

**CHILDREN'S LEARNING CENTERS
OF FAIRFIELD COUNTY, INC.**

**Financial Statements and
Supplementary Schedule**

**Year Ended June 30, 2024
(with comparative totals for 2023)**

**DRAFT
2-14-25**

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

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2-14-25

Independent Auditor's Report

To the Board of Directors
Children's Learning Centers of Fairfield County, Inc.
Stamford, Connecticut

Opinion

We have audited the accompanying financial statements of Children's Learning Centers of Fairfield County, Inc. which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, cash flows, and functional expenses for the year 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 Children's Learning Centers of Fairfield County, Inc. as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). 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 Children's Learning Centers of Fairfield County, Inc. 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 these financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 Children's Learning Centers of Fairfield County, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

To the Board of Directors
Children's Learning Centers of Fairfield County, Inc.

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 U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Children's Learning Centers of Fairfield County, Inc.'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 Children's Learning Centers of Fairfield County, Inc.'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.

Report on Summarized Comparative Information

We have previously audited Children's Learning Centers of Fairfield County, Inc.'s financial statements as of and for the year ended June 30, 2023, and we expressed an unmodified audit opinion on those financial statements dated January 18, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

To the Board of Directors
Children's Learning Centers of Fairfield County, Inc.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule for the year ended June 30, 2024 as indicated in the contents to the financial statements 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 U.S. GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Shelton, Connecticut
February 13, 2025

DRAFT
2-14-25

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024
(with comparative totals for 2023)

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,715,922	\$ 2,725,041
Investments	594,882	1,297,730
Accounts Receivable	217,324	280,113
Contributions and Grants Receivable	695,997	894,862
In-Kind Lease Receivable	416,790	833,580
Prepaid Expenses and Other Assets	111,224	118,876
Property and Equipment, Net	3,530,412	3,354,101
Right-of-Use Assets - Operating Leases	1,615,835	1,779,388
Donor Restricted Investments in Perpetuity	<u>411,728</u>	<u>411,728</u>
Total Assets	<u>\$ 9,310,114</u>	<u>\$ 11,695,419</u>
LIABILITIES AND NET ASSETS		
<u>Liabilities</u>		
Accounts Payable and Accrued Expenses	\$ 1,688,614	\$ 1,717,472
Deferred Revenue	810,925	1,608,164
Note Payable	150,000	150,000
Operating Lease Liabilities	1,655,666	1,803,491
Bonds Payable, Net of Bond Issuance Costs	837,846	984,037
Total Liabilities	<u>5,143,051</u>	<u>6,263,164</u>
<u>Net Assets</u>		
Without Donor Restriction	2,858,177	3,722,214
With Donor Restriction	<u>1,308,886</u>	<u>1,710,041</u>
Total Net Assets	<u>4,167,063</u>	<u>5,432,255</u>
Total Liabilities and Net Assets	<u>\$ 9,310,114</u>	<u>\$ 11,695,419</u>

See notes to financial statements.

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024
(with comparative totals for 2023)

	2024		Total	2023 Total
	Without Donor Restriction	With Donor Restriction		
Operating Revenue, Support and Other Changes				
Government Grant Income	\$ 11,973,281	\$ -	\$ 11,973,281	\$ 12,190,049
Program Fees	2,903,290	-	2,903,290	2,937,610
Contributions	1,116,587	35,000	1,151,587	1,100,097
Contributions of Non-Financial Assets	379,250	-	379,250	379,250
Special Events Revenue	232,125	-	232,125	522,242
Special Events Direct Benefit to Donors	(121,433)	-	(121,433)	(153,203)
Special Events, Net	110,692	-	110,692	369,039
Bond Debt Service Funding	171,391	-	171,391	165,181
Other Income	81,049	-	81,049	70,714
United Way Allocations	10,000	-	10,000	45,000
Net Assets Released from Restrictions	459,555	(459,555)	-	-
Total Operating Revenue, Support and Other Changes	<u>17,205,095</u>	<u>(424,555)</u>	<u>16,780,540</u>	<u>17,256,940</u>
Functional Expenses				
Program Services:				
Child Care	238,825	-	238,825	239,027
Day Care	3,353,638	-	3,353,638	3,402,090
School Readiness	7,116,423	-	7,116,423	7,385,053
Head Start	4,744,492	-	4,744,492	4,867,204
Total Program Services	<u>15,453,378</u>	<u>-</u>	<u>15,453,378</u>	<u>15,893,374</u>
Management and General	2,351,450	-	2,351,450	2,652,145
Development and Fundraising	378,718	-	378,718	568,062
Total Functional Expenses	<u>18,183,546</u>	<u>-</u>	<u>18,183,546</u>	<u>19,113,581</u>
Change in Net Assets from Operations	<u>(978,451)</u>	<u>(424,555)</u>	<u>(1,403,006)</u>	<u>(1,856,641)</u>
Other Changes in Net Assets				
Forgiveness of Paycheck Protection				2,000,000
Program Debt	-	-	-	477,153
Employee Retention Credits	-	-	-	101,666
Investment Return	114,414	23,400	137,814	2,578,819
Total Other Changes in Net Assets	<u>114,414</u>	<u>23,400</u>	<u>137,814</u>	<u>2,578,819</u>
Change in Net Assets	(864,037)	(401,155)	(1,265,192)	722,178
Net Assets - Beginning of Year	<u>3,722,214</u>	<u>1,710,041</u>	<u>5,432,255</u>	<u>4,710,077</u>
Net Assets - End of Year	<u>\$ 2,858,177</u>	<u>\$ 1,308,886</u>	<u>\$ 4,167,063</u>	<u>\$ 5,432,255</u>

