KIDS FIRST CENTER, INC.

SCARBOROUGH, MAINE

FINANCIAL AUDIT REPORT

DECEMBER 31, 2020

KIDS FIRST CENTER, INC.
SCARBOROUGH, MAINE
DECEMBER 31, 2020

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Smith & Associates, CPAs
A Professional Association

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REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Management and Board of Directors
KIDS FIRST CENTER, INC.
Scarborough, Maine

Report on Financial Statements

We have audited the accompanying financial statements of Kids First Center, Inc., (a non-profit 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.

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.

Auditors' 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 supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 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 position of Kids First Center, Inc., as of December 31, 2020 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.

Report on Summarized Comparative Information

We have previously audited Kids First Center, Inc.'s December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 3, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith & Associates

SMITH & ASSOCIATES, CPAs
A Professional Association

Yarmouth, Maine
March 17, 2022

EXHIBIT A

KIDS FIRST CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 74,516	$ 76,248
Investments	139,418	194,578
Accounts Receivable	815	190
Grants Receivable	7,493	13,039
Prepaid Expenses	1,420	2,052
Total Current Assets	$ 223,662	$ 286,107
Property and Equipment		
Office Equipment	$ 60,754	$ 53,340
Leasehold Improvements	0	2,165
Less Accumulated Depreciation	(26,596)	(19,989)
Total Property and Equipment	34,158	35,516
Total Assets	$ 257,820	$ 321,623
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	$ 5,330	$ 26,336
Accrued Payroll and Employee Benefits	21,450	9,003
Deferred Revenue	16,580	27,320
Paycheck Protection Program Loan	35,400	0
Total Current Liabilities	$ 78,760	$ 62,659
Net Assets		
Without Donor Restrictions	$ 166,560	$ 258,964
With Donor Restrictions for Caring Dads	12,500	0
Total Net Assets	$ 179,060	$ 258,964
Total Liabilities and Net Assets	$ 257,820	$ 321,623

See Accompanying Notes to Financial Statements.

EXHIBIT B

KIDS FIRST CENTER, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Support and Revenues				
Contributions	$ 46,780	$ 0	$ 46,780	$ 136,453
Grants	111,280	12,500	123,780	119,990
Program Fees	110,277	0	110,277	90,526
Special Events	27,004	0	27,004	22,475
Other Income	19,470	0	19,470	3,462
Interest and Dividend Income	2,832	0	2,832	5,306
Net Unrealized and Realized Gains (Losses)	202	0	202	34,620
Total Support and Revenues	$ 317,845	$ 12,500	$ 330,345	$ 412,832
Expenses				
Program Services	$ 277,723	$ 0	$ 277,723	$ 400,943
Management and General	77,820	0	77,820	73,933
Fundraising	53,503	0	53,503	60,756
Total Expenses	$ 409,046	$ 0	$ 409,046	$ 535,632
Loss on Disposition of Equipment	$ (1,203)	$ 0	$ (1,203)	0
Change in Net Assets	$ (92,404)	$ 12,500	$ (79,904)	$ (122,800)
Net Assets, Beginning of Period	$ 258,964	$ 0	$ 258,964	$ 381,764
Net Assets, End of Period	$ 166,560	$ 12,500	$ 179,060	$ 258,964

See Accompanying Notes to Financial Statements.

EXHIBIT C

KIDS FIRST CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	Program Services	Management and General	Fundraising	Total 2020	Total 2019
Functional Expenses					
Payroll	$ 130,295	$ 27,920	$ 27,920	$ 186,135	$ 178,586
Payroll Taxes and Benefits	11,467	2,457	2,457	16,381	18,588
Total Personnel Expenses	141,762	30,377	30,377	202,516	197,174
Workshops	2,613	0	0	2,613	6,516
Advertising	1,644	0	202	1,846	8,495
Facilitators	38,943	0	0	38,943	53,544
Workbooks	0	0	0	0	7,391
Food and Beverage	0	0	0	0	11,572
Office Administration	18,439	4,323	0	22,762	36,003
Office Occupancy	45,424	11,356	0	56,780	62,143
Information Technology	9,196	1,342	638	11,176	10,029
Professional Fees	5,000	24,415	17,700	47,115	113,113
Event Space	0	0	0	0	4,103
Insurance	0	5,779	0	5,779	3,751
Training and Travel	913	228	0	1,141	877
Other Expenses	0	0	4,586	4,586	9,474
Depreciation	13,789	0	0	13,789	11,447
Total Functional Expenses	$ 277,723	$ 77,820	$ 53,503	$ 409,046	$ 535,632

See Accompanying Notes to Financial Statements.

