

**VOCEL: VIEWING OUR CHILDREN  
AS EMERGING LEADERS NFP**

**FINANCIAL STATEMENTS**

**For the Years Ended  
August 31, 2019 and 2018**

**VOCEL: VIEWING OUR CHILDREN  
AS EMERGING LEADERS NFP**

**Annual Financial Report**

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# Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## **Independent Auditor's Report**

To the Board of Directors  
VOCEL: Viewing Our Children as Emerging Leaders NFP  
Chicago, IL

We have audited the accompanying financial statements of VOCEL: Viewing Our Children as Emerging Leaders NFP (a nonprofit organization), which comprise the statements of financial position as of August 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of VOCEL: Viewing Our Children as Emerging Leaders NFP as of August 31, 2019 and 2018, 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.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, VOCEL: Viewing Our Children as Emerging Leaders NFP adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended August 31, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

*Desmond & Ahern, Ltd*

December 5, 2019  
Chicago, IL

**VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP**  
**STATEMENTS OF FINANCIAL POSITION**  
**August 31, 2019 and 2018**

|  | <u>2019</u>              | <u>2018</u>              |
|--|--------------------------|--------------------------|
| <b><u>Current Assets</u></b>             |                          |                          |
| Cash and cash equivalents                | \$ 404,575               | \$ 456,008               |
| Investments                              | 137,805                  | -                        |
| Contributions receivable                 | 160,000                  | 128,990                  |
| Prepaid expenses                         | 14,375                   | 15,300                   |
| Total current assets                     | <u>716,755</u>           | <u>600,298</u>           |
| Property and equipment                   |                          |                          |
| Leasehold Improvements                   | 50,391                   | 50,391                   |
| Office equipment                         | 6,086                    | 1,086                    |
| Less accumulated depreciation            | (20,261)                 | (13,172)                 |
| Net property and equipment               | <u>36,216</u>            | <u>38,305</u>            |
| Other long term assets                   |                          |                          |
| Contributions receivable, net            | 72,975                   | -                        |
| Security deposits                        | 2,500                    | 2,500                    |
| <b>Total Assets</b>                      | <u><u>\$ 828,446</u></u> | <u><u>\$ 641,103</u></u> |
| <b><u>Liabilities and Net Assets</u></b> |                          |                          |
| Accounts payable                         | \$ 2,126                 | \$ 3,207                 |
| Accrued liabilities                      | 28,489                   | 31,616                   |
| Deferred revenue                         | 35,500                   | 47,500                   |
| Total current liabilities                | <u>66,115</u>            | <u>82,323</u>            |
| <b><u>Net Assets</u></b>                 |                          |                          |
| Without donor restrictions               |                          |                          |
| Undesignated                             | 404,282                  | 421,280                  |
| Designated by the board                  | 50,439                   | -                        |
| With donor restrictions                  | 307,610                  | 137,500                  |
| Total net assets                         | <u>762,331</u>           | <u>558,780</u>           |
| <b>Total Liabilities and Net Assets</b>  | <u><u>\$ 828,446</u></u> | <u><u>\$ 641,103</u></u> |

See independent auditor's report and notes to financial statements.

**VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Years Ended August 31, 2019 and 2018**

|  | 2019                        |                            |            | 2018                        |                            |            |
|--|-----------------------------|----------------------------|------------|-----------------------------|----------------------------|------------|
|  | Without Donor<br>Restricted | With Donor<br>Restrictions | Total      | Without Donor<br>Restricted | With Donor<br>Restrictions | Total      |
| <b><u>Public Support and Revenue</u></b>                               |                             |                            |            |                             |                            |            |
| Contributions  |                             |                            |            |                             |                            |            |
| Foundations and corporations   | \$ 275,351                  | \$ 265,000                 | \$ 540,351 | \$ 145,003                  | \$ 100,000                 | \$ 245,003 |
| Individuals and board members  | 246,867                     | -                          | 246,867    | 231,278                     | -                          | 231,278    |
| Special events, net  | 172,709                     | 10,000                     | 182,709    | 208,787                     | -                          | 208,787    |
| In-kind services   | 37,500                      | -                          | 37,500     | 15,907                      | -                          | 15,907     |
| Program revenue  | 10,254                      | -                          | 10,254     | 207,599                     | -                          | 207,599    |
| Interest and dividends   | 1,193                       | -                          | 1,193      | 174                         | -                          | 174        |
| Miscellaneous revenue  | 689                         | -                          | 689        | 1,413                       | -                          | 1,413      |
| Net assets released from restrictions -<br>satisfaction of restriction | 104,890                     | (104,890)                  | -          | 282,907                     | (282,907)                  | -          |
| Total public support and revenue                                       | 849,453                     | 170,110                    | 1,019,563  | 1,093,068                   | (182,907)                  | 910,161    |
| <b><u>Expenses</u></b>   |                             |                            |            |                             |                            |            |
| Program Services   | 499,085                     | -                          | 499,085    | 723,953                     | -                          | 723,953    |
| Administrative   | 153,585                     | -                          | 153,585    | 142,079                     | -                          | 142,079    |
| Fundraising  | 163,342                     | -                          | 163,342    | 88,217                      | -                          | 88,217     |
| Total expenses   | 816,012                     | -                          | 816,012    | 954,249                     | -                          | 954,249    |
| <b>Change in net assets before non-operating items</b>                 | 33,441                      | 170,110                    | 203,551    | 138,819                     | (182,907)                  | (44,088)   |
| <b>Non-Operating Items:</b>  |                             |                            |            |                             |                            |            |
| Bad debt expense   | -                           | -                          | -          | (100,000)                   | -                          | (100,000)  |
| <b>Change in net assets</b>  | 33,441                      | 170,110                    | 203,551    | 38,819                      | (182,907)                  | (144,088)  |
| <b>Net assets, beginning of year</b>                                   | 421,280                     | 137,500                    | 558,780    | 382,461                     | 320,407                    | 702,868    |
| <b>Net assets, end of year</b>   | \$ 454,721                  | \$ 307,610                 | \$ 762,331 | \$ 421,280                  | \$ 137,500                 | \$ 558,780 |

See independent auditor's report and notes to financial statements.

**VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Years Ended August 31, 2019 and 2018**

|                                  | 2019              |                   |                   |                   | 2018              |                   |                  |                   |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|-------------------|
|                                  | Program           | Administrative    | Fundraising       | Total             | Program           | Administrative    | Fundraising      | Total             |
| <b>Functional Expenses</b>       |                   |                   |                   |                   |                   |                   |                  |                   |
| Salaries and wages               | \$ 326,541        | \$ 80,821         | \$ 89,329         | \$ 496,691        | \$ 522,968        | \$ 43,186         | \$ 47,319        | \$ 613,473        |
| Payroll taxes and benefits       | 31,368            | 11,269            | 14,173            | 56,810            | 54,082            | 4,629             | 6,943            | 65,654            |
| Professional fees and consulting | 45,450            | 35,534            | 2,147             | 83,131            | 17,512            | 32,156            | -                | 49,668            |
| Occupancy                        | 22,237            | 6,183             | 6,600             | 35,020            | 20,520            | 28,974            | -                | 49,494            |
| Event costs                      | -                 | -                 | 32,208            | 32,208            | 1,308             | -                 | 24,863           | 26,171            |
| Classroom                        | 23,316            | -                 | -                 | 23,316            | 77,418            | 188               | 494              | 78,100            |
| Office expense                   | 10,532            | 2,714             | 1,978             | 15,224            | 5,550             | 5,744             | 439              | 11,733            |
| IT and computer                  | 7,672             | 2,100             | 2,319             | 12,091            | 1,650             | 14,713            | 175              | 16,538            |
| Travel and conferences           | 9,870             | 435               | 1,741             | 12,046            | 3,291             | 77                | 1,070            | 4,438             |
| Insurance                        | 6,559             | 2,457             | 2,486             | 11,502            | 6,966             | 2,730             | 247              | 9,943             |
| Marketing                        | 4,123             | 439               | 4,801             | 9,363             | 2,878             | 195               | 5,915            | 8,988             |
| Postage and shipping             | 2,365             | 659               | 3,235             | 6,259             | 2,042             | 2,042             | 66               | 4,150             |
| Banking fees                     | -                 | 8,756             | -                 | 8,756             | -                 | 6,054             | -                | 6,054             |
| Telephone                        | 4,391             | 1,065             | 1,050             | 6,506             | 1,468             | 870               | 116              | 2,454             |
| Depreciation                     | 4,661             | 1,153             | 1,275             | 7,089             | 6,300             | 521               | 570              | 7,391             |
| <b>Total Expenses</b>            | <b>\$ 499,085</b> | <b>\$ 153,585</b> | <b>\$ 163,342</b> | <b>\$ 816,012</b> | <b>\$ 723,953</b> | <b>\$ 142,079</b> | <b>\$ 88,217</b> | <b>\$ 954,249</b> |