See notes to financial statements.

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024
(with comparative totals for 2023)

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (1,265,192)	\$ 722,178
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used by Operating Activities:		
Gain on Forgiveness of Paycheck Protection Program Loan	-	(2,000,000)
Depreciation and Amortization	309,307	297,926
Non-Cash Interest Expense	3,394	3,394
Amortization of Bond Premium	(22,026)	(22,026)
Amortization of Right-of-Use Assets - Operating Leases	163,553	162,017
Recognition of In-Kind Lease	416,790	416,790
Credit Losses	170	418
Realized and Unrealized Investment Gains, Net	(52,155)	(55,696)
Changes in Assets and Liabilities:		
Accounts Receivable	62,619	(17,636)
Contributions and Grants Receivable	198,865	(495,534)
Prepaid Expenses and Other Assets	7,652	72,880
Accounts Payable and Accrued Expenses	(28,858)	(281,115)
Deferred Revenue	(797,239)	147,202
Operating Lease Liabilities	(147,825)	(137,914)
Total Adjustments	<u>114,247</u>	<u>(1,909,294)</u>
Net Cash Used by Operating Activities	<u>(1,150,945)</u>	<u>(1,187,116)</u>
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(485,618)	(256,581)
Proceeds from Sales of Investments	1,344,949	12,949
Purchases of Investments	(589,946)	(43,307)
Net Cash Provided (Used) by Investing Activities	<u>269,385</u>	<u>(286,939)</u>
Cash Flows from Financing Activities		
Principal Payments on Long-term Debt	(127,559)	(118,390)
Net Decrease in Cash and Cash Equivalents	(1,009,119)	(1,592,445)
Cash and Cash Equivalents - Beginning of Year	<u>2,725,041</u>	<u>4,317,486</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,715,922</u>	<u>\$ 2,725,041</u>
Supplemental Cash Flow Information		
Cash Paid During the Year for Interest	<u>\$ 58,555</u>	<u>\$ 57,424</u>

See notes to financial statements.

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
 YEAR ENDED JUNE 30, 2024
 (with comparative totals for 2023)

	2024								2023 Total
	Program Services				Total Program Services	Support Services		Total	
	Child Care	Day Care	School Readiness	Head Start		Management and General	Development and Fundraising		
Salaries and Benefits	\$ 162,715	\$ 2,529,427	\$ 4,815,093	\$ 2,979,549	\$ 10,486,784	\$ 1,683,135	\$ 192,484	\$ 12,362,403	\$ 13,267,467
Professional Fees	1,454	38,592	454,226	111,984	606,256	456,592	117,732	1,180,580	989,830
Occupancy	10,804	126,478	308,556	582,601	1,028,439	43,077	1,963	1,073,479	1,093,579
Food Services	17,719	243,291	503,728	211,597	976,335	-	-	976,335	964,848
Repairs and Maintenance	22,666	159,847	444,082	217,337	843,932	42,366	4,117	890,415	912,815
Head Start Grants	-	-	-	372,940	372,940	-	-	372,940	388,595
Program Supplies	611	63,858	149,414	103,011	316,894	621	-	317,515	348,698
Depreciation and Amortization	12,042	67,118	192,041	19,160	290,361	16,757	2,189	309,307	297,926
Office Supplies and Equipment	2,360	66,090	64,345	47,348	180,143	44,312	45,478	269,933	330,891
Insurance	1,353	37,619	79,329	34,106	152,407	20,597	-	173,004	136,875
Miscellaneous	6,409	418	11,684	7,164	25,675	38,561	9,526	73,762	156,382
Conference and Training	97	12,902	16,042	40,389	69,430	1,369	28	70,827	96,202
Interest	-	-	61,949	-	61,949	-	-	61,949	60,818
Security	595	4,846	11,529	12,196	29,166	815	108	30,089	26,458
Special Events	-	3,152	4,235	5,110	12,497	3,248	5,093	20,838	42,197
Provision for Credit Losses	-	-	170	-	170	-	-	170	418
Total Functional Expenses	\$ 238,825	\$ 3,353,638	\$ 7,116,423	\$ 4,744,492	\$ 15,453,378	\$ 2,351,450	\$ 378,718	\$ 18,183,546	\$ 19,113,999

See notes to financial statements.

