



FINANCIAL STATEMENTS

DECEMBER 31, 2020

WITH SUMMARY COMPARATIVE INFORMATION FOR 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Children Today, Inc.:

We have audited the accompanying financial statements of Children Today, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Children Today, Inc. as of December 31, 2020, and the changes in its net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on pages 18-44 is presented for purposes of additional analysis and is 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2021, on our consideration of Children Today Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Children Today Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the financial statements of Children Today, Inc. and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 6, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Los Alamitos, California
May 17, 2021

CHILDREN TODAY, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019

	December 31,	
	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,169,929	\$ 622,918
Accounts receivable	21,391	230,109
Prepaid expenses	--	2,395
Total Current Assets	1,191,320	855,422
PROPERTY AND EQUIPMENT, NET	4,061,144	4,179,226
OTHER ASSETS		
Beneficial interest in assets held by others	92,373	80,561
TOTAL ASSETS	\$ 5,344,837	\$ 5,115,209
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 3,203	\$ 5,301
Accrued employee related expenses	21,649	46,068
Deferred revenue	5,500	5,000
Note payable, current portion	22,112	20,012
Total Current Liabilities	52,464	76,381
NON CURRENT LIABILITIES		
Note payable, net of current portion	598,630	621,589
TOTAL LIABILITIES	651,094	697,970
NET ASSETS		
Without donor restrictions		
Board designated for endowment purposes	35,000	35,000
Undesignated	4,512,397	4,255,582
Total without donor restrictions	4,547,397	4,290,582
With donor restrictions	146,346	126,657
TOTAL NET ASSETS	4,693,743	4,417,239
TOTAL LIABILITIES AND NET ASSETS	\$ 5,344,837	\$ 5,115,209

CHILDREN TODAY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARY COMPARATIVE TOTALS FOR 2019

	<u>Without Donor</u>	<u>With Donor</u>	<u>December 31,</u>	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>2020</u>	<u>2019</u>
REVENUE AND SUPPORT				
Government grants	\$ 689,597	\$ --	\$ 689,597	\$ 750,674
Contributions and grants	417,586	255,500	673,086	544,410
Paycheck Protection Program (PPP)				
loan forgiveness	173,900	--	173,900	--
In-kind contributions	49,945	--	49,945	56,121
Investment income, net	12,223	--	12,223	12,519
Net assets released from restrictions	<u>235,811</u>	<u>(235,811)</u>	<u>--</u>	<u>--</u>
	1,579,062	19,689	1,598,751	1,363,724
SPECIAL EVENTS				
Special events revenue	24,305	--	24,305	506,625
Special events expense	<u>(12,668)</u>	<u>--</u>	<u>(12,668)</u>	<u>(261,466)</u>
	11,637	--	11,637	245,159
TOTAL REVENUE AND SUPPORT	1,590,699	19,689	1,610,388	1,608,883
EXPENSES				
Program services	1,047,147	--	1,047,147	1,101,029
Supporting services:				
Management and general	269,805	--	269,805	231,515
Fundraising	<u>16,932</u>	<u>--</u>	<u>16,932</u>	<u>63,279</u>
TOTAL EXPENSES	<u>1,333,884</u>	<u>--</u>	<u>1,333,884</u>	<u>1,395,823</u>
CHANGE IN NET ASSETS	256,815	19,689	276,504	213,060
NET ASSETS AT				
BEGINNING OF YEAR	<u>4,290,582</u>	<u>126,657</u>	<u>4,417,239</u>	<u>4,204,179</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,547,397</u>	<u>\$ 146,346</u>	<u>\$ 4,693,743</u>	<u>\$ 4,417,239</u>

CHILDREN TODAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARY COMPARATIVE TOTALS FOR 2019

