

St. James Child Care Center

109 York Road
Gettysburg, PA 17325

November 29, 2021

To Management
J. Geoffrey Sturgill, Jr., CPA, P.C.
Gettysburg, Pennsylvania

We are providing this letter in connection with your review of financial statements of St. James Child Care Center, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of obtaining limited assurance as a basis for reporting whether you are aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, make it probable that the judgment of a reasonable person using the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of November 29, 2021, the following representations made to you during your review.

1. We acknowledge our responsibility and have fulfilled our responsibilities for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, as set out in the terms of the engagement.
2. We have made available to you all –
 - a. Financial records and related data, of which we are aware, that are relevant to the preparation and fair presentation of the financial statements.
 - b. Minutes of the meetings of trustee, board of directors and committees of directors (or other similar bodies, as applicable), or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - c. Additional information you have requested from us for the purpose of the review.

- d. Unrestricted access to company personnel from whom you determined it necessary to obtain review evidence.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. All transactions have been recorded and have been properly reflected in the financial statements.
5. There are no uncorrected misstatements.
6. We acknowledge and have fulfilled our responsibility for designing, implementing and maintaining 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.
7. We acknowledge our responsibility designing, implementing, and maintaining internal control to prevent and detect fraud.
8. We have no knowledge of any fraud or suspected fraud affecting the organization involving management, employees who have significant roles in internal control, or others where the fraud could have a material effect on the financial statements.
9. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the organization's financial statements as a whole communicated by employees, former employees, volunteers, regulators, or others.
10. We have disclosed to you the identity of the organization's related parties and all the related-party relations and transactions of which we are aware.
11. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.
12. The following have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions and related accounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees.
 - b. Guarantees, whether written or oral, under which the organization is contingently liable.

- c. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with FASB ASC 275, *Risks and Uncertainties*.

13. There are no –

- a. Known or suspected instances of noncompliance with laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
- b. Actual or possible claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with FASB ASC 450, *Contingencies*.
- c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies*.

14. The organization has satisfactory title of all owned assets, and there are no liens or encumbrances on such assets nor has any been pledged.

15. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

16. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance.

17. We believe significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable in the circumstances.

18. We are in agreement with the adjusting journal entries, if any, you have recommended, and they have been posted to the organization's accounts.

19. We have properly accounted for all events occurring subsequent to the date of the organization's financial statements and through the date of this letter that would require adjustments to, or disclosure in, the aforementioned financial statements.

20. We have responded fully and truthfully to all inquiries made to us by you during your review.

21. St. James Child Care Center is an exempt organization under Internal Revenue Code Section 501 (c)(3). No activities have occurred that would jeopardize the organization's tax-exempt status of which we are aware, and all required filings with tax authorities are up-to-date.

22. In regards to the financial statement preparation services performed by you, we have:

- a. Assumed all management responsibilities.
- b. Overseen the services by designating an individual who possesses suitable skill, knowledge, and/or experience.
- c. Evaluated the adequacy and results of the services performed.
- d. Accepted responsibility for the results of the services.

23. The organization's books and records are complete.

24. We have provided you with vacation/PTO information for the purposes of calculating accrued absences. We are in agreement with the calculation.

Very truly yours,

St. James Child Care Center

Katheryn M. Lesser Clowney

St. James Child Care Center
Financial Statements
Year Ended December 31, 2020

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J. GEOFFREY STURGILL, JR., CPA, P.C.

139 Baltimore Street
Gettysburg, PA 17325
Phone: 717-334-6728

C E R T I F I E D P U B L I C A C C O U N T A N T S & B U S I N E S S C O N S U L T A N T S

Independent Accountants' Review Report

To the Board of Directors
St. James Child Care Center
Gettysburg, Pennsylvania

We have reviewed the accompanying financial statements of St. James Child Care Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, with the exception of the matter disclosed in the following paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

As disclosed in Note A to the financial statements, accounting principles generally accepted in the United States of America requires property and equipment be depreciated over its useful life. The Organization does not capitalize and depreciate purchases of property and equipment. The Organization expenses purchased property and equipment at cost and the fair value of donated property and equipment.

J. Geoffrey Sturgill, Jr., CPA, P.C.

Gettysburg, Pennsylvania
November 29, 2021

**St. James Child Care Center
Statement of Financial Position
December 31, 2020**

Assets

Current assets

Cash	\$ 272,815
Accounts receivable - CCIS	11,909
Accounts receivable - self paid	5,057
Total current assets	<u>289,781</u>

Total assets	<u>\$ 289,781</u>
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Liabilities

Current liabilities

Accounts payable	\$ 1,242
Accrued payroll and taxes	7,941
Security deposits	9,611
Accrued compensated balances	14,827
Prepaid tuition	2,282
Total current liabilities	<u>35,903</u>

Long-term liability

Pledges payable	50,000
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Net assets

Net assets without donor restrictions	<u>203,878</u>
Total net assets	<u>203,878</u>

Total net assets and liabilities	<u>\$ 289,781</u>
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See Accompanying Notes and Independent Accountants' Review Report

**St. James Child Care Center
Statement of Activities
Year Ended December 31, 2020**

Revenues and support

Tuition	\$ 536,685
Grants	265,735
Meal reimbursement	17,521
Fundraising	15,500
Scholarship fund	5,970
Miscellaneous income	2,475
Fees	902
Interest income	165
Total revenues and support	<u>844,953</u>

Expenses

Program	655,377
Management and general	98,226
Fundraising	14,729
Total expenses	<u>768,332</u>

Increase in net assets without donor restrictions 76,621

Net assets without donor restrictions - beginning of year 112,257

Payments from church 15,000

Net assets without donor restrictions - end of year \$ 203,878

See Accompanying Notes and Independent Accountants' Review Report

St. James Child Care Center
Statement of Functional Expenses
Year Ended December 31, 2020