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

(with comparative totals for 2023)

NOTE 1 - NATURE OF OPERATIONS

Children's Learning Centers of Fairfield County, Inc. (CLC) is a Connecticut nonprofit, nonstock corporation. The mission of CLC is to develop, implement and provide high-quality programs for child care and early childhood education and development.

Founded in 1902, CLC provides early childhood education programs for children between six weeks and five years of age. CLC offers education services for the whole child, including health maintenance and referrals, nutrition education, family social services and parent participation in the school day and accompanying literacy and parenting programs. CLC serves approximately 2,700 meals per day, which provides 80% of children's daily nutritional requirements. CLC serves over 900 children daily at six locations throughout Stamford, Connecticut. CLC works in conjunction with the Stamford Board of Education and the City of Stamford to provide these preschool programs. By continually increasing the quality of its services, CLC addresses the achievement gap and prepares children to enter kindergarten healthy and eager to learn.

CLC's revenue and support consist primarily of government grants and day care fees.

CLC is a not-for-profit organization incorporated under the Nonstock Corporation Act of the State of Connecticut, and as a 501(c)(3) organization is exempt from federal income tax under Section 501(a) of the Internal Revenue Code. CLC is also exempt from state income tax.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Newly Adopted Accounting Standard

Effective July 1, 2023, CLC adopted Accounting Standards Codification (ASC) 326, *Financial Instruments - Credit Losses* (ASC 326), which significantly changes how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in ASC 326 is a shift from the incurred loss model to the expected loss model, which requires consideration of a broader range of reasonable and supportable information to inform users of the financial statements about credit loss estimates, including an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by CLC that are subject to the guidance in ASC 326 are comprised of program accounts receivable.

The impact of the adoption of ASC 326 was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

Basis of Accounting and Presentation

The financial statements of CLC have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, the accounts of CLC are reported in the following net asset categories:

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

(with comparative totals for 2023)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Presentation (continued)

Net Assets Without Donor Restriction

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

Net Assets With Donor Restriction

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 CLC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restrictions also represent the accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure.

Measure of Operations

CLC's measure of operations includes all changes in net assets except forgiveness of paycheck protection program debt, employee retention credits, and investment return.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. It is management's opinion that the estimates applied in the accompanying financial statements are reasonable.

Cash and Cash Equivalents

CLC considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, except for those short-term investments managed by CLC's investment managers as part of their long-term investment strategies.

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

(with comparative totals for 2023)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments are reported at their fair values in the statement of financial position, and changes in fair value are reported as investment return, net of fees in the statement of activities. See Note 4 for a discussion of fair value measurements.

Purchases and sales of securities are reflected on the trade date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statement of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date. These amounts are reported in the statement of activities as increases or decreases in net assets without donor restriction or net assets with donor restriction, as appropriate, based on any donor stipulations or law.

Accounts Receivable

CLC has accounts receivable to related program services fees charged to clients for day care and childcare services. Accounts receivable are recorded at the amount CLC expects to collect. CLC recognizes an expected allowance for credit losses for accounts receivable, when applicable, which is updated to reflect any changes in credit risk since the accounts receivable were initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist within the accounts receivable. If applicable, accounts receivable may also be evaluated individually when they do not share similar risk characteristics which could exist in circumstances where amounts are considered at risk or uncollectible.

The allowance for credit losses for accounts receivable is derived from a review of CLC's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by CLC. CLC believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses for accounts receivable as the overall customer base has remained constant. Management has determined that no allowance for credit losses was necessary as of June 30, 2024 and 2023.

CLC writes off accounts receivable when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with CLC's accounting policy election. The total amount of write-offs was immaterial to the financial statements as a whole for the year ended June 30, 2024. The balance in accounts receivable as of June 30, 2022 was \$262,795.

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

(with comparative totals for 2023)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment acquisitions that individually exceed \$2,500 are capitalized at cost and depreciated on a straight-line basis over the estimated useful lives of the related assets of 5 to 40 years including improvements, which are amortized over the terms of the respective leases. Repairs and maintenance are charged to expenses as incurred. Donated buildings and improvements are capitalized at the fair market value when received and depreciated on the straight-line basis over their estimated useful lives of 20 years.

Deferred Financing Costs

Deferred financing costs represent costs incurred in obtaining bond financing. These costs are being amortized on a straight-line basis over the term of the bond, see Note 8.

Compensated Absences

CLC records accrued vacation pay based upon length of service as an expense in the period in which it is earned.

