

JACK AND JILL CHILDREN'S CENTER, INC.

Financial Statements

September 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Jack and Jill Children's Center, Inc.

Opinion

We have audited the accompanying financial statements of Jack and Jill Children's Center, Inc. (a non-profit organization) (the "Center"), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Management's Responsibility for the Financial Statements

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center 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.

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 the Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards 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.

INDEPENDENT AUDITOR'S REPORT (continued)

In performing an audit in accordance with generally accepted auditing standards, 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 the Center'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 the Center'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.

ROBBINS and MORONEY, P.A.
Certified Public Accountants

Fort Lauderdale, Florida

JACK AND JILL CHILDREN'S CENTER, INC.

Statements of Financial Position

September 30, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 2,648,910	\$ 2,180,237
Pledges, Grants and Other Receivables	857,551	1,423,630
Prepaid Expenses	148,314	230,915
Total Current Assets	3,654,775	3,834,782
Non-current Assets		
Restricted Cash	1,760,859	1,215,578
Pledges, Grants and Other Receivables	379,195	872,259
Property and Equipment, net	9,895,134	10,132,812
Other Assets	921	812
Beneficial Interest in Assets Held by Community Foundation	32,539	32,085
Total Non-current Assets	12,068,648	12,253,546
Total Assets	\$ 15,723,423	\$ 16,088,328
Current Liabilities		
Accounts Payable	\$ 197,951	\$ 208,573
Accrued Expenses	324,784	240,733
Deposits	20,623	14,992
Notes Payable	635,992	309,669
Total Current Liabilities	1,179,350	773,967
Non-current Liabilities		
Notes Payable	2,668,893	2,985,654
Total Liabilities	3,848,243	3,759,621
Commitments and Contingencies		
Net Assets		
Without Donor Restrictions	10,085,247	9,406,542
With Donor Restrictions	1,789,933	2,922,165
Total Net Assets	11,875,180	12,328,707
Total Liabilities and Net Assets	\$ 15,723,423	\$ 16,088,328

The accompanying notes are an integral part of these financial statements.

JACK AND JILL CHILDREN'S CENTER, INC.
 Statements of Activities
 For the Years Ended September 30, 2023 and 2022

	2023	2022
Net Assets Without Donor Restrictions		
Community Support and Revenue		
Community Support		
Government	\$ 486,398	\$ 427,790
Corporate and Private	1,284,939	2,214,467
Special Events	1,040,146	614,815
Less: Costs of Direct Benefits to Donors	(238,057)	(128,634)
Net Assets Released from Restrictions	2,534,320	1,269,691
Contributed Services and Materials	25,252	28,140
Total Community Support	5,132,998	4,426,269
Revenue		
Tuition	1,250,357	945,877
Grants and Contracts	1,413,484	1,066,105
Investment Income	31,743	31,466
Other	(4,847)	2,506
Loss on Disposal of Property and Equipment	-	(1,143)
Total Revenue	2,690,737	2,044,811
Total Community Support and Revenue	7,823,735	6,471,080
Expenses		
Program Services	5,277,127	4,655,649
General and Administrative	894,134	639,206
Fundraising	973,769	752,579
Total Expenses	7,145,030	6,047,434
Change in Net Assets Without Donor Restrictions	678,705	423,646
Net Assets with Donor Restrictions		
Contributed Income	1,399,768	2,014,678
Investment Income	2,320	(9,131)
Net Assets Released from Restrictions	(2,534,320)	(1,269,691)
Change in Net Assets With Donor Restrictions	(1,132,232)	735,856
Change in Net Assets	(453,527)	1,159,502
Net Assets, Beginning of Year	12,328,707	11,169,205
Net Assets, End of Year	\$ 11,875,180	\$ 12,328,707

The accompanying notes are an integral part of these financial statements.

