	-	-	-
Supplies	224,111	5,803	12,992	**242,906**	281,016	5,822	16,479	303,317
Professional fees and contract service payments	38,466	13,182	28,236	**79,884**	99,584	2,200	32,308	134,092
Information technology	39,675	4,220	4,070	**47,965**	37,749	3,551	4,620	45,920
Bank & merchant card fees	39,477	2,494	1,453	**43,424**	36,092	2,068	1,708	39,868
Office expenses	24,451	9,525	7,413	**41,389**	27,185	6,513	19,699	53,397
Other	30,573	5,617	15	**36,205**	12,807	14,242	1,677	28,726
Special events	689	-	19,213	**19,902**	2,020	6	40,003	42,029
Insurance	17,516	1,373	517	**19,406**	18,141	783	720	19,644
Conferences, conventions and meetings	5,425	425	12,894	**18,744**	7,864	-	10,016	17,880
Travel	13,780	1,444	1,048	**16,272**	28,144	5,428	1,313	34,885
Professional development	5,761	608	-	**6,369**	4,764	195	40	4,999
Advertising and promotion	2,182	1,741	2,200	**6,123**	3,041	5,027	1,680	9,748
Interest	-	2,000	-	**2,000**	388	159	13	560
Total Expenses Before Depreciation	3,125,703	285,001	316,140	**3,726,844**	3,777,133	286,113	426,741	4,489,987
Depreciation and amortization	164,224	14,921	4,358	**183,503**	162,306	14,912	4,326	181,544
Total Expenses	**$ 3,289,927**	**299,922**	**320,498**	**$ 3,910,347**	$ 3,939,439	301,025	431,067	$ 4,671,531
% of Total Expenses	**84.1%**	**7.7%**	**8.2%**	**100.0%**	84.3%	6.5%	9.2%	100.0%

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2019	2018
Cash Flows from Operating Activities		
Decrease in net assets	**$ (274,746)**	$ (914,473)
Adjustments:		
Depreciation and amortization	**183,503**	181,544
Donated furniture	**-**	(10,850)
(Increase) decrease in operating assets		
Receivable from United Way of Greater St. Louis, Inc.	**4,589**	3,904
Pledges and grants receivable	**154,306**	136,068
Accounts receivable	**51,816**	5,445
Other current assets	**9,852**	2,544
Cash surrender value of life insurance	**69,334**	(7,120)
(Increase) decrease in operating liabilities		
Accounts payable and accrued expenses	**26,529**	(5,261)
Accrued salaries	**(73,649)**	2,307
Accrued and withheld taxes	**(2,941)**	1,898
Deferred revenue	**3,857**	2,675
Deferred rent liability	**(22,710)**	4,964
Net Cash Provided (Used) by Operating Activities	**129,740**	(596,355)
Cash Flows from Investing Activities		
Purchase of property and equipment	**(27,028)**	(7,505)
Net Cash Used by Investing Activities	**(27,028)**	(7,505)
Cash Flows from Financing Activities		
Principal payments on note payable	**-**	(24,501)
Net Cash Used by Financing Activities	**-**	(24,501)
Net Increase (Decrease) in Cash and Cash Equivalents	**102,712**	(628,361)
Cash and cash equivalents, beginning of year	**505,599**	1,133,960
Cash and Cash Equivalents, End of Year	**$ 608,311**	$ 505,599

Supplemental Disclosure of Cash Flows

Interest paid	**$ 2,000**	$ 560

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Business Description and Principles of Consolidation

University City Children's Center is a not-for-profit organization whose two programs are its innovative early childhood education center (the Center) and LUME Institute, LLC (LUME). The accompanying financial statements consolidate the financial position, activities, functional expenses and cash flows of the Center and LUME (collectively, UCCC). All intercompany transactions have been eliminated in the consolidation.

The Center provides innovative, quality care and education to a racially, culturally, developmentally and socio-economically diverse population of children between the ages of six weeks and six years in a nurturing environment that provides supportive services to families. The Center serves children from over 30 zip codes in the St. Louis metropolitan area and is supported through private and government program service fees, contributions, and grants from private foundations, state government agencies and the United Way of Greater St. Louis, Inc.

LUME seeks to transform the way families, educators and communities inspire young children to learn, grow and thrive. LUME provides professional development for current and aspiring early childhood educators, and hosts workshops and other events to help parents and other participants support the growth and development of children.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The consolidated financial statements of UCCC are presented on the accrual basis of accounting.

Financial Statement Presentation

UCCC reports its information regarding financial position and activities according to the following net asset classifications:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of UCCC. These net assets may be used at the discretion of UCCC's management and board of directors.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of UCCC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There were no donor restrictions perpetual in nature at December 31, 2019 and 2018.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, UCCC considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable arise in the normal course of operations. UCCC actively pursues past due accounts and provides an allowance for doubtful accounts based on historical experience and management's analysis of the current status of existing receivables. UCCC considers any accounts receivable older than 30 days to be past due, and charges off accounts receivable when all collection efforts have been unsuccessful and management believes there is no chance for collection. Accounts receivable older than 90 days at December 31, 2019 and 2018 amounted to $28,589 and $48,667, respectively. Bad debt expense for the years ended December 31, 2019 and 2018 was $23,341 and $250, respectively.