				<u>December 31,</u>	
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2020</u>	<u>2019</u>
PERSONNEL EXPENSES					
Salaries and wages	\$ 599,341	\$ 127,654	\$ 8,033	\$ 735,028	\$ 797,629
Employee benefits and taxes	<u>98,539</u>	<u>21,050</u>	<u>1,314</u>	<u>120,903</u>	<u>143,643</u>
TOTAL PERSONNEL EXPENSES	697,880	148,704	9,347	855,931	941,272
OTHER EXPENSES					
Advertising and outreach	1,506	--	--	1,506	1,667
Automobile	--	2,341	--	2,341	3,530
Bank and credit card fees	--	1,453	--	1,453	2,961
Depreciation	85,019	25,978	7,085	118,082	118,414
Dues and subscriptions	219	3,402	--	3,621	3,888
Food supplies	18,182	--	--	18,182	28,241
In-kind expense	49,945	--	--	49,945	56,121
Insurance	99,397	8,048	367	107,812	63,211
Interest expense	--	32,134	--	32,134	34,086
Meetings expense	70	58	--	128	3,737
Office supplies	2,717	5,361	--	8,078	3,475
Payroll service fees	--	1,757	--	1,757	1,606
Permits and licenses	1,413	544	--	1,957	1,841
Postage and delivery	--	224	--	224	414
Professional fees	--	28,990	--	28,990	20,485
Property taxes	1,602	490	133	2,225	1,043
Repairs and maintenance	29,862	3,335	--	33,197	52,781
Staff development	847	195	--	1,042	3,403
Supplies	17,139	--	--	17,139	27,490
Telephone and internet	6,198	4,297	--	10,495	7,266
Utilities	11,668	448	--	12,116	12,904
Other	<u>23,483</u>	<u>2,046</u>	<u>--</u>	<u>25,529</u>	<u>5,987</u>
TOTAL OTHER EXPENSES	<u>349,267</u>	<u>121,101</u>	<u>7,585</u>	<u>477,953</u>	<u>454,551</u>
TOTAL EXPENSES	<u>\$ 1,047,147</u>	<u>\$ 269,805</u>	<u>\$ 16,932</u>	<u>\$ 1,333,884</u>	<u>\$ 1,395,823</u>

CHILDREN TODAY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 276,504	\$ 213,060
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	118,082	118,414
Change in value of beneficial interest in assets held by others	(11,812)	(12,222)
Paycheck Protection Program (PPP) loan forgiveness	(173,900)	--
Change in operating assets and liabilities:		
Accounts receivable	208,718	(221,451)
Contributions receivable, net	--	53,000
Prepaid expenses	2,395	1,031
Accounts payable and accrued expenses	(2,098)	103
Accrued employee related expenses	(24,419)	(1,506)
Accrued Interest	--	(177)
Deferred revenue	500	(2,000)
Net Cash Provided By Operating Activities	393,970	148,252
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program (PPP) loan	173,900	--
Repayments on note payable	(20,859)	(19,916)
Repayments on note payable to related party	--	(103,000)
Net Cash Provided By (Used In) Financing Activities	153,041	(122,916)
NET CHANGE IN CASH AND CASH EQUIVALENTS	547,011	25,336
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	622,918	597,582
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,169,929	\$ 622,918
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 32,134	\$ 34,264
Cash paid for income taxes	NONE	NONE
Noncash investing transactions	NONE	NONE
Noncash financing transactions	NONE	NONE

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARY COMPARATIVE INFORMATION FOR 2019

NOTE 1 – Organization

Organization and Nature of Activities

Children Today, Inc. (the Organization) was founded in 1997 in Long Beach, California. The Organization's mission is to provide community-based services to children and families experiencing homelessness or who are involved in the child welfare system, fostering long-term family stability and success.

The Organization provides no-cost, high quality, early care and education through an eco-friendly and LEED certified facility entitled the Eco House. The Eco House was designed to serve children and advocate on behalf of the families. Since inception, the Organization has reached thousands of children and families in Long Beach, California.

Funding is obtained principally from state and federal government grants for specific programs, as well as from donations and fundraising activities, including a capital campaign to fund building and facility expansion.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation of Financial Statements

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with United States Generally Accepted Accounting Principles (US GAAP). The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Comparative Financial Information

The accompanying 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 full comparison of operations year over year. Accordingly, these comparative financial statements should be read in conjunction with our audited financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with an original maturity of three months or less when purchased, and which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents.

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARY COMPARATIVE INFORMATION FOR 2019

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Accounts Receivable

Accounts receivable consist primarily of reimbursements due from governmental agencies under various grants, and are stated at the amount that management expects to collect from outstanding balances. Accounts receivable are written off when they are determined to be uncollectible.

Property and Equipment

The Organization's policy is to capitalize asset additions over \$5,000. Property and equipment are stated at cost, with the exception of donated equipment, which is recorded at fair market value on the date received. Depreciation has been provided on the straight-line method over the useful lives of the assets, which are generally five to thirty-nine years. Expenditures for repairs and maintenance are expensed as incurred.

Beneficial Interest in Assets Held by Community Foundation

The Organization's Board of Directors established an endowment fund whereby certain contributions would remain intact. In 2009, the Organization transferred \$35,000 to the Long Beach Community Foundation (LBCF) to establish the Children Today Endowment Fund. The funds are invested in an allocated investment pool. Net income from the fund may be distributed annually to the Organization upon request. The Organization granted LBCF variance power over the funds at the time of the transfer, but since the Organization is a nonprofit organization, who specified themselves as the beneficiary, the Organization may recognize at fair value the beneficial interest in the assets held by LBCF.