JACK AND JILL CHILDREN'S CENTER, INC.
 Statements of Cash Flows
 For the Years Ended September 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in Net Assets	\$ (453,527)	\$ 1,159,502
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Depreciation	467,941	426,395
Amortization	9,562	9,562
Present Value Discount	(60,653)	38,147
Loss on Disposal of Property and Equipment	-	1,143
Net (Increase) Decrease in Beneficial Interest in Assets Held by Community Foundation	(2,320)	9,131
Changes in Net Assets and Liabilities:		
Decrease (Increase) in Pledges, Grants and Other Receivables	1,119,796	(578,928)
Decrease (Increase) in Prepaid Expenses	82,601	(111,213)
Decrease in Prepaid College Tuition		73,244
Increase in Other Assets	(109)	-
(Decrease) Increase in Accounts Payable	(10,622)	56,795
Increase (Decrease) in Accrued Expenses	84,051	(321,054)
Increase (Decrease) in Deposits	5,631	(4,917)
Net Cash Flows from Operating Activities	1,242,351	757,807
Cash Flows from Investing Activities		
Property and Equipment Additions	(230,263)	(375,095)
Distributions from Beneficial Interest	1,866	1,865
Net Cash Flows from Investing Activities	(228,397)	(373,230)
Cash Flows from Financing Activities		
Loan Proceeds	-	500,000
Loan Payments	-	(500,000)
Net Cash Flows from Financing Activities	-	-
Net Change in Cash, Cash Equivalents, and Restricted Cash	1,013,954	384,577
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	3,395,815	3,011,238
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 4,409,769	\$ 3,395,815
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Period for Interest	\$ 127,318	\$ 69,569

The accompanying notes are an integral part of these financial statements.

JACK AND JILL CHILDREN'S CENTER, INC.
 Statements of Functional Expenses
 For the Years Ended September 30, 2023 and 2022

	2023			
	Program Services	General and Administrative	Fundraising	Total
Salaries and Benefits	\$ 2,989,783	\$ 670,350	\$ 773,810	\$ 4,433,943
Professional Fees	493,644	47,784	62,800	604,228
Food	255,247			255,247
Depreciation	455,568	11,608	765	467,941
Repairs	277,225	10,031	661	287,917
Utilities	164,484	8,016	537	173,037
Program and Other Costs	164,480			164,480
Office	47,080	110,647	11,895	169,622
Promotion & Fundraising Events			118,569	118,569
Insurance	131,899	7,143	471	139,513
Technology	49,387	24,001	2,396	75,784
Family Strengthening Program	26,706			26,706
Scholarships	5,101			5,101
Kitchen Supplies	21,422			21,422
Family Emergency	51,394			51,394
Miscellaneous	2,172	47	183	2,402
Licenses, Fees and Dues	4,655	4,507	1,682	10,844
Interest	136,880			136,880
	<u>\$ 5,277,127</u>	<u>\$ 894,134</u>	<u>\$ 973,769</u>	<u>\$ 7,145,030</u>
	2022			
	Program Services	General and Administrative	Fundraising	Total
Salaries and Benefits	\$ 2,641,376	\$ 467,667	\$ 673,219	\$ 3,782,262
Professional Fees	473,234	69,573	3,000	545,807
Food	200,280			200,280
Depreciation	416,381	9,395	619	426,395
Repairs	216,368	10,235	675	227,278
Utilities	136,527	6,513	437	143,477
Program and Other Costs	116,692			116,692
Office	27,223	55,864	8,061	91,148
Promotion & Fundraising Events			65,390	65,390
Insurance	104,860	5,285	348	110,493
Technology	14,883	12,276		27,159
Family Strengthening Program	23,710			23,710
Scholarships	128,380			128,380
Kitchen Supplies	18,951			18,951
Family Emergency	50,155			50,155
Miscellaneous	2,740			2,740
Licenses, Fees and Dues	4,758	2,398	830	7,986
Interest	79,131			79,131
	<u>\$ 4,655,649</u>	<u>\$ 639,206</u>	<u>\$ 752,579</u>	<u>\$ 6,047,434</u>

The accompanying notes are an integral part of these financial statements.

JACK AND JILL CHILDREN'S CENTER, INC.