Revenue Recognition

Government Grant Income

CLC recognizes revenue from cost-reimbursable state and federal grants, which are conditioned upon certain performance requirements and/or the incurrence of certain allowable qualifying expenses, when CLC has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

Contributions

CLC recognizes contributions when cash, securities, unconditional promises to give, other assets, or a notification of a beneficial interest are received. Conditional promises to give, that is, those with measurable performance or other barriers and right of return, are not recognized until the conditions on which they depend have been met.

Contributions received are recorded as net assets without donor restriction or net assets with donor restriction, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restriction if the restriction expires or the restricted purpose is satisfied in the reporting period in which the contribution is recognized.

All other donor restricted contributions are reported as an increase in net assets with donor restriction, depending on the nature of the restriction. When a restriction expires or the restricted purpose is satisfied, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restriction.

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

(with comparative totals for 2023)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

Contributions (continued)

Contributions receivable that are expected to be received within one year of the financial statement date are reflected at their net realizable value (the gross amount of the contributions receivable, net of an allowance for doubtful accounts). Contributions receivable that are expected to be collected more than one year after the financial statement date are reflected at the present value of their estimated future cash flows using a discount rate at the date the promise to give is received commensurate with the risks involved. Contributions receivable were \$17,700, and \$127,500 at June 30, 2024 and 2023, respectively. All contributions receivable are expected to be received during the year ending June 30, 2025.

Contributions of Non-Financial Assets

Goods or services have been provided by various organizations and a number of unpaid volunteers have contributed their time. Donated goods and services are recognized as contributions if the goods or services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. CLC recognizes in-kind contribution revenue and a corresponding expense in an amount approximating estimated fair market value at the time of the donation. Donated goods or services that do not meet the above criteria are not recognized.

Program Fees

CLC enters into contracts to provide various services to children including infant, toddler and preschool classroom programs for child care, day care, school readiness and child learning development. The payment terms and conditions in the contracts require payment to be received when billed. When the timing of CLC's delivery of services is different from the timing of the payments made by customers, CLC recognizes a contract liability (payment precedes performance) until the performance obligations are satisfied. Contracts with payments in arrears are recognized as receivables.

CLC recognizes service and event fees, at a point in time, when they have satisfied their performance obligations, which is when the service or event takes place. Amounts received prior to the performance of the services or events are reported as deferred revenue in the statement of financial position. Deferred revenue was \$1,460,962 as of June 30, 2022.

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

(with comparative totals for 2023)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The cost of providing the various program and supporting services has been reported on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefitted. Such allocations have been determined by management on an equitable basis. Allocation of overhead expenses including occupancy, professional fees, repairs and maintenance, insurance and depreciation and amortization are allocated to functional areas based upon square footage. The allocations of personnel costs and related expenses for management and supervision of program service functions are made by management based on the time spent by employees on the various program service functions.

Leases

CLC accounts for leases in accordance with ASC 842 *Leases* (ASC 842). CLC is a lessee under noncancellable operating leases for office and storage space. Leases for other equipment are evaluated using the criteria outlined in ASC 842 to determine whether they will be classified as operating leases or finance leases. CLC determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. CLC determines if an arrangement conveys the right to use an identified asset and whether CLC obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. CLC recognizes a lease liability and right-of-use asset (ROU Asset) at the commencement date of leases.

ROU Assets

An ROU Asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, the ROU Asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease cost for lease payments is recognized on a straight-line basis over the lease term as lease expense.

Lease Liabilities

A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate in effect at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee. The

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

(with comparative totals for 2023)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease Liabilities (continued)

discount rate is the rate implicit in the lease if it is readily determinable; otherwise, CLC uses a risk-free discount rate based on U.S. Treasury instruments for comparable lease terms. CLC used the risk free rate for its operating leases.

Accounting Policy Election for Short-Term Leases

CLC has elected for all underlying classes of assets, to not recognize ROU Assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset that CLC is reasonably certain to exercise. CLC recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term.

Subsequent Events

Management has evaluated all transactions and events that occurred through February xx, 2025 in these financial statements. Through that date, except as disclosed in Note 21, there were no material events that would require recognition or additional disclosure in the financial statements.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

Cash and Cash Equivalents

CLC places its cash deposits with high credit-quality institutions. Such deposits exceeded federal depository insurance limits of \$250,000 per bank at times during the year. However, management believes that CLC's deposits are not subject to significant credit risk.

Investments

CLC's investments are comprised of various funds investing in equities, bonds, money market funds and alternative investments consisting of a multi-asset fund. The money market funds are not protected by federal depository insurance. The value of the investments is subject to fluctuations due to general market conditions and interest rates.

The investment accounts are insured by the Securities Investor Protection Corporation up to \$500,000. At times during the year, the investment accounts exceeded the insured limits. CLC believes it is not exposed to any significant credit risk on investments.