	Program	Management and general	Fundraising	Total
Expenses				
Bad debt	\$ 7	\$ -	\$ -	\$ 7
Bank charge	-	488	-	488
Building and maintenance fee	20,250	2,250	-	22,500
Building and maintenance supplies	4,223	-	-	4,223
Classroom supplies	3,511	-	-	3,511
COVID 19 expenses	6,064	-	-	6,064
Employee benefits	70,641	9,633	-	80,274
Equipment and other supplies	4,967	-	-	4,967
Field trips	49	-	-	49
Financial services	-	14,820	-	14,820
Fundraising expenses	-	-	14,729	14,729
Groceries	28,198	-	-	28,198
Insurance	13,701	-	-	13,701
Office supplies	-	1,395	-	1,395
Payroll taxes	33,414	4,557	-	37,971
Professional fees	75	-	-	75
Retirement plan	22,939	3,128	-	26,067
Salaries and compensated balances	444,508	60,615	-	505,123
Teacher appreciation	-	19	-	19
Telephone	-	1,321	-	1,321
Training and development	2,830	-	-	2,830
Total expenses	\$ 655,377	\$ 98,226	\$ 14,729	\$ 768,332

See Accompanying Notes and Independent Accountants' Review Report

**St. James Child Care Center
Statement of Cash Flows
Year Ended December 31, 2020**

Cash flows from operating activities	
Change in net assets	\$ 76,621
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Increase in accounts receivable	(6,493)
Decrease in accounts payable	(1,845)
Increase in accrued payroll	4,049
Decrease in security deposit fee	(301)
Increase in accrued compensated balances	11,731
Increase in prepaid tuition	2,094
Net cash used in operating activities	<u>85,856</u>
 Cash flows from financing activities	
Transfers from church	<u>15,000</u>
 Net change in cash	 100,856
 Cash, beginning of year	 <u>171,959</u>
 Cash, end of year	 <u><u>\$ 272,815</u></u>

See Accompanying Notes and Independent Accountants' Review Report

**St. James Child Care Center
Notes to the Financial Statements
December 31, 2020**

Note A – Organization and Summary of Significant Accounting Policies

Nature of Organization

St. James Child Care Center was established in 1991 in the State of Pennsylvania. It operates as a day care facility in the Gettysburg area.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the board limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

St. James Child Care Center
Notes to the Financial Statements (continued)
December 31, 2020

Note A – Organization and Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable are stated at face value. On a periodic basis, the Organization evaluates receivable balances and establishes an allowance for doubtful accounts, based on history of past write-offs, age of the receivables, collections and current economic considerations. Accounts receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. As of December 31, 2020, the Organization believes receivables are fully collectible. Therefore, an allowance account is not deemed necessary.

Property and Equipment

The Organization does not capitalize and depreciate purchases of property and equipment. Property and equipment are expensed at cost; the fair value of donated property and equipment is similarly expensed. For the year ended December 31, 2020, no donated property and/or equipment was received by the Organization.

Compensated Absences

The Organization accrues accumulated annual leave when earned by the employee. Generally, annual leave must be taken during the calendar year earned. However, up to 30 hours may be carried forward per calendar year. Upon separation from employment, employees will not be compensated for any unused accrued accumulated annual leave.

Prepaid Tuition

Deferred revenue represents tuition and fees received in advance.

Revenue Recognition

The Organization recognizes revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transactions price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when or as performance obligations are satisfied.

St. James Child Care Center
Notes to the Financial Statements (continued)
December 31, 2020

Note A – Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes

The Organization is operating under the St. James Lutheran Church, which is exempt from federal income taxation under Section 501 (c) (3) of the Internal Revenue Code and, accordingly, no provision for income taxes is included in the financial statements.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through November 29, 2021, the date that the financial statements were available to be issued.

Note B – Employee Benefit Plans

The Organization sponsors a defined contribution plan covering all full-time employees with at least three months of service who agree to make contributions to the Plan. The Organization contributes to the Plan each month equal to at least 6% of compensation for participants. The total expense for the year ended December 31, 2020, was \$26,067.

St. James Child Care Center
Notes to the Financial Statements (continued)
December 31, 2020

Note C – Related Party Transactions

The Organization is operating under the St. James Lutheran Church, which is exempt from federal income taxation under Section 501 (c) (3) of the Internal Revenue Code. The Organization paid St. James Lutheran Church \$22,500 for building use and maintenance and \$14,820 for financial services for the year ended December 31, 2020. The church contributed \$15,000 to the Organization during the year.

Note D – Concentrations of Risk

As a result of the COVID-19 outbreak in the United States, economic uncertainties have arisen that are likely to negatively impact revenues and income. Voluntary, and the subsequently mandatory, shelter-in-place orders necessitated temporary business closings as the uncertainty continues. Through the extent of disruption is expected to be temporary, the extent of the financial impact and other possible impacting matters are unknown at this time.

Concentration of Credit Risk

The Organization maintains its cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2020, all of the cash balances were insured.

The Organization collects security deposits from day care families to offset the concentration of credit risk in accounts receivable. As of December 31, 2020, the Organization held security deposits in the amount of \$9,611.

Concentration of Receivables and Tuition Revenue

As of December 31, 2020, the Organization's accounts receivable consisted of approximately 70.2% from Child Care Information Services (CCIS). As of December 31, 2020 accounts receivable due from CCIS was \$11,909.

For the year ended December 31, 2020, approximately 19.6% or \$105,017 of tuition revenue came from CCIS.

Note E – Liquidity

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Financial assets as of December 31, 2020 were \$289,781 and all amounts are available for use within one year for general purposes.