Notes to Financial Statements
September 30, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Nature of Activities: Jack and Jill Children's Center, Inc., (the "Center"), is a non-profit organization that works to break the cycle of poverty for children of high need working families through quality early childhood education, elementary education through fifth grade ("Elementary Education"), and family strengthening programs.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

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 Equivalents: For purposes of the statements of cash flows, the Center considers all cash in banks and investments with a maturity of three months or less when purchased to be cash equivalents. Cash balances held for long-term donor restricted purposes or cash restricted under the terms of loan agreements are shown as restricted cash on the statements of financial position.

Receivables: Pledges, Grants and Other Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debts and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Pledges expected to be collected in future years are recorded at the present value of expected future cash flows discounted at an appropriate discount rate commensurate with the risks involved, which was 4% at September 30, 2023 and 2022.

Property and Equipment: Purchased property and equipment are stated at cost. Donated property and equipment are recorded at fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, commencing when the asset is put into service. Maintenance and minor repairs are charged to expense when incurred. Additions and major renewals are capitalized. The cost and accumulated depreciation of assets sold or retired is removed from the respective accounts and any gain or loss is reflected in income.

Beneficial Interest in Assets Held by Community Foundation: The prorated value of the beneficial interest in the Community Foundation of Broward, Inc.'s (the "Community Foundation") investments is determined by the investment fund manager of the organization holding the assets. The composition of the assets held by the Community Foundation are invested pursuant to its governing instruments and valued accordingly.

Fair Value of Financial Instruments: Cash equivalents, prepaid expenses, accounts payable, accrued expenses and deposits are reflected in the financial statements at cost which approximates fair value because of their short-term nature.

JACK AND JILL CHILDREN'S CENTER, INC.

Notes to Financial Statements
September 30, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

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 certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Center reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions and Grants: Unconditional pledges and grants are recognized as support in the period the commitment is received. Conditional pledges and grants are recognized as support once the conditions are substantially met. Pledges and grants that are expected to be received within one year are recorded at the expected net realizable value when received. Pledges and grants that are expected to be collected in future years are recorded at the present value of estimated future cash flows, discounted using fair value rates.

Special Events: Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Center recognizes special events revenue equal to the fair value of direct benefits to donors when the event takes place. The contribution element of special event revenue is recognized immediately.

Contributed Services and Materials: Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. A substantial number of volunteers have donated significant time to the Center's program services and fundraising activities that do not meet the criteria for recognition, and accordingly, are not recognized in the accompanying statements of activities. Contributed materials are also recorded at their fair value in the period received.

Tuition, Grants and Contracts: The Center recognizes revenue from student tuition, during the year in which the related services are provided to students. The performance obligation of delivering educational services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the academic year. The Center receives government support grants in the form of student scholarships and other financial aid which are recognized using a similar methodology.

Expense Allocation: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and detailed in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

JACK AND JILL CHILDREN'S CENTER, INC.

Notes to Financial Statements
September 30, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

Income Taxes: As a non-profit corporation under Internal Revenue Code Section 501(c)(3), the Center is exempt from income tax on income related to its exempt function. Therefore, no provision for income taxes has been made in the accompanying financial statements. The Center has not incurred any interest or penalties on its income tax returns.

The Center's tax returns are subject to possible examination by the taxing authorities. For Federal income tax purposes, the tax returns remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

Date of Management's Review: In preparing the financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through _____, the date that the financial statements were available to be issued.

2. LIQUIDITY AND RESERVES

The Center has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The following table reflects the Center's financial assets as of September 30, reduced by amounts not available for general expenditures within one year.