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

(with comparative totals for 2023)

NOTE 4 - FAIR VALUE MEASUREMENT

U.S. GAAP established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CLC 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.

Financial Instruments Measured at Fair Value

The following is a description of the valuation methodologies used for financial instruments measured at fair value:

Common Stocks, Equity Mutual Funds and Fixed Income Funds

Common stocks, equity mutual funds and fixed income funds are valued at the closing price reported in the active market in which the individual shares are traded.

Balanced Funds

Balanced funds are valued at CLC's share of the aggregate closing price reported of the underlying funds in the active market in which they are traded. Valuations involve assumptions and methods that are reviewed by CLC's investment advisor. Because investments in these vehicles are not readily marketable, their estimated fair value is subject to uncertainty and may differ significantly from the value that would have been used had a market for such investments existed.

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 maximize the use of observable inputs and minimize the use of unobservable inputs.

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024
(with comparative totals for 2023)**

NOTE 4 - FAIR VALUE MEASUREMENT (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, CLC's assets at fair value as of June 30, 2024:

<u>Description</u>	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity Mutual Funds	\$ 213,797	\$213,797	\$ -	\$ -
Fixed Income Funds	644,407	644,407	-	-
Balanced Funds	<u>148,406</u>	<u>-</u>	<u>148,406</u>	<u>-</u>
Total Assets at Fair Value	<u>\$1,006,610</u>	<u>\$ 858,204</u>	<u>\$148,406</u>	<u>\$ -</u>

The following table sets forth by level, within the fair value hierarchy, CLC's assets at fair value as of June 30, 2023:

<u>Description</u>	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common Stocks	\$ 231,156	\$ 231,156	\$ -	\$ -
Equity Mutual Funds	535,603	535,603	-	-
Fixed Income Funds	437,448	437,448	-	-
Balanced Funds	<u>504,918</u>	<u>-</u>	<u>504,918</u>	<u>-</u>
Total Assets at Fair Value	<u>1,709,125</u>	<u>1,204,207</u>	<u>504,918</u>	<u>-</u>
Cash Equivalents	<u>333</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$1,709,458</u>	<u>\$1,204,207</u>	<u>\$504,918</u>	<u>\$ -</u>

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 CLC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at June 30, 2024 and 2023.

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

(with comparative totals for 2023)

NOTE 5 - IN-KIND LEASE RECEIVABLE

CLC entered into lease agreements with the City of Stamford to operate a School Readiness Program in a town-owned facility and to utilize additional space for programs in the same town-owned facility. The agreements require an annual \$1 lease payment. The lease terms expire in October 2039.

CLC has determined that these leases are unconditional promises to give, and accordingly, recognized an in-kind lease receivable and restricted in-kind lease income at the time of inception of the lease agreements, totaling \$8,862,500. During the year ending June 30, 2022 CLC was informed by the City of Stamford they would be redeveloping the site and the lease would be terminated during 2025. The balance in the in-kind lease receivable was reduced by \$5,963,704 to reflect the new expiration date.

The balance of the in-kind lease receivable related to in-kind lease income is \$416,790 and \$833,580 as of June 30, 2024 and 2023, respectively. CLC has determined that an adjustment to present value is not deemed necessary as the discount factor to present value would approximate the annual increase in the fair market value of the in-kind lease based on the consumer price index.

CLC has calculated the estimated values of the in-kind lease receivables based on appraisals conducted by an independent professional utilizing market values of similar space in the Stamford, Connecticut area.

NOTE 6 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30,:

	<u>2024</u>	<u>2023</u>
Land	\$ 106,952	\$ 106,952
Building and Improvements	4,346,249	4,141,803
Furniture and Equipment	910,329	886,304
Leasehold Improvements	5,792,900	5,532,835
Construction in Progress	<u>12,719</u>	<u>15,637</u>
	11,169,149	10,683,531
Less: Accumulated Depreciation and Amortization	<u>7,638,737</u>	<u>7,329,430</u>
Property and Equipment, Net	<u>\$ 3,530,412</u>	<u>\$ 3,354,101</u>

Depreciation and amortization amounted to \$309,307 and \$297,926 for the years ended June 30, 2024 and 2023, respectively.

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024
(with comparative totals for 2023)

NOTE 7 - NOTES PAYABLE

Paycheck Protection Program (PPP) Loan

In January 2021, CLC applied and received a second round of Paycheck Protection Program (PPP) loan of \$2,000,000 granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The loan and accrued interest is forgivable after twenty-four weeks as long as CLC uses the proceeds for eligible purposes, including payroll, benefits, lease and utilities, and maintains payroll levels. The amount of loan forgiveness is reduced if the borrower terminates employees or reduces salaries during the twenty-four week period unless CLC meets certain conditions. The unforgiven portion of the loan is payable over five years at an interest rate of 1%, with payments deferred for the first six months. During the year ended June 30, 2023, CLC received notice that the loan had been forgiven in full and was accordingly recorded as forgiveness of PPP debt.