Property and Equipment

Property and equipment are stated at cost, or fair market value if donated, less accumulated depreciation and amortization computed on the straight-line method over estimated useful lives of 3 to 20 years.

Contributions

Contributions that are not specifically restricted by the donor are considered to be available for use at the discretion of UCCC's management and board of directors. Contributions that are received with donor-imposed restrictions that limit the use of the donated assets are initially recorded in net assets with donor restrictions. When the restrictions are satisfied, the donated assets are recorded as net assets released from restrictions on the statement of activities and are reclassified to net assets without donor restrictions on the statement of financial position. If the restriction is satisfied in the same period in which the contribution is received, UCCC may report the contribution as unrestricted. Unconditional promises to make contributions are accrued at estimated fair value at the date each promise is received and are included in net assets with donor restrictions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition

UCCC receives revenue from tuition, consulting services, contributions and ticket sales from special events. UCCC recognizes revenue from tuition and consulting fees during the period in which the related services are provided. Payments received in advance of the period in which services are provided, including deposits, are deferred to the applicable period. Tuition assistance is recorded as a reduction from posted tuition rates in the period that the related tuition revenue is recognized.

UCCC recognizes contributions when cash, securities or other assets, unconditional promises to give or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. There were no conditional promises to give for the years ended December 31, 2019 and 2018.

UCCC recognizes revenue from ticket sales during the period in which the special event takes place.

Adoption of New Accounting Standard

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, "*Revenue from Contracts with Customers (Topic 606)*" and ASU 2018-08, *"Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)"*. The ASUs replaced most existing revenue recognition guidance in U.S. GAAP.

UCCC has completed its evaluation of the impact of adopting ASU No. 2014-09 and ASU No. 2018-08 on the financial statements and internal revenue recognition policies. UCCC adopted the ASUs on January 1, 2019, using the modified retrospective approach. UCCC concluded that the adoption of the new standards did not require an adjustment to the opening net assets balance.

Notes to Consolidated Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The costs of programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the expenses by function. Certain costs are classified as program or supporting services based on the nature of the expense. Other costs have been allocated among the programs and supporting services as determined by management on an equitable basis.

Expenses are classified as follows:

Expense	Method of Allocation
Salaries and related expenses	Direct costs, time and effort
Occupancy	Square footage
Supplies	Direct costs, headcount
Professional fees & contract service payments	Direct costs
Information technology	Headcount
Bank & merchant card fees	Direct costs
Office expenses	Direct costs, headcount
Other	Direct costs, square footage, time and effort
Special events	Direct costs
Insurance	Direct costs, square footage, time and effort
Conferences, conventions, and meetings	Direct costs
Travel	Direct costs
Professional development	Direct costs
Advertising & promotion	Direct costs
Interest	Square footage

Donated Services

During the years ended December 31, 2019 and 2018, UCCC did not recognize any amount for donated services, as the criteria for recognition was not met. UCCC pays for most services requiring specific expertise. In addition, many individuals volunteer their time and perform a variety of tasks that assist UCCC with specific programs, campaign solicitations and various committee assignments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

UCCC is exempt from income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

Financial accounting standards for uncertain tax positions prohibit financial statement recognition of the impact of a tax position if the position is not "more likely than not" to be sustained on audit, based on the technical merits of the position. The Federal Forms 990 of UCCC are subject to examination by the Internal Revenue Service, generally for three years after they have been filed. As of May 18, 2020 no returns have been selected for examination.

Subsequent Events

Management has evaluated subsequent events through May 18, 2020, the date which the financial statements were available to be issued, for possible recognition or disclosure. Refer to Note 10.

2. LIQUIDITY AND AVAILABILITY

	December 31,	
	2019	2018
Financial assets at year end:		
Cash and cash equivalents	**$ 608,311**	$ 505,599
Receivable from United Way of Greater St. Louis, Inc.	**146,803**	151,392
Pledges and grants receivable	**116,054**	270,360
Accounts receivable	**117,508**	169,324
Cash surrender value of life insurance	**-**	69,334
Total financial assets	**988,676**	1,166,009
Less amounts not available to be used within one year:		
Net assets with donor restrictions	**696,142**	674,351
Less net assets with time and purpose restrictions to be met in less than one year	**(566,954)**	(406,448)
Total amounts not available to be used within one year	**129,188**	267,903
Financial assets available to meet general expenditures over the next twelve months	**$ 859,488**	$ 898,106

2. LIQUIDITY AND AVAILABILITY (CONTINUED)

UCCC's goal is generally to maintain a level of liquidity sufficient to withstand variations in its major sources of revenue, measured by two standard deviations during the preceding five years, and to pay the cost of a major capital expense.