	<u>2023</u>	<u>2022</u>
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 2,648,910	\$ 2,180,237
Pledges, Grants and Other Receivables	1,236,746	2,295,889
Restricted Cash	1,760,859	1,215,578
Beneficial Interest in Assets Held by Community Foundation	<u>32,539</u>	<u>32,085</u>
Total Financial Assets at September 30,	<u>5,679,054</u>	<u>5,723,789</u>
Less Amounts Not Available to be Used Within One Year:		
Net Assets with Donor Restrictions	1,789,933	2,922,165
Restricted Cash	1,760,859	1,215,578
Less Net Assets with Purpose Restrictions to be Met in Less Than One Year	<u>(884,536)</u>	<u>(1,054,000)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 3,012,798</u>	<u>\$ 2,640,046</u>

3. CAPITAL CAMPAIGN

In August 2021, the Center opened its Elementary School in a new facility that was completed as part of a capital campaign.

The Center recorded approximately \$0 and \$360,000 in net assets with donor restrictions during the years ended September 30, 2023 and 2022, respectively, of which approximately \$629,000 and \$577,000 was released from restrictions to cover the amount of construction in progress.

JACK AND JILL CHILDREN'S CENTER, INC.
Notes to Financial Statements
September 30, 2023 and 2022

3. CAPITAL CAMPAIGN (continued)

The Center has approximately \$258,000 and \$887,000 in pledges receivable recorded at September 30, 2023 and 2022, respectively, in connection with the capital campaign, which will be collected over a period of three years (See Note 6).

The Center's contract price with a related party for the construction of the Elementary School was the contractor's expected costs plus 10%. At September 30, 2023, approximately \$7 million had been spent on the related party contract and is reflected in the accompanying statement of financial position as a component of property and equipment.

At September 30, 2023 and 2022, net assets with donor restrictions recorded in connection with the capital campaign total approximately \$237,000 and \$823,000, respectively.

4. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the statements of financial position that sum to the totals of the same such amounts presented in the statements of cash flows as of September 30, 2023 and 2022, respectively.

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 2,648,910	\$ 2,180,237
Restricted Cash	1,760,859	1,215,578
	<u>\$ 4,409,769</u>	<u>\$ 3,395,815</u>

5. BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The Center maintains an endowment fund account at the Community Foundation. These amounts are recorded as assets on the statements of financial position at market value. Distributions are based on the Community Foundation's stated "income return percentage" for the period, multiplied by the weighted average market value of the fund. The original gift value was \$38,675. The aggregate balance in the statements of financial position at September 30, 2023 and 2022 is \$32,539 and \$32,085, respectively, and is recorded as the "Beneficial Interest in Assets Held by Community Foundation." These amounts, net of a deficiency of \$6,136 at September 30, 2023, are included in net assets with donor restrictions.

6. PLEDGES, GRANTS, AND OTHER RECEIVABLES

Pledges, grants and other receivables at September 30 consisted of:

	<u>2023</u>	<u>2022</u>
Pledges – Capital Campaign	\$ 258,168	\$ 887,419
Pledges – Other	49,781	50,179
Grants	970,658	1,431,830
Other	1,312	30,287
	<u>1,279,919</u>	<u>2,399,715</u>
Less: Allowance for Doubtful Accounts	(8,820)	(8,820)
Less: Present Value Discount	<u>(34,353)</u>	<u>(95,006)</u>
	1,236,746	2,295,889
Less: Non-Current Portion	<u>(379,195)</u>	<u>(872,259)</u>
Current Portion	<u>\$ 857,551</u>	<u>\$ 1,423,630</u>

JACK AND JILL CHILDREN'S CENTER, INC.

Notes to Financial Statements

September 30, 2023 and 2022

6. PLEDGES, GRANTS, AND OTHER RECEIVABLES (continued)

Pledges, grants and other receivables at September 30, 2023, were scheduled to be collected as follows:

		<u>2023</u>
Year Ending September 30,	2024	\$ 866,371
	2025	345,548
	2026	46,500
	2027	21,500
		<u>\$ 1,279,919</u>

7. PROPERTY AND EQUIPMENT

Property and equipment at September 30 consisted of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 913,344	\$ 909,444
Equipment	896,872	828,413
Building and Improvements	10,209,318	10,133,813
Furniture and Fixtures	559,974	546,295
	<u>12,579,508</u>	<u>12,417,965</u>
Less: Accumulated Depreciation	(2,684,374)	(2,285,153)
Net Book Value	<u>\$ 9,895,134</u>	<u>\$ 10,132,812</u>

8. RETIREMENT PLAN

The Center sponsors a 403(b) retirement plan ("the Plan"). Employees with one or more years of full-time service are eligible. The Center contributes 2% of all eligible employees' salaries to the Plan. The Center matches employee contributions to the Plan up to an additional 3% of salaries.

