

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

**FINANCIAL STATEMENTS**

**For the Year Ended  
June 30, 2022**

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

**Annual Financial Report**

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**Independent Auditor's Report**

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

***Opinion***

We have audited the accompanying financial statements of VOCEL Viewing our Children as Emerging Leaders (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statement of activities, functional expenses, and cash flow 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 VOCEL Viewing our Children as Emerging Leaders as of June 30, 2022, 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.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of VOCEL Viewing our Children as Emerging Leaders and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about VOCEL Viewing our Children as Emerging Leaders ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 generally accepted auditing standards, we:

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

*Desmond & Ahern, Ltd*

November 14, 2022  
Chicago, IL

**VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2022**

**Current Assets**

Cash and cash equivalents	\$ 1,349,616
Investments	166,764
Contributions receivable	822,648
Prepaid expenses	11,021
Total current assets	2,350,049

Other long term assets	
Security deposits	5,591
<b>Total Assets</b>	<b>\$ 2,355,640</b>

**Liabilities and Net Assets**

Accounts payable	\$ 30,175
Accrued liabilities	52,018
Deferred revenue	24,783
Total current liabilities	106,976

**Net Assets**

Without donor restrictions	
Undesignated	660,437
Designated by the board	552,411
Total without donor restrictions	1,212,848
With donor restrictions	1,035,816
Total net assets	2,248,664
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,355,640</b>

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, 2022**

	<u>Without Donor Restricted</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b><u>Public Support and Revenue</u></b>			
Contributions			
Foundations and corporations	\$ 576,421	\$ 1,320,000	\$ 1,896,421
Individuals and board members	194,799	-	194,799
CARES Act	188,047	-	188,047
Special events, net	250,161	-	250,161
In-kind goods	19,194	-	19,194
Program revenue	18,600	-	18,600
Unrealized loss	(23,097)	-	(23,097)
Interest and dividends	5,401	-	5,401
Miscellaneous revenue	4,667	-	4,667
Net assets released from restrictions - satisfaction of restriction	442,212	(442,212)	-
Total public support and revenue	<u>1,676,405</u>	<u>877,788</u>	<u>2,554,193</u>
<b><u>Expenses</u></b>			
Program Services	975,374	-	975,374
Administrative	180,182	-	180,182
Fundraising	212,504	-	212,504
Total expenses	<u>1,368,060</u>	<u>-</u>	<u>1,368,060</u>
<b>Change in net assets before non-operating items</b>	308,345	877,788	1,186,133
<b>Net assets, beginning of year</b>	<u>904,503</u>	<u>158,028</u>	<u>1,062,531</u>
<b>Net assets, end of year</b>	<u><u>\$ 1,212,848</u></u>	<u><u>\$ 1,035,816</u></u>	<u><u>\$ 2,248,664</u></u>

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, 2022**

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<b>Functional Expenses</b>				
Salaries and wages	\$ 562,270	\$ 104,267	\$ 153,348	\$ 819,885
Payroll taxes and benefits	80,690	12,326	20,028	113,044
Professional fees and consulting	146,159	41,052	3,013	190,224
Occupancy	20,993	4,208	5,363	30,564
Event costs	3,704	219	8,455	12,378
Classroom	26,291	-	-	26,291
Office expense	79,695	5,320	4,889	89,904
IT and computer	15,751	2,641	3,432	21,824
Travel and conferences	520	141	63	724
Insurance	14,590	3,735	4,511	22,836
Marketing	6,102	341	4,518	10,961
Member support	1,765	-	-	1,765
Postage and shipping	2,858	657	542	4,057
Banking fees	821	2,514	459	3,794
Telephone	13,165	2,761	3,883	19,809
<b>Total Expenses</b>	<u>\$ 975,374</u>	<u>\$ 180,182</u>	<u>\$ 212,504</u>	<u>\$ 1,368,060</u>

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, 2022**

**Cash Flows from Operating Activities**

Change in net assets	\$ 1,186,133
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net unrealized and realized investment loss	23,097
Change in assets - increase	
Contributions receivable	(801,354)
Prepaid expense and other assets	(16,612)
Change in liabilities - increase	
Deferred revenue	14,783
Accounts payable and accrued expenses	18,225
Refundable Advance -Paycheck protection program	(134,022)
Net cash provided by operating activities	<u>290,250</u>

**Cash Flows from Investing Activities**

Proceeds from sale of investments	146,385
Purchases of investments	(138,670)
Net cash provided by investing activities	<u>7,715</u>

<b>Net increase in cash and cash equivalents</b>	297,965
<b>Cash and cash equivalents, beginning of year</b>	<u>1,051,651</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 1,349,616</u></u>

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



**VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**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, 2022. 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, 2022.

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

**VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**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, 2022.

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, 2022.

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

**VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**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, 2022 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 2022 that were performance reporting contracts. There are no contract assets or liabilities. There was no contract revenue recorded in 2022 for any performance obligations met in the prior year.

**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, 2022, 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 \$9,510 of in-kind services from legal and architectural services. VOCEL also received \$9,684 of in-kind goods during the year ended June 30, 2022.

**VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**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 14, 2022, 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.

**VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**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, 2022, 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	\$ 1,349,616
Investments	166,764
Contributions receivable	822,648
Total financial asset, at year-end	<u>2,339,028</u>
Less amounts not available to be used within one year:	
Restricted by donor - purpose	(634,564)
Board designated - operating reserve	(552,411)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,152,053</u>

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.

**VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**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.

**VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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

The following summarizes that classification of investments at June 30, 2022, 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>
Mutual funds - Bonds	\$ 95,806	\$ -	\$ -	\$ 95,806
Exchange Traded Funds	70,958	-	-	70,958
	<u>\$ 166,764</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,764</u>

**Note 4 – Leases**

In August 2021, VOCEL entered into a lease agreement for office and classroom space. The lease began on September 1, 2021 and expires February 28, 2026. Total rental expense for the year ended June 30, 2022 was \$25,721. Future minimum operating lease payments for the year ending June 30, 2022:

2023	\$ 59,323
2024	61,103
2025	62,936
2026	64,824
2027	44,404
Total future minimum lease payments	<u>\$ 292,590</u>

**Note 5 – Special Events**

VOCEL's special event summary for the year ended June 30, 2022:

Sponsorship	\$ 141,916
Contributions	108,244
Special events revenue, ticket portion	-
Revenue from special events	<u>250,160</u>
Less direct benefits to donors	<u>(12,378)</u>
Net revenues from special events	<u>\$ 237,782</u>

**VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**Note 6 – Net Assets With Donor Restrictions**

Net assets with donor restrictions as of June 30, 2022:

Future Periods	\$ 401,248
Building Early Learning Leaders (BELL)	245,000
Early Educators for Thriving Children (EETC)	56,764
Grass Roots Marketing	4,050
Parent Child Programming	10,000
Strategic Plan Implementation	318,750
	<u>\$ 1,035,812</u>

**Note 7 – Board Designated Net Assets**

During the year ended June 30, 2022, 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 \$552,411 for general operating purposes to help respond to temporary changes in circumstances or in its environment.