Economic Injury Disaster Loan

In October 2020, CLC received a \$150,000, COVID-19 Economic Injury Disaster Loan (EIDL). The unsecured loan is granted under the federal small business loan program, supporting small businesses' recovery from the economic impact of COVID-19. Monthly payments of principal and interest at a fixed rate of 2.75% totaling \$641 are due beginning on April 28, 2023. Payments are applied first to accrued interest before any payment of principal. This note matures on October 28, 2050.

Future maturities of the EIDL loan payable are as follows at June 30, 2024:

<u>Years Ending June 30,</u>	<u>Amount</u>
2025	\$ -
2026	2,969
2027	4,325
2028	4,446
2029	4,570
Thereafter	<u>133,690</u>
Total	<u>\$150,000</u>

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
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(with comparative totals for 2023)

NOTE 8 - BONDS PAYABLE

On June 24, 2021, Connecticut Health and Education Facilities Authorities (CHEFA) issued new State Supported Child Care Revenue Bonds, Series 2021 bonds (Series 2021 bonds) to support the refunding of \$1,255,000 of bonds originally issued to fund the construction of the William Pitt Child Development Center facility. The Series 2021 bonds have a par value of \$1,085,072 and pay a fixed rate of interest of 5% maturing on July 1, 2031. The State of Connecticut Department of Education (CSDE) makes all debt service payments with respect to the bonds. CLC bears 21.1% of the debt service payments through CSDE withholding from its grants to CLC. The remaining 78.9% is funded by CSDE and recognized as bond debt service funding. For the years ended June 30, 2024 and 2023, the amount of total principal paid by CSDE was \$92,186 and \$88,115, respectively.

The Series 2021 bonds were issued at a premium of \$176,211. The premium is being amortized over the life of the bonds as a reduction in interest expense. For both years ended June 30, 2024 and 2023, the premium was amortized \$22,026 resulting in ending balances of \$110,133 and \$132,159, respectively.

As part of the refunding, CLC incurred bond issuance costs of \$27,149. These costs are included as a reduction of the bonds payable and are being amortized over the life of the bonds. For both the years ended June 30, 2024 and 2023, the bond issuance costs were amortized \$3,394, resulting in ending balances of \$16,968 and \$20,362.

Principal maturities of the Series 2021 bonds are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2025	\$131,687
2026	145,771
2027	149,809
2028	153,800
2029	<u>163,614</u>
	744,681
Plus: Unamortized Bond Premium	110,133
Less: Unamortized Bond Issuance Costs	<u>(16,968)</u>
Total	<u>\$837,846</u>

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

(with comparative totals for 2023)

NOTE 9 - CONDITIONAL GRANTS

During the year ended June 30, 2022, CLC received various government grants treated as conditional contributions. These grants are expected to cover periods through September 30, 2023. Donor conditions specify that amounts must be spent on expenditures relevant to the approved grant purpose. Since these grants represent a conditional promise to give, amounts will not be recognized as contribution revenue until donor conditions are met. For the years ended June 30, 2024 and 2023, contribution revenue of \$405,934 and \$570,911 was recorded related to these grants, respectively. At June 30, 2024 and 2023, CLC had unexpended government grants and contracts of \$811,083 and \$538,304 from funds received in advance. The remaining \$3,987,847 has not been recorded as contribution revenue until donor conditions are met.

NOTE 10 - CONTRIBUTIONS OF NON-FINANCIAL ASSETS

CLC received contributions of nonfinancial assets of salaries and benefits for each of the years ended June 30, 2024 and 2023, of \$379,250. Contributed teachers' services are recorded at the estimated fair market value, which is determined using the average hourly rate for similar services provided by the donor. The donated services were used in providing services under CLC's programs.

NOTE 11 - LIQUIDITY AND AVAILABILITY OF RESOURCES

CLC's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2024</u>	<u>2023</u>
Cash and Cash Equivalents	\$1,715,922	\$2,725,041
Investments	594,882	1,297,730
Accounts Receivable	217,324	280,113
Contributions and Grants Receivable	<u>695,997</u>	<u>894,862</u>
Total Financial Assets Available Within One Year	3,224,125	5,197,746
Less: Amounts Unavailable for General Expenditures Within One Year, Due to:		
Restricted by Donors With Purpose Restriction	(224,929)	(242,112)
Amounts Unavailable Without Board Approval:		
Accumulated Earnings on Assets Held in Perpetuity	<u>(246,021)</u>	<u>(222,621)</u>
Total Financial Assets Available to Management for General Expenditures Within One Year	<u>\$2,753,175</u>	<u>\$4,733,013</u>

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024
(with comparative totals for 2023)

NOTE 11 - LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

Liquidity Management

CLC regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also seeking to maximize the investment of its available funds. CLC maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due.