Plan expense for the years ended September 30, 2023 and 2022 was \$111,907 and \$98,934, respectively.

9. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are available for the following purposes or periods at September 30:

	<u>2023</u>	<u>2022</u>
Program Services	\$ 471,955	\$ 1,539,541
General and Administrative		2,138
Future Periods	847,481	324,277
Capital Campaign	237,289	823,455
	<u>1,556,725</u>	<u>2,689,411</u>
Restricted in Perpetuity:		
Beneficial Interest in Assets Held by Community Foundation	32,539	32,085
Land	200,669	200,669
	<u>233,208</u>	<u>232,754</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,789,933</u>	<u>\$ 2,922,165</u>

JACK AND JILL CHILDREN'S CENTER, INC.

Notes to Financial Statements

September 30, 2023 and 2022

9. RESTRICTIONS ON NET ASSETS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows for the years ended September 30:

	<u>2023</u>	<u>2022</u>
Program Services	\$ 962,549	\$ 583,742
Passage of Time	204,855	108,922
Capital Campaign	1,366,916	577,027
	<u>\$ 2,534,320</u>	<u>\$ 1,269,691</u>

10. CONTRIBUTED SERVICES AND MATERIALS

The value of contributed services and materials included in the statement of activities is as follows for the years ended September 30:

	<u>2023</u>	<u>2022</u>
Revenue		
Food, Beverage and Events	\$ 22,102	\$ 28,140
Professional Services	3,150	
	<u>\$ 25,252</u>	<u>\$ 28,140</u>
Expenses		
Program Services	\$ 4,000	\$ 3,800
General and Administrative	3,150	
Special Events	18,102	24,340
	<u>\$ 25,252</u>	<u>\$ 28,140</u>

11. INVESTMENT INCOME

Investment income for the years ended September 30 is summarized as follows:

	<u>2023</u>	<u>2022</u>
Without Donor Restrictions		
Income from Other Endowments	\$ 28,564	\$ 28,471
Interest and Dividends	3,179	2,995
	31,743	31,466
With Donor Restrictions		
Change in Value of Beneficial Interest	2,320	(9,131)
	<u>\$ 34,063</u>	<u>\$ 22,335</u>

12. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Center to concentrations of credit risk consist principally of cash equivalents and unsecured receivables. The Center's ability to collect these receivables is dependent upon economic conditions and the financial condition of its customers. The Center has not experienced significant losses related to receivables. Management believes no additional credit risk is inherent in the Center's receivables.

JACK AND JILL CHILDREN'S CENTER, INC.

Notes to Financial Statements
September 30, 2023 and 2022

12. CONCENTRATIONS OF CREDIT RISK (continued)

The Center maintains cash accounts which, at times, may exceed insured limits. At September 30, 2023 and 2022, the Center had demand deposits in financial institutions which exceeded the depositor's insurance provided by the applicable guarantee agency. The Center has not experienced any losses from maintaining cash accounts in excess of insured limits. Management believes that it is not exposed to any significant credit risk on its cash accounts.

13. ENDOWMENT FUNDS

Donors and the Center maintain funds at the Community Foundation. The Community Foundation invests the principal for the funds. Distributions to the Center are made based on the Community Foundation's stated "income return percentage" for the period, multiplied by the weighted average market value of the funds. These funds are the property of the Community Foundation, and are owned by it in its normal capacity. These funds are designated by other resource providers for the benefit of the Center, and are not included in the Center's assets or net assets. Following are the funds opened at the Community Foundation:

Marilyn Mayhill Scholarship Fund: On July 21, 1997, a donor entered into an agreement with the Community Foundation to establish a scholarship fund for children from low-income families attending the Center. At September 30, 2023 and 2022, the market value of this fund was approximately \$75,400 and \$74,700, respectively. Distributions were made to the Center in the amount of approximately \$4,400 for 2023 and 2022.