EXHIBIT D

KIDS FIRST CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities		
Changes in Net Assets	$ (79,904)	$ (122,800)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) by Operations		
Depreciation Expense	13,789	11,447
Investment Income and Appreciation	(3,034)	(39,907)
Loss on Disposition of Equipment	1,203	0
(Increase) Decrease in Accounts and Grants Receivable	4,921	16,286
(Increase) Decrease in Prepaid Expenses	632	(2,052)
Increase (Decrease) in Accounts Payable	(21,006)	10,015
Increase (Decrease) in Accrued Expenses	12,447	5,949
Increase (Decrease) in Deferred Revenues	(10,740)	(3,560)
Net Cash Provided (Used) by Operating Activities	$ (81,692)	$ (124,622)
Cash Flows Provided (Used) by Investing Activities		
Sales of Investments	$ 58,194	$ 107,000
Purchases of Equipment	(13,634)	(44,540)
Purchases of Investments	0	0
Net Cash Provided (Used) by Investing Activities	$ 44,560	$ 62,460
Cash Flows Provided (Used) by Financing Activities		
Proceeds from Paycheck Protection Program Loan	$ 35,400	$ 0
Net Cash Flows Provided (Used) by Financing Activities	$ 35,400	$ 0
Increase (Decrease) In Cash	$ (1,732)	$ (62,162)
Cash and Cash Equivalents, Beginning of Period	76,248	138,410
Cash and Cash Equivalents, End of Period	$ 74,516	$ 76,248
Supplemental Disclosures:		
Cash Paid During the Period For Interest	$ 0	$ 0
Cash Paid During the Period for Income Taxes	$ 0	$ 0

See Accompanying Notes to Financial Statements.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Kids First Center, Inc. ("the Center") was incorporated in 1998 under the laws of the State of Maine for the purpose of offering co-parenting classes and support groups to help parents learn to put the needs of their children first and to minimize the emotional trauma of their separation and divorce on their children. Support groups are also held for children and adolescents so they can share their experience and learn positive coping skills.

The Center assists families that experience domestic violence and address ways their children can be cared for in a safe and positive manner when separation or divorce occurs. Additionally, the Center provides opportunities for professionals who work with families to collaborate and receive continuing education to further the belief that separation and divorce should occur in a non-adversarial manner while addressing children's needs first.

The accounting policies of the Center conform to generally accepted accounting principles applicable to non-profit organizations. The following is a summary of the more significant policies.

A. Basis of Presentation

The accompanying financial statements include the assets, liabilities, and net assets of Kids First Center, Inc. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor imposed stipulations that may or will be met either by actions of the Center and/or passage of time, or alternatively, requiring the Center to maintain such net assets in perpetuity, in which case the donors of such assets generally permit the Center to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

B. Basis of Accounting

Kids First Center, Inc.'s policy is to issue its financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU is a comprehensive new revenue recognition model that requires an organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration an organization expects to receive in exchange for those goods or services. It also requires more detailed disclosures to enable the users of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Center adopted this standard, as amended, effective January 1, 2020, as management believes the standard improves the usefulness and understandability of the Center's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Center recognizes revenue, and therefore no changes to previously issued financial statements were required on a retrospective basis. The presentation and disclosures of revenues have been enhanced in accordance with the standards.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU No. 2018-08 is effective for the fiscal years beginning after December 15, 2018. The Center adopted this standard effective January 1, 2019, using the modified prospective approach, with no effect on net assets.