See independent auditor's report and notes to financial statements.

**VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended August 31, 2019 and 2018**

|   | <u>2019</u>              | <u>2018</u>              |
|---|--------------------------|--------------------------|
| <b><u>Cash Flows from Operating Activities</u></b>  |                          |                          |
| Change in net assets  | \$ 203,551               | \$ (44,088)              |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                          |                          |
| Depreciation  | 7,089                    | 7,391                    |
| Bad debt expense  | -                        | (100,000)                |
| Change in assets - (increase) decrease  |                          |                          |
| Contributions receivable  | (103,985)                | 191,417                  |
| Prepaid expense and other assets  | 925                      | (6,736)                  |
| Change in liabilities - increase (decrease)   |                          |                          |
| Deferred revenue  | (12,000)                 | 10,250                   |
| Accounts payable and accrued expenses   | (4,208)                  | 14,162                   |
| Net cash provided by operating activities   | <u>91,372</u>            | <u>72,396</u>            |
| <b><u>Cash Flows from Investing Activities</u></b>  |                          |                          |
| Proceeds from sale of investments   | 80,923                   | -                        |
| Purchase of investments   | (218,728)                | -                        |
| Acquisition of property and equipment   | (5,000)                  | (15,411)                 |
| Net cash used by investing activities   | <u>(142,805)</u>         | <u>(15,411)</u>          |
| <b>Net (decrease) increase in cash and cash equivalents</b>                                 | (51,433)                 | 56,985                   |
| <b>Cash and cash equivalents, beginning of year</b>   | <u>456,008</u>           | <u>399,023</u>           |
| <b>Cash and cash equivalents, end of year</b>   | <u><u>\$ 404,575</u></u> | <u><u>\$ 456,008</u></u> |

See independent auditor's report and notes to financial statements.



**VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**

Organization

VOCEL: Viewing our Children as Emerging Leaders NFP (“VOCEL”), a not-for-profit Illinois corporation, jumpstarts children’s brain development with cutting-edge parent coaching and innovative early learning rooted in language development and social emotional support. With early learning programs for children from birth to five years old and their parents or caregivers, we’re committed to developing communication, interpersonal, and executive function skills so children can thrive in school and succeed in life.

Basis of Accounting

The financial statements of VOCEL have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities in accordance with the accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Presentation

As required by the generally accepted accounting principles for Not-for-Profit accounting, VOCEL is required to report information regarding its financial position and activities according to two classes:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions. Such gifts include gifts without restrictions, including restricted gifts whose donor-imposed restrictions were met during the year.

With donor restrictions – Net assets subject to donor-imposed restrictions which will be met either by actions of VOCEL or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Restrictions that have been met on net assets with donor restrictions are reported as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, VOCEL reports the support as without donor restrictions.

Income Tax Status

VOCEL is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and therefore no provision for federal income taxes has been made on the accompanying financial statements. In addition, VOCEL has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended August 31, 2019. VOCEL’s Form 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally for three years from date of filing. VOCEL has adopted the requirements for accounting for uncertain tax positions. Management has determined that VOCEL was not required to record a liability related to uncertain tax positions as of August 31, 2019.

**VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents consist of deposits in federally and privately insured (Securities Investment Protection Corporation (SIPC) accounts. At times, balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

For purposes of the statement of cash flows, VOCEL considers all highly liquid debt instruments, if any, purchased or donated with an original maturity or anticipated liquidation of three months or less to be cash equivalents. No interest or taxes were paid during the years ended August 31, 2019 and 2018.

Contributions Receivable

Contributions are recorded at fair value and are recognized as revenue and receivables in the period in which the pledge is made. VOCEL will not recognize a conditional promise to give until the conditions which the promise depends are substantially met. A promise that calls for specific financial goals to be achieved will be treated as conditional promises to give in the amount of \$100,000 for the year ended August 31, 2019. VOCEL periodically reviews contributions receivable and determines the need for an allowance for doubtful accounts. Based on management's experience and information, no allowance for uncollectible receivables was deemed necessary as of August 31, 2019 and 2018, respectively.

Support and Revenue

VOCEL reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

VOCEL reports gifts of land, buildings, and equipment as support without restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, VOCEL reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. During 2019 and 2018, no such gifts of land, buildings, or equipment were received.

**VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

Property and Equipment

All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments that materially extend the useful lives of assets in excess of \$1,000 are capitalized. Property and equipment are carried at cost, or if donated, at the approximate fair value at date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Useful lives for each asset category are as follows:

|                  |             |
|------------------|-------------|
| Office equipment | 3 - 5 years |
| Software         | 3 years     |
| Website          | 5 years     |

Donated Services

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial 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. For the year ended August 31, 2019, VOCEL received donated services meeting the above criteria valued at \$37,500. For the year ended August 31, 2018, VOCEL received donated services meeting the above criteria valued at \$15,907.

A number of volunteers, including the Board of Directors, have made significant contributions of time to VOCEL's policy-making, program and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services contained per Generally Accepted Accounting Principles.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Directly identifiable expenses are charged to the specific program or supporting service. Expenses related to more than one function are allocated to program expenses and supporting services according to management determined ratio by purpose or by employee usage.

Reclassifications

Certain amounts previously reported in the 2018 financial statements have been reclassified to conform to the 2019 presentation. These reclassifications had no effect on the prior year net assets.

Subsequent Events

Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before

**VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

financial statements are issued or are available to be issued. VOCEL has evaluated subsequent events through December 5, 2019, which is the date the financial statements were available to be issued. No subsequent events have been identified that are required to be disclosed as of the date of the report.

**Not-for-Profit Financial Statement Presentation**

During fiscal 2019, VOCEL adopted Accounting Standards Update (“ASU”) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. The other main provisions of this guidance that impact VOCEL are: presentation of two classes of net assets versus the previously required three; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

No reclassification of 2018 net assets were necessary by the adoption of ASU No. 2016-14 by VOCEL as of August 31, 2019.

**Note 2 – Financial Assets and Liquidity Resources**

VOCEL monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, VOCEL considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

As of August 31, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

|   |                          |
|---|--------------------------|
| Financial assets at year-end:   |                          |
| Cash and cash equivalents   | \$ 404,575               |
| Investments   | 137,805                  |
| Contributions receivable  | 160,000                  |
| Total financial asset, at year-end  | <u>702,380</u>           |
| Less amounts not available to be used within one year:                                    |                          |
| Restricted by donor - future periods  | (200,000)                |
| Restricted by donor - purpose   | (107,610)                |
| Board designated - operating reserve  | <u>(50,439)</u>          |
| Financial assets available to meet cash needs for<br>general expenditures within one year | <u><u>\$ 344,331</u></u> |

**VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**Note 2 – Financial Assets and Liquidity Resources (cont.)**

VOCEL moderately relies on donor restricted resources but with a significant portion of those net assets with donor restriction available in future periods. In addition to financial assets available to meet general expenditures over the next 12 months, VOCEL operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources.

**Note 3 – Fair Value Measurements**

Generally Accepted Accounting Principles defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in VOCEL's principal or most advantageous market in an orderly transaction between market participants on the measurement date.

Fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The fair value of debt and equity investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or by quoted market prices of similar securities with similar due dates or matrix pricing. This is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on securities' relationship to other benchmark quoted securities (Level 2 inputs). Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions (Level 3 inputs). Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

**VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**Note 3 – Fair Value Measurements (cont.)**

Following is a description of the valuation methodologies used for assets measured at fair value.

*Money Markets:* Valued at the quoted market prices registered.

*Equities:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual Funds:* Valued at fair value based on quoted market prices of identical or similar securities based on observable inputs like interest rates using a market valuation approach.

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 management 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.

The following summarizes that classification of investments at August 31, 2019, by classification and method of valuation in accordance with the above definitions:

|                       | <u>Level 1</u>    | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>      |
|-----------------------|-------------------|----------------|----------------|-------------------|
| Money market          | \$ 112,537        | \$ -           | \$ -           | \$ 112,537        |
| Mutual funds - Bonds  | 14,201            | -              | -              | 14,201            |
| Exchange Traded Funds | 11,067            | -              | -              | 11,067            |
|                       | <u>\$ 137,805</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 137,805</u> |

**Note 4 – Contributions Receivable**

Contributions receivable at August 31, 2019 consisted of short and long term commitments from various donors.

At August 31, 2019, contribution receivables had committed funds of:

|                                |                   |
|--------------------------------|-------------------|
| Total contributions receivable | \$ 235,000        |
| Less discount to present value | <u>(2,025)</u>    |
| Net contributions receivable   | <u>\$ 232,975</u> |
| Amount due in:                 |                   |
| Less than one year             | \$ 160,000        |
| One to five years              | 75,000            |
| Total contributions receivable | <u>\$ 235,000</u> |

**VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**Note 4 – Contributions Receivable (cont.)**

Contributions receivable with due dates extending beyond one year are discounted using Treasury Bill rates at 2.7% annual rate of interest at August 31, 2019. Uncollectible promises are expected to be insignificant.

**Note 5 – Leases**

In November 2016, VOCEL entered into a forty-two month lease agreement for office and classroom space. The lease begins January 1, 2017 and expires June 30, 2020. Total rental expense for the year ended August 31, 2019 and 2018 was \$28,941 and \$33,075.

Future minimum operating lease payments are \$26,995 for the year ending August 31, 2020.

**Note 6 – Special Events**

VOCEL’s special events during the years ended August 31, 2019 and 2018:

|  | <u>2019</u>       | <u>2018</u>       |
|--|-------------------|-------------------|
| Sponsorship                            | \$ 105,000        | \$ 83,268         |
| Contributions                          | 61,304            | 98,103            |
| Special events revenue, ticket portion | 42,150            | 51,970            |
| Revenue from special events            | <u>208,454</u>    | <u>233,341</u>    |
| Less direct benefits to donors         | <u>(25,745)</u>   | <u>(24,554)</u>   |
| Net revenues from special events       | <u>\$ 182,709</u> | <u>\$ 208,787</u> |

**Note 7 – Net Assets With Donor Restrictions**

Net assets with donor restrictions as of August 31:

|                              | <u>2019</u>       | <u>2018</u>       |
|------------------------------|-------------------|-------------------|
| Future Periods               | \$ 200,000        | \$ 127,500        |
| Child Parent Academy         | 82,610            | -                 |
| Technical Assistance Support | 25,000            | 10,000            |
|                              | <u>\$ 307,610</u> | <u>\$ 137,500</u> |

**Note 8 – Board Designated Net Assets**

For the year ended August 31, 2019, VOCEL established an operating reserve consisting of cash and short term investments. The governing board has designated these net assets without donor restrictions in the amount of \$50,439 for general operating purposes to help respond to temporary changes in circumstances or in its environment.

**VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**Note 9 – Non-Operating Item**

During the year ended August 31, 2018, VOCEL made a strategic decision to close its Early Learning Center. The decision was in response to the City of Chicago's increase of early learning education funding being allocated toward Chicago Public Schools. A foundation pledged multi-year amounts related to this program and due to the shift of program operations this foundation grant ended. VOCEL was required to write this off to bad debt expense in the amount of \$100,000 during the year ended August 31, 2018.