Thomas L. Monz Memorial Fund: On June 30, 1997, a donor entered into an agreement with the Community Foundation to establish a fund to pay for medical expenses of children attending the Center. At September 30, 2023 and 2022, the market value of this fund was approximately \$6,100 and \$6,000, respectively. Distributions were made to the Center in the amount of approximately \$300 for both 2023 and 2022.

Jack and Jill Children's Center Endowment Fund: On February 6, 2002, the Center entered into an agreement with the Community Foundation to establish a fund for general operations. At September 30, 2023 and 2022, the market value of this fund was approximately \$501,000 and \$491,900, respectively. Distributions were made to the Center in the amount of \$57,035 for 2023 and \$28,471 for 2022.

Steve and Madelaine Halmos Children's Opportunity Fund: During the year ended September 30, 2022, a donor entered into an agreement with the Community Foundation to establish a fund for general operations. At September 30, 2023 and 2022, the market value of this fund was approximately \$978,000 and \$152,300, respectively. Distributions were made to the Center during the year ended September 30, 2023 and 2022 in the amount of \$23,600 for 2023 and \$0 for 2022.

14. FAIR VALUE MEASUREMENTS

The Accounting Standards establish a framework for measuring fair value and provide a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

JACK AND JILL CHILDREN'S CENTER, INC.

Notes to Financial Statements
September 30, 2023 and 2022

14. FAIR VALUE MEASUREMENTS

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

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

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis:

Beneficial Interest in Community Foundation: The prorated value of the beneficial interest in the Community Foundation's investments is determined by the investment fund manager of the organization holding the assets. The composition of the assets held by the Community Foundation are invested pursuant to its governing instruments and valued accordingly.

Present Value of Pledges Receivable: The value of the pledges receivable is estimated at the present value of expected cash inflows based on the pledge payments schedule adjusted by a discount rate of 4%.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Prepaid College Tuition: The value was determined by the number of prepaid tuition credit hours purchased less the prepaid credit hours used, adjusted for the present value of the prepaid tuition credit hours as calculated by the Florida Foundation taking into consideration the type of scholarship purchased, the credit hours available and the expected matriculation date of the student.

JACK AND JILL CHILDREN'S CENTER, INC.

Notes to Financial Statements

September 30, 2023 and 2022

14. FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Center's assets at fair value as of September 30, 2023 and 2022:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
September 30, 2023				
Assets				
Beneficial Interest in				
Community Foundation	\$ 32,539	\$	\$	\$ 32,539
Pledges Receivable	273,596			273,596
Total Assets at Fair Value	<u>\$ 306,135</u>	<u>\$</u>	<u>\$</u>	<u>\$ 306,135</u>
September 30, 2022				
Assets				
Beneficial Interest in				
Community Foundation	\$ 32,085	\$	\$	\$ 32,085
Pledges Receivable	842,592			842,592
Total Assets at Fair Value	<u>\$ 874,677</u>	<u>\$</u>	<u>\$</u>	<u>\$ 874,677</u>

The table below sets forth a summary of changes in the fair value of the Center's Level 3 assets for the years ended September 30, 2023 and 2022:

	<u>Level 3 Assets</u>			
	<u>Pledges Receivable</u>	<u>Beneficial Interest in Community Foundation</u>	<u>Prepaid College Tuition</u>	<u>Total</u>
Balance, September 30, 2021	\$ 1,107,407	\$ 43,081	\$ 73,244	\$ 1,223,732
New Pledges	360,000			360,000
Pledge Payments Received	(586,668)			(586,668)
Change in Present Value of Pledges Receivable	(38,147)			(38,147)
Investment Income		(9,131)		(9,131)
Distributions		(1,865)		(1,865)
Prepaid College Tuition Credits Transferred			(73,244)	(73,244)
Balance, September 30, 2022	<u>842,592</u>	<u>32,085</u>		<u>874,677</u>
New Pledges				
Pledge Payments Received	(629,649)			(629,649)
Change in Present Value of Pledges Receivable	60,653			60,653
Investment Income		2,320		2,320
Distributions		(1,866)		(1,866)
Balance, September 30, 2023	<u>\$ 273,596</u>	<u>\$ 32,539</u>	<u>\$</u>	<u>\$ 306,135</u>