D. Income Taxes

The Center is a nonprofit organization exempt from income taxes under the provisions of Internal Revenue Code Section 501(c)(3). Contributions made to the Center qualify for charitable deductions. It is the opinion of management that there is no unrelated business income.

Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. It is the opinion of management that the Center has no uncertain positions that qualify for recognition or disclosure in the financial statements. The Center is subject to examinations by tax authorities for three years following the filing of the return.

E. Advertising Expenses

The Center expenses its advertising costs as incurred. Advertising costs amounted to $1,846 and $8,495 for the years ending December 31, 2020 and 2019, respectively.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Donated Assets and Services

In-kind contributions are recorded at fair value and recognized as revenue in the accounting period when they are received. In-kind contributions for services of a professional nature for which the Center would otherwise be compelled to incur outlays, use of facilities and tangible property and materials are included in contributions on the statements of activities and amounted $5,000 and $254 for the years ending December 31, 2020 and 2019, respectively.

G. Cash and Cash Equivalents

Management considers all financial instruments with a maturity of three months or less to be cash equivalents, other than those classified as investments.

H. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Fair values are based upon quoted market prices. Investment income is considered a change in net assets without donor restrictions unless restricted by a donor's explicit stipulation or law.

Investments are exposed to various risks, such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term, and that such changes could materially affect the amounts reported in the statements of financial position.

I. Accounts Receivable and Grants Receivable

Accounts receivable represent fees due for services provided to clients through year-end. Grants receivable represent promises to give and amounts due under cost reimbursement grant terms once conditions have been met. All amounts to be received within one year from the financial statement date. Management believes that all such amounts are fully collectible at year-end; accordingly, no allowance for doubtful accounts is required.

J. Property and Equipment

Property and equipment are carried at cost, or in the case of donated property, at estimated fair value at the date of receipt. Depreciation of property and equipment is provided for using the straight-line method for financial reporting purposes at rates based on the estimated useful lives, ranging from 3 to 15 years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense accounts as incurred. Depreciation expense for the years ending December 31, 2020 and 2019 amounted to $13,789 and $11,447, respectively.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. 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 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 revenues and expenses in the reporting period. Actual results could differ from these estimates.

L. Revenue and Support Recognition

Program fee revenue for classes is recognized when control of the promised service is transferred to the customer in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. This revenue stream is recognized at the time the participant attends a course. When fees are received in advance of class participation, the amount is reported as deferred revenue on the statement of financial position.

The Center hosts an annual fundraising benefit in most years. Due to the COVID-19 pandemic, the Center did not hold an event in 2020. Recognition for revenues related to this event consists of two components: 1) the fair market value of the benefits received by the attendee, and 2) the contribution component. Both components are reported in the statement of activities as special event revenue. The organization recognizes the contribution portion immediately and the exchange portion upon completion of the event.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest are received. Conditional promises to give are recognized when conditions on which they depend are substantially met. Some grant contracts are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. At December 31, 2020, the Center had $24,709 of conditional grants receivable in the future when the required condition, incurring qualifying expenses, is met.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with restrictions are reclassified to net assets without restrictions.

L. Presentation of Expenses by Function

The costs of providing the Center's various programs and activities have been summarized on a functional basis within the statement of activities. Accordingly, certain costs have been distributed among the programs and supporting services benefited, based on direct assignment of same where applicable coupled with allocations of expenses benefiting multiple cost objectives in proportion to estimated use of personnel time and facilities space.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Summarized Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2020, from which the summarized information was derived. Certain reclassifications have been made to the prior year information in order to conform with the current year presentation.

NOTE 2 – CREDIT RISK

The Center maintains its cash in bank deposit accounts at two banks. There were no uninsured balances as of December 31, 2020 or December 31, 2019.

