VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP

FINANCIAL STATEMENTS

For the Year Ended
June 30, 2021

VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP

Annual Financial Report

Table of Contents

D&A
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 statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

10827 S. WESTERN AVENUE, CHICAGO, IL 60643-3206 • PHONE 773-779-4720 • FAX 773-779-8310

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VOCEL: Viewing Our Children as Emerging Leaders NFP as of June 30, 2021, 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.

Desmond & Ahern, Ltd

November 1, 2021
Chicago, IL

VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP
STATEMENT OF FINANCIAL POSITION
June 30, 2021

Current Assets		
Cash and cash equivalents	$	1,051,651
Investments		197,576
Contributions receivable		21,294
Prepaid expenses		-
Total current assets		1,270,521
Liabilities and Net Assets		
Accounts payable	$	12,220
Accrued liabilities		51,748
PPP loan		134,022
Deferred revenue		10,000
Total current liabilities		207,990
Net Assets		
Without donor restrictions		
Undesignated		584,465
Designated by the board		320,038
Total without donor restrictions		904,503
With donor restrictions		158,028
Total net assets		1,062,531
Total Liabilities and Net Assets	$	1,270,521

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

VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP
STATEMENT OF ACTIVITIES
For the Year Ending June 30, 2021

	Without Donor Restricted	With Donor Restrictions	Total
Public Support and Revenue			
Contributions			
Foundations and corporations	$ 498,383	$ 261,971	$ 760,354
Individuals and board members	135,719	-	135,719
PPP - government grant	121,205	-	121,205
Special events, net	217,901	-	217,901
In-kind goods	58,505	-	58,505
Program revenue	10,561	-	10,561
Interest and dividends	18,834	-	18,834
Miscellaneous revenue	2,675	-	2,675
Net assets released from restrictions - satisfaction of restriction	254,791	(254,791)	-
Total public support and revenue	1,318,574	7,180	1,325,754
Expenses			
Program Services	947,883	-	947,883
Administrative	176,943	-	176,943
Fundraising	175,977	-	175,977
Total expenses	1,300,803	-	1,300,803
Change in net assets before non-operating items	17,771	7,180	24,951
Net assets, beginning of year	886,732	150,848	1,037,580
Net assets, end of year	$ 904,503	$ 158,028	$ 1,062,531

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

VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ending June 30, 2021

	Program	Administrative	Fundraising	Total
Functional Expenses				
Salaries and wages	$ 505,911	$ 89,409	$ 94,162	$ 689,482
Payroll taxes and benefits	68,350	17,004	17,503	102,857
Professional fees and consulting	65,018	34,298	11,419	110,735
Meal distributions	65,231	-	-	65,231
Occupancy	14,609	2,563	3,346	20,518
Event costs	625	-	13,239	13,864
Classroom	33,093	-	-	33,093
Office expense	96,099	7,540	7,980	111,619
IT and computer	9,265	2,955	10,469	22,689
Travel and conferences	615	39	133	787
Insurance	11,271	4,033	2,669	17,973
Marketing	6,120	110	4,729	10,959
Member support	29,092	-	-	29,092
Postage and shipping	2,571	480	610	3,661
Banking fees	36	1,794	3,261	5,091
Telephone	12,204	1,824	1,306	15,334
Depreciation	3,005	535	559	4,099
Bad debt	-	10,000	-	10,000
Loss on fixed assets	24,768	4,359	4,592	33,719
Total Expenses	$ 947,883	$ 176,943	$ 175,977	$ 1,300,803

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

VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP
STATEMENT OF CASH FLOWS
For the Year Ending June 30, 2021

Cash Flows from Operating Activities	
Change in net assets	$ 24,951
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	4,099
Loss on disposal of fixed assets	33,719
Net unrealized and realized investment gain	(14,134)
Paycheck protection program loan forgiveness	(121,205)
Change in assets - decrease	
Contributions receivable	133,579
Prepaid expense and other assets	13,377
Change in liabilities - increase (decrease)	
Deferred revenue	10,000
Accounts payable and accrued expenses	(5,005)
Net cash provided by operating activities	79,381
Cash Flows from Investing Activities	
Proceeds from sale of investments	169,790
Purchases of investments	(303,482)
Net cash used in investing activities	(133,692)
Cash Flows from Financing Activities	
Proceeds from PPP loan	134,022
Net cash provided by financing activities	134,022
Net increase in cash and cash equivalents	79,711
Cash and cash equivalents, beginning of year	971,940
Cash and cash equivalents, end of year	$ 1,051,651

VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, aims to help ensure every child has the foundation to learn, grow, and lead by providing two-generation early childhood education programming for young children, families, and schools in overburdened, under-resourced communities, aiming to support early brain development and build a foundation for academic and life success.