CLC has various sources of liquidity at its disposal, including cash and cash equivalents and investments.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, CLC considers all expenditures related to its ongoing operating activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, CLC operates with a cash flow budget and anticipates collecting sufficient revenue to cover general expenditures over the next 12 months.

CLC considers its financial resources and liquidity to be adequate to meet the needs of its operations.

NOTE 12 - NET ASSETS

The following is the composition of CLC's net assets with donor restriction at June 30:

	<u>2024</u>	<u>2023</u>
Perpetually Restricted:		
Endowment	\$ 411,728	\$ 411,728
Accumulated Unappropriated Income and Appreciation on Perpetual Endowment	246,021	222,621
Other Net Assets with Donor Restriction:		
In-kind Lease	416,790	833,580
Restricted for Programs	<u>234,347</u>	<u>242,112</u>
Total Net Assets With Donor Restriction	<u>\$1,308,886</u>	<u>\$1,710,041</u>

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024
(with comparative totals for 2023)

NOTE 12 - NET ASSETS (CONTINUED)

Net assets with donor restriction were released from restriction by incurring expenses satisfying the following purpose or time restrictions:

	<u>2024</u>	<u>2023</u>
In-kind Lease	\$416,790	\$416,790
Program Services	<u>42,765</u>	<u>31,726</u>
Total Net Assets Released from Restriction	<u>\$459,555</u>	<u>\$448,516</u>

NOTE 13 - ENDOWMENT

CLC's endowment includes only donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors has interpreted the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, CLC classifies as net assets with donor restriction (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanent endowment is classified as net assets with donor restriction until those amounts are appropriated for expenditure by CLC in a manner consistent with the standard of prudence prescribed by CTPMIFA.

In accordance with CTPMIFA, CLC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of CLC and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of CLC
- The investment policies of CLC

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024
(with comparative totals for 2023)**

NOTE 13 - ENDOWMENT (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2024 and 2023 are as follows:

	Without Donor Restriction	With Donor Restriction		Total
		Temporary	Perpetual	
Endowment Net Assets - July 1, 2022	\$ -	\$200,796	\$411,728	\$612,524
Investment Return	-	26,556	-	26,566
Investment Fees	-	(4,731)	-	(4,731)
Endowment Net Assets - July 1, 2023	-	222,621	411,728	634,349
Investment Return	-	24,428	-	24,428
Investment Fees	-	(1,028)	-	(1,028)
Endowment Net Assets - June 30, 2024	\$ -	\$246,021	\$411,728	\$657,749

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or CTPMIFA requires CLC to retain as a fund of perpetual duration. CLC has a policy that permits spending from underwater endowment funds, depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. As of June 30, 2024 and 2023, there were no funds with deficiencies.

Return Objectives and Risk Parameters

CLC has adopted an investment policy for endowment assets with the objective to emphasize total return; that is the aggregate return from capital appreciation and dividend and interest income.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, CLC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CLC targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

CLC has not adopted a spending policy for appropriation of distributions from its endowment.

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

(with comparative totals for 2023)

NOTE 14 - REVENUES FROM CONTRACTS WITH CUSTOMERS

Disaggregated Revenue

For the years ended June 30, 2024 and 2023, CLC's revenues recognized under Topic 606 at a point in time were \$3,135,415 and \$3,459,852, respectively.

CLC's revenues, results of activities, and cash flows are affected by a wide variety of factors, including general economic conditions and geographical region of the population that they serve.

NOTE 15 - EMPLOYEE RETENTION CREDIT

The CARES Act also created a program administered by the SBA called the Employee Retention Credit (ERC) which is a fully refundable credit against the employer portion of certain payroll taxes for qualifying wages. CLC has concluded the ERC represents, in substance, a cost-reimbursable federal grant which is conditioned upon certain performance requirements and/or the incurrence of certain allowable qualifying wages and has accounted for the grant revenue in accordance with ASC 958 *Not-for-Profit Entities* (ASC 958). Under ASC 958, CLC will recognize revenue for the ERC when they have incurred qualifying wages. Under the ERC program, CLC can claim a credit for qualifying wages for the period March 12, 2020 through December 31, 2021. During the year ended June 30, 2023, CLC has estimated that they incurred qualifying wages and recognized \$477,153 of income from the ERC, which is recorded as a receivable as of both June 30, 2024 and June 30, 2023.

NOTE 16 - OPERATING LEASES

CLC has entered into various operating leases for space to house its programs and storage space with monthly payments ranging from \$500 to \$7,500. The terms of the operating leases expire at various times through August 2039 and do not include renewal options. CLC is also responsible for certain operating expenses and taxes, as defined in the leases. These variable lease payments are not included in the lease payments used to determine lease liabilities and are recognized as variable lease costs when incurred. Total operating lease as well as variable lease costs for each the years ended June 30, 2024 and 2023 of \$182,161 as well as \$51,782 and \$53,351, respectively, are included in occupancy costs in the statement of functional expenses for the years ended June 30, 2024 and 2023. Lease expense for the years ended June 30, 2024 and 2023 was \$233,943 and \$235,512, respectively.