3. PROPERTY AND EQUIPMENT

	December 31,	
	2019	2018
Building and improvements	**$ 3,112,379**	$ 3,112,379
Playground equipment	**78,869**	61,715
Classroom equipment	**20,078**	20,078
Office and kitchen equipment	**88,706**	78,832
Garden project	**45,704**	45,704
Property and equipment, at cost	**3,345,736**	3,318,708
Less accumulated depreciation and amortization	**(2,542,176)**	(2,358,673)
Property and Equipment, Net	**$ 803,560**	$ 960,035

Depreciation expense amounted to $183,503 and $181,544 for the years ended December 31, 2019 and 2018, respectively.

4. NOTE PAYABLE

UCCC had a note payable to Washington University for playground equipment, computers and facility equipment. The original amount of the loan was $432,119 with an interest rate of 6.25%. The loan was paid in full during 2018.

5. LEASE AGREEMENTS

UCCC leases its building from Washington University (landlord). Under the terms of the lease, the children of graduate students and employees of the landlord have a priority right to enroll a certain number of children at the Center, and the landlord has representation on the governing board of UCCC.

5. LEASE AGREEMENTS (CONTINUED)

The term of the lease is for a period of 20 years ending on January 31, 2024, with an option to purchase. The lease may be extended for an indefinite number of renewal periods of 10 years each. The purchase option must occur no sooner than the 10 year anniversary. The purchase price will be based on the fair market value at the option date less the unamortized balance of improvements made to the building.

Base rent was $1 per square foot per year through January 2019 and $2 per square foot per year thereafter. Accordingly, deferred rent liability is reflected on the statement of financial position. The base rent will be renegotiated for each renewal period.

Obligations under the lease is as follows:

Years Ending December 31,	
2020	$ 60,378
2021	60,378
2022	60,378
2023	60,378
2024	5,032
Total Future Payments	**$ 246,544**

In October 2017, UCCC entered into a three year lease to provide additional office space for LUME. The term of the lease was three years, ending on September 30, 2020. Monthly base rent was $3,673 for the first year of the lease, $3,767 for the second year of the lease and $3,861 for the third year of the lease. The lease was terminated early in June 2019.

Rent expense was $75,788 and $82,160 for the years ended December 31, 2019 and 2018, respectively.

6. LIFE INSURANCE

UCCC was the named beneficiary of $200,000 in life insurance carried on the life of the Executive Director. The cash value accumulated on this policy was $69,334 at December 31, 2018. During 2019, UCCC received proceeds of $74,424 from terminating the policy.

7. EMPLOYEE BENEFIT PLAN

UCCC sponsors a defined contribution retirement plan which covers all employees who have at least 90 days of service and are age twenty-one or older. The plan allows for discretionary employer matching contributions in amounts determined by the Board of Directors on an annual basis. UCCC accrued $16,680 and $14,341 as contributions to the Plan for the years ended December 31, 2019 and 2018, respectively.

8. NET ASSETS WITH DONOR RESTRICTIONS

	December 31,	
	2019	2018
Contributions Restricted for Purpose		
Program restrictions	**$ 354,116**	$ 218,063
Adventure playground and garden	**6,275**	30,211
Family organization	**4,713**	4,685
Contributions Restricted for Time		
United Way of Greater St. Louis, Inc.	**146,803**	151,392
Multi-year pledges	**184,235**	270,000
Total	**$ 696,142**	$ 674,351

9. CONCENTRATIONS OF CREDIT AND MARKET RISK

Financial instruments that potentially subject UCCC to credit and market risk consist principally of cash, cash equivalents and receivables.

UCCC places all cash and cash equivalents with major financial institutions and, by policy, attempts to limit the amount of credit exposure at any one financial institution. UCCC's cash deposits in financial institutions are insured by FDIC insurance, which is subject to certain limitations and conditions. At December 31, 2019, cash balances exceeded FDIC limits by approximately $35,000. Cash balances did not exceed FDIC limitations as of December 31, 2018.

Concentrations of credit risk with respect to receivables are limited due to the nature of these receivables. UCCC also receives donations of marketable securities that are subject to market risk. Market risk is the possibility that changes in market price may make a financial instrument less valuable. Market risk on donated securities is limited by UCCC's policy to promptly sell the securities.

10. SUBSEQUENT EVENTS

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States of America. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic and on March 13, 2020 the President of the United States of America declared this a national emergency. It is anticipated that these impacts will continue for some time. Due to the nature of UCCC and stay at home orders from state and local governments, UCCC temporarily suspended childcare services on March 19, 2020. Impacts include disruptions and restrictions on UCCC's employees' ability to work and temporary disruption of monthly tuition collection. As of May 18, 2020, UCCC expects to resume limited childcare services in late May 2020 under guidelines established by St. Louis County and the Centers for Disease Control and Prevention; it is unknown when UCCC will be able to fully resume its operations. The future effects of these pandemic related issues are unknown.

In April 2020, UCCC applied for and was granted a $526,900 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The loan accrues interest, but payments are not required to begin for six months to one year after the funding of the loan. UCCC is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. UCCC intends to take measures to maximize the loan forgiveness.