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 with donor restrictions and released in same year.

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 June 30, 2021. 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 June 30, 2021.

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 affect

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

the 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 the revenues, expenses, gains, losses and other changes in net assets during the year. 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 year ended June 30, 2021.

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. 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 June 30, 2021.

Investments
Investments are carried at fair value. The fair market value of investments is based on quoted market prices. Realized and unrealized gains and losses are reflected in the Statement of Activities.

Support and Revenue
The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return- are not recognized until the conditions on which they depend have been met. 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 without donor restriction support 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

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

expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. During the year ending June 30, 2021 no such gifts of land, buildings, or equipment were received.

VOCEL recognizes contract revenue at an amount that reflects consideration to which the Organization expects to be entitled to in exchange for transferring goods or services to a customer. For performance reporting contracts, a customer pays the agreed upon amounts after the completion and submission of specified deliverables in the contract. For these contracts, VOCEL will allocate the transaction price of the contract to the specific performance obligations based on the contract. VOCEL recognizes revenue when the performance obligations are met and delivered to the customer. VOCEL had no contracts during 2021 that were performance reporting contracts. There are no contract assets or liabilities. There was no contract revenue recorded in 2021 for any performance obligations met in the prior year.

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

Depreciation expense for the year ended June 30, 2021 was $4,099.

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 June 30, 2021, VOCEL did not receive any contributions which met this criteria.

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.

In-Kind Contributions

In addition to receiving cash contributions, VOCEL may receive in-kind contributions from various donors. It is the policy of VOCEL to record the estimated fair market value of certain in-kind donations as an expense in its financial statements, and similarly increase donation revenue by a like amount. VOCEL received $58,505 of in-kind goods during the year ended June 30, 2021.

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

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.

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 financial statements are issued or are available to be issued. VOCEL has evaluated subsequent events through November 1, 2021, 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.

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 June 30, 2021, 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	$ 1,051,651
Investments	197,576
Contributions receivable	21,294
Total financial asset, at year-end	1,270,521
Less amounts not available to be used within one year:	
Restricted by donor - purpose	(151,779)
Board designated - operating reserve	(320,038)
Financial assets available to meet cash needs for general expenditures within one year	$ 798,704

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.

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.

Note 3 – Fair Value Measurements

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.

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

Exchange Traded Funds: 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.

Note 3 – Fair Value Measurements (cont.)

The following summarizes that classification of investments at June 30, 2021, by classification and method of valuation in accordance with the above definitions:

	Level 1	Level 2	Level 3	Total
Mutual funds - Bonds	$ 117,394	$ -	$ -	$ 117,394
Exchange Traded Funds	80,182	-	-	80,182
	$ 197,576	$ -	$ -	$ 197,576

Note 4 – Leases

In November 2016, VOCEL entered into a forty-two month lease agreement for office and classroom space. The lease began in January 1, 2017 and expires June 30, 2020. During fiscal period 2020, VOCEL extended this lease agreement until June 30, 2021. Total rental expense for the year ended June 30, 2021 was $17,908.

In August 2021, VOCEL entered into a new lease agreement effective September 1, 2021, through February 28, 2026. Future minimum operating lease payments for the year ending June 30, 2021:

2022	$ 19,292
2023	59,323
2024	61,103
2025	62,936
2026	64,824
Thereafter	44,404
Total future minimum lease payments	$ 311,882

Note 5 – Special Events

VOCEL's special event summary for the year ended June 30, 2021:

Sponsorship	$ 93,674
Contributions	125,575
Special events revenue, ticket portion	12,516
Revenue from special events	231,765
Less direct benefits to donors	(13,864)
Net revenues from special events	$ 217,901

Note 6 – Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2021:

Future Periods	$	6,249
Building Early Learning Leaders (BELL)		136,779
Child Parent Academy		15,000
	$	158,028

Note 7 – Board Designated Net Assets

During the year ended June 30, 2021, 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 $320,038 for general operating purposes to help respond to temporary changes in circumstances or in its environment.

Note 8 – Paycheck Protection Loan

On May 1, 2020, VOCEL received loan proceeds in the amount of $121,205 under the Paycheck Protection Program ("PPP"). The full amount was forgiven in January 2021 and is recorded in the Statement of Activities. In fiscal year 2021, VOCEL applied for additional funds and received loan proceeds in the amount of $134,022 under the PPP on February 16, 2021. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. VOCEL has elected to follow ASC 958-605 and record as a loan. Once forgiveness conditions are substantially met or explicitly waived, the entity would reduce the loan and record a contribution for the amount forgiven.