Classification of Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor or grantor restrictions. Some donor-imposed restrictions are temporary in nature, for example, restrictions that may or will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, for example stipulating that resources be maintained in perpetuity. Law may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, laws extend to donor-imposed restrictions. The expirations of donor-imposed restrictions are recognized when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARY COMPARATIVE INFORMATION FOR 2019

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. For the years ended December 31, 2020 and 2019, the Organization did not receive any conditional promises to give.

In-Kind Goods and Services

Contributed goods are recorded at fair value at the date of donation. During the years ended December 31, 2020 and 2019, contributed goods totaled \$49,945 and \$93,604, respectively, and included clothing, supplies, and gift cards to various retail stores that were utilized as part of program services and items donated for auction which were utilized for fundraising during special events.

In addition, a substantial number of volunteers have donated significant amounts of their time to the Organization and its programs. The donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Advertising and Outreach Costs

The Organization uses advertising to promote its programs among the audiences it serves. Advertising and outreach costs are charged to operations when incurred and during the years ended December 31, 2020 and 2019 totaled \$1,506 and \$1,667, respectively.

Income Tax Status

The Organization has received tax-exempt status from the Internal Revenue Service and California Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code and under Revenue and Taxation Code Section 23701d, respectively.

Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income taxes. The Organization uses the same accounting methods for tax and financial reporting. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARY COMPARATIVE INFORMATION FOR 2019

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could differ from such estimates and those differences could be material.

Financial Instruments and Credit Risk

Deposit concentrations are managed by placing cash with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with contributions receivable are considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from foundations supportive of the mission.

Accounting Pronouncements Adopted

In August 2018, FASB issued ASU 2018-13, *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments to Topic 820 makes changes in unrealized gains and losses and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. ASU 2018-13 became effective for the annual reporting period beginning after December 15, 2019.

Recent Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires entities to recognize all leased assets on the statement of financial position with a corresponding liability resulting in a gross up of the statement of financial position. Entities will also be required to present additional disclosures regarding the nature and extent of leasing activities. ASU 2016-02 is effective for nonpublic business entities for the annual reporting period beginning after December 15, 2021. The Organization is in the process of evaluating the impact of this statement and potential effects on the financial statements.

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARY COMPARATIVE INFORMATION FOR 2019

NOTE 2 – Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is aimed to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. ASU 2020-07 is effective for nonpublic business entities for the annual reporting period beginning after June 15, 2021. The Organization is in the process of evaluating the impact of this statement and potential effects on the financial statements.

Subsequent Events

The Organization has evaluated subsequent events through May 17, 2021, the date the financial statements were issued for the year ended December 31, 2020. See Note 13.

NOTE 3 – Liquidity and Availability

Financial assets available within one year of the statement of financial position date for general expenditure are as follows as of December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,169,929	\$ 622,918
Accounts receivable	21,391	230,109
Beneficial interest in LBCF	92,373	80,561
Less: Board-designated quasi-endowment	(35,000)	(35,000)
Less: Donor-restricted funds	<u>(146,346)</u>	<u>(126,657)</u>
Total	<u>\$ 1,102,347</u>	<u>\$ 771,931</u>

As part of the Organization’s liquidity management plan, a portion of any operating surplus is maintained in the operating account.

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARY COMPARATIVE INFORMATION FOR 2019

NOTE 4 – Fair Value Measurements and Disclosures

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell assets in an orderly transaction in the principal, most advantageous market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the assets, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the assets based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

- *Level 1* inputs are quoted prices (unadjusted) in active markets for identical assets that the Organization has the ability to access at the measurement date.
- *Level 2* inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- *Level 3* inputs are unobservable inputs for the asset.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk or liquidity profile of the asset.

The fair value of the beneficial interest in assets held by the community foundation is based on the fair value of fund investments as reported by the community foundation. These are considered to be Level 3 investments. There have been no changes in the methodologies used at December 31, 2020 and 2019.

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARY COMPARATIVE INFORMATION FOR 2019

NOTE 4 – Fair Value Measurements and Disclosures (continued)

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2020:

	<u>Total</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Beneficial interest in assets held by others	\$ 92,373	\$ --	\$ --	\$ 92,373

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2019:

	<u>Total</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Beneficial interest in assets held by others	\$ 80,561	\$ --	\$ --	\$ 80,561

NOTE 5 – Property and Equipment

Property and equipment are summarized as follows at December 31:

	<u>2020</u>	<u>2019</u>
Furniture, fixtures and equipment	\$ 126,344	\$ 126,344
Automobile	30,470	30,470
Building	<u>3,813,693</u>	<u>3,813,693</u>
	3,970,507	3,970,507
Less accumulated depreciation	(633,839)	(515,757)
	3,336,668	3,454,750
Land	<u>724,476</u>	<u>724,476</u>
Total	<u>\$ 4,061,144</u>	<u>\$ 4,179,226</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$118,082 and \$118,414, respectively.