The change in present value of pledges receivable of \$60,653 and (\$38,147) is included in the change in net assets with donor restrictions for the years ended September 30, 2023 and 2022, respectively.

JACK AND JILL CHILDREN'S CENTER, INC.Notes to Financial Statements
September 30, 2023 and 2022**15. NOTES PAYABLE**

The Center has borrowing arrangements with a financial institution for a term loan in the amount of \$6.5 million (the "Construction Loan") to finance the construction of the Elementary School (Note 3) and also a revolving line of credit in the amount of \$3.0 million (the "Credit Line") to provide the Center with financing for startup costs incurred related to the Elementary School.

Advances on the Construction Loan are payable in monthly installments of interest only for a 24-month period at a rate of Prime minus 1%, with the outstanding balance then payable over 72 equal monthly principal payments plus interest. The Construction Loan is collateralized by an assignment of pledges and a priority lien on all corporate assets, and contains several restrictive covenants and reporting requirements, which the Center was in compliance with at September 30, 2023 and 2022.

Advances on the Credit Line are payable in monthly installments of interest only at a rate of Prime minus 1% with any outstanding balance due at maturity in November 2024. The Credit Line is cross collateralized and has cross default provisions with the Construction Loan, and contains certain reporting requirements. The Center has not drawn any advances on the Credit Line at September 30, 2023 or 2022.

Note Payable – Fort Lauderdale Community Redevelopment Agency Loan ("CRA Loan")

In July 2019, the Center entered into a \$2.5 million forgivable CRA Loan which closed concurrently with the Center's other borrowings and to which it is subordinate. The CRA Loan financed a portion of the construction of the Elementary School. The Center has made draws of \$1.5 million on the CRA Loan at September 30, 2023 with the remaining balance available to be drawn in equal annual draws of \$500,000. The CRA Loan will be forgiven on a pro rata basis to the extent that certain total job creation requirements are met by the Center, which will be evaluated nine years after the opening of the Elementary School. To the extent that the Center doesn't meet additional employment and enrollment requirements established by the CRA Loan, the Center could incur certain penalties.

At September 30, 2023, notes payable consisted of:

	<u>2023</u>	<u>2022</u>
Note Payable – Construction Loan	\$ 1,855,885	\$ 1,855,885
Note Payable – CRA Loan	1,500,000	1,500,000
Total Notes Payable	<u>3,355,885</u>	<u>3,355,885</u>
Less: Unamortized Loan Issuance Costs	<u>(51,000)</u>	<u>(60,562)</u>
Notes Payable Less Unamortized Loan Issuance Costs	3,304,885	3,295,323
Less: Current Portion	<u>(635,992)</u>	<u>(309,669)</u>
Non-Current Portion	<u>\$ 2,668,893</u>	<u>\$ 2,985,654</u>

JACK AND JILL CHILDREN'S CENTER, INC.

Notes to Financial Statements

September 30, 2023 and 2022

15. NOTES PAYABLE (continued)

Future scheduled principal payments under the Construction Loan existing at September 30, 2023 are as follows:

Year ended September 30,	2024	\$	635,992
	2025		343,873
	2026		362,368
	2027		381,856
	2028		<u>131,796</u>
		\$	<u>1,855,885</u>

Loan issuance costs pertaining to the Construction Loan and Credit Line totaled \$86,062 and are being amortized over their respective terms using the straight-line method. For the years ended September 30, 2023 and September 30, 2022, amortization of \$9,562 has been recognized and is reflected as interest expense.