CLC also recorded in-kind lease expense of \$416,790 for both years ended June 30, 2024 and 2023. See Note 5.

The weighted-average discount rate and the weighted-average remaining lease term used for the operating leases is 1.08% and 15 years for both years ended June 30, 2024 and 2023.

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024
(with comparative totals for 2023)

NOTE 16 - OPERATING LEASES (CONTINUED)

The following is a schedule of future minimum lease payments over the remaining term of the operating leases:

<u>Years Ending June 30,</u>	<u>Amount</u>
2025	\$ 117,525
2026	108,000
2027	106,750
2028	108,300
2029	108,300
Thereafter	<u>1,251,867</u>
	1,800,742
Less: Amounts Representing Interest	<u>(145,076)</u>
Present Value of Operating Lease Liabilities	<u>\$1,655,666</u>

Total cash paid for amounts included in the measurement of lease liabilities was \$166,433 and \$158,058 for the years ended June 30, 2024 and June 30, 2023, respectively.

NOTE 17 - RETIREMENT PLAN

CLC maintains a defined contribution pension plan (the plan) under section 401(k) of the Internal Revenue Code. All full-time employees become eligible to participate after 90 days of employment. Employees may make optional contributions to the plan on a tax-deferred basis up to a maximum amount allowed by law. In addition, CLC may make discretionary matching contributions based on a percentage of eligible compensation. CLC made matching contributions of 2% for calendar years 2024 and 2023. CLC matching contributions for the years ended June 30, 2024 and 2023 were \$298,823 and \$310,165, respectively.

NOTE 18 - COLLECTIVE BARGAINING AGREEMENT

CLC teachers are covered by a collective bargaining agreement that expired on June 30, 2024. CLC Teachers continue to work under the existing contract while a new agreement is being negotiated. Collective bargaining agreement salaries were approximately \$5,504,200 and \$5,813,200 for the years ended June 30, 2024 and 2023, respectively.

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

(with comparative totals for 2023)

NOTE 19 - RISKS AND CONTINGENCIES

Federal and State Grants

CLC participates in federal and state grant programs. The use of grants in programs is subject to future review by the grantors. Such reviews may result in CLC having liabilities to the grantors. In addition, a significant reduction in the level of this support may have an effect on CLC's programs.

NOTE 20 - OPERATING LOSSES

CLC operates in a challenging environment providing early childhood programs for families who would otherwise not be able to afford such services. This has led to operating losses in recent years. Management is evaluating operations and is also identifying opportunities for substantial cost savings and strategies to increase revenue. It is management's expectation that these efforts will result in future surpluses to mitigate against these recent deficits while ensuring sufficient cash flow remains available to meet its obligations.

NOTE 21 - SUBSEQUENT EVENTS

On December 16, 2024, CLC purchased a building adjacent to its facility on Palmers Hill road in Stamford, Connecticut from a third party for \$3,000,000. CLC utilized funds from State of Connecticut bonds to fully cover the cost of the purchase.

CHILDREN'S LEARNING CENTERS OF FAIRFIELD COUNTY, INC.

**SCHEDULE OF REVENUE AND EXPENSES - CHEFA SCHOOL
 READINESS PROGRAM - HILLANDALE
 YEAR ENDED JUNE 30, 2024
 (with comparative totals for 2023)**

	<u>2024</u>	<u>2023</u>
Revenue and Support		
Governmental Grants	\$ 3,423,013	\$ 3,268,002
Program Fees	1,580,840	1,453,473
Contributions of Non-Financial Assets	379,250	379,250
Bond Debt Service Funding	171,170	165,181
Miscellaneous	4,268	4,551
Total Revenue and Support	<u>5,558,541</u>	<u>5,270,457</u>
Expenses		
Personnel Costs	3,673,084	3,555,108
Professional Fees	431,116	438,347
Food Services	372,247	326,627
Repairs and Maintenance	137,247	272,938
Occupancy	360,088	178,442
Depreciation and Amortization	305,139	177,897
Program Supplies	132,577	90,377
Office Supplies and Equipment	45,599	68,827
Interest	26,927	54,860
Insurance	53,974	32,192
Miscellaneous	13,187	19,452
Security	7,275	6,756
Conference and Training	19,837	6,230
Licensing and Accreditation	-	1,310
Provision for Credit Losses	406	265
Total Expenses	<u>5,578,703</u>	<u>5,229,628</u>
Net Surplus	<u>\$ (20,162)</u>	<u>\$ 40,829</u>

See independent auditor's report.