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARY COMPARATIVE INFORMATION FOR 2019

NOTE 6 – Paycheck Protection Program (PPP) Loan Payable

In June 2020, the Organization received loan proceeds under the Paycheck Protection Program (the PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organizations. The loans and accrued interest are forgivable after eight or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its full time equivalent (FTE) headcount levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight or twenty-four-week period following loan funding. In November 2020, the Organization’s application for forgiveness was approved and the full amount of the PPP loan was recognized as debt forgiveness revenue on the Statement of Activities.

While the Organization currently believes that the loan forgiveness was based on meeting the eligibility criteria, the Small Business Administration (SBA) reserves the right to re-review the loan application and subsequent forgiveness within six years following the date of loan forgiveness.

NOTE 7 – Note Payable

Note payable consists of the following at December 31:

	2020	2019
Note payable; secured by deed of trust on real property; principal and interest payments of \$4,416 are due monthly; final principal payment due October 2038; interest at 5% for ten years, then for the remaining fifteen years interest is calculated at the prime rate plus 2% with a floor of 5% and ceiling of 9%	\$ 620,742	\$ 641,601
Less current portion	(22,112)	(20,012)
Total	\$ 598,630	\$ 621,589

For the year ending December 31,

2021	\$ 22,112
2022	23,243
2023	24,433
2024	25,683
2025	26,997
Thereafter	498,274
Total	\$ 620,742

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARY COMPARATIVE INFORMATION FOR 2019

NOTE 8 – Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Program administration and supplies	\$ 146,346	\$ 126,657

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors during the year ended December 31:

	<u>2020</u>	<u>2019</u>
Eco House	\$ --	\$ 53,000
Program administration and supplies	235,811	196,911
Administrative support and supplies	<u>--</u>	<u>10,823</u>
Total	<u>\$ 235,811</u>	<u>\$ 260,734</u>

NOTE 9 – Concentrations

Contingencies

The Organization has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, management believes that any required reimbursements will not be material.

Accounts Receivable

Accounts receivable derived from one government grant made up 88% of accounts receivable at December 31, 2020. Accounts receivable derived from two government grants made up 100% of accounts receivable at December 31, 2019.

Revenue

Revenue provided through programs funded by the California Department of Education and Head Start made up approximately 45% of the Organization's total support and revenue for the years ended December 31, 2020 and 2019.

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NOTE 10 – Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural and functional classification detail of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, insurance and property taxes, which are allocated on a square footage basis, as well as salaries and wages, employee benefits and taxes, dues and subscriptions, meetings expense, permits and licenses, repairs and maintenance, staff development, telephone and internet, utilities, and other, which are allocated on the basis of estimates of time and effort.

NOTE 11 – Employee Benefits

The Organization sponsors a profit sharing plan (the Plan) qualified under IRC Section 401(k) covering substantially all full-time employees. The Plan provides that employees who have attained the age of 21 and completed one year of service may voluntarily contribute from 0 to 92 percent of their earnings to the Plan, up to the maximum annual contribution allowed by the IRS. During the years ended December 31, 2020 and 2019, the Organization did not offer an employer match program, resulting in zero expense related to the Plan.

NOTE 12 – Related Party Transactions

The Organization had a note payable, bearing interest at 2%, due to a former member of the Board of Directors, with a balance due of \$103,000 at December 31, 2018. The note was paid in full during the year ended December 31, 2019. Principal and interest payments of \$103,000 were made during the year ended December 31, 2019.

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NOTE 13 – Subsequent Events & Economic Uncertainty

The Organization's programs and operations may continue to be adversely affected by health epidemics including the coronavirus (COVID-19) outbreak that began in December 2019.

Potential impacts to the programs and operations could include additional disruptions or restrictions to employees' ability to work. Temporary closure of some or part of the program due to quarantining required as a result of positive COVID-19 cases has meant a disruption in child care and preschool services to enrolled families. COVID-19 could continue to adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect funding streams. Any of the foregoing could harm the Organization and management cannot anticipate all of the ways in which health epidemics such as COVID-19 could impact the business model. To address the continued economic uncertainty, the Organization has received a Paycheck Protection Program (PPP) loan in 2021 and has applied for forgiveness from the Small Business Administration. Approval of loan forgiveness is pending.

Although the Organization continues to monitor and assess the effects of the COVID-19 pandemic on the Organization, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.