NOTE 3 – FAIR VALUE MEASUREMENTS

The Center measures its investments at fair value in accordance with generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Center uses various methods including market, income, and cost approaches. Based on these approaches, the Center often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Center utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy, which ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 - 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 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

NOTE 4 – INVESTMENTS

The following table sets forth the Center's investments by level within the fair value input hierarchy, as of December 31, 2020 and 2019:

At December 31, 2020	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash and Cash Equivalents	$ 27,124	$ 27,124	$ 0	$ 0
Mutual Funds – Equity	74,044	74,044	0	0
Mutual Funds – Fixed Income	38,251	38,251	0	0
Total Investments	$ 139,419	$ 139,419	$ 0	$ 0

At December 31, 2019	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash and Cash Equivalents	$ 3,793	$ 3,793	$ 0	$ 0
Mutual Funds – Equity	144,546	144,546	0	0
Mutual Funds – Fixed Income	46,239	46,239	0	0
Total Investments	$ 194,578	$ 194,578	$ 0	$ 0

NOTE 5 – ACCRUED COMPENSATED ABSENCES

Under the terms of stated personnel policies, vacation leave is granted in varying amounts according to length of service. Accrued vacation is recorded when earned and amounted to $17,390 and $6,535 at December 31, 2020 and 2019, respectively.

NOTE 6 – DEFERRED REVENUE

Income from grants, along with payments received for services yet to be provided, are deferred and recognized over the periods to which 1) the services relate, or 2) the grant conditions in relation to the incurrence of the associated costs, the passage of time, or completion of deliverables is met. At December 31 such deferred balances reported on the statement of financial position amounted to:

	2020	**2019**
Program Fee Deposits	$ 4,905	$ 1,770
Grant Advances	11,675	25,550
Total Deferred Revenue	$ 16,580	$ 27,320

NOTE 7 – OPERATING LEASE

In December 2018 the Center entered into an operating lease for its current office space in Scarborough. This lease is in force through December 2025, with minimum monthly rental payments ranging from $3,000 to $3,581, plus additional amounts due for taxes, operating costs and utilities. Rental expense (including executory costs as noted) for the years ended December 31, 2020 and 2019 amounted to $53,265 and $50,315, respectively. Future minimum rental payments due as of December 31, 2020 under the terms of this lease are as follows:

Year Ended December 31,	
2021	$ 38,291
2022	39,433
2023	40,601
2024	41,817
2025	39,378
Total	$ 199,520

The Center offers space on an as available month-to-month bases to various individuals and organizations. The fees received under these arrangements for the year ended December 31, 2020 amounted to $10,700 and is included in other income in the statement of activities.

NOTE 8 – LIQUIDITY AND USE OF RESOURCES

The Center's working capital and cash flows have variations during the year due to timing of cash receipts from revenue and support sources. As part of the Center's liquidity management, the organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and Cash Equivalents	$ 74,516
Investments	139,418
Accounts and Grants Receivable	8,308
Total Financial Assets	$ 222,242
Less Amounts Unavailable for General Expenditures:	
Donor Restricted to Specific Purpose	(12,500)
Financial Assets Available to Meet Cash Needs for General Expenditure within One Year	$ 209,742

NOTE 9 – PAYCHECK PROTECTION PROGRAM LOAN

In May 2020, the Center applied for and received a loan in the amount of $35,400 pursuant to the Payroll Protection Program (PPP). The forgiveness of the loan is dependent on the Center's adherence to the forgiveness criteria. The Center has met the forgiveness requirements of the PPP loan and applied for forgiveness within the period required by the loan terms. The loan was subsequently forgiven in May 2021.

The Center has recorded a note payable and will record forgiveness income upon being legally released from the loan obligation. No forgiveness income has been recorded for the year ended December 31, 2020.

NOTE 10 – DATE OF MANAGEMENT'S REVIEW AND SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 17, 2022, the date on which the financial statements were available to be issued.

As of the date of this report, the COVID-19 pandemic continues to spread across all parts of the world including Maine. The ultimate impact of this global health crisis on the financial position of Kids First Center, Inc. is not knowable at this time.

The Center was granted a second loan under the Paycheck Protection Program (PPP) in May 2021, in the amount of $42,190. The loan matures in 2026 and bears interest at a rate of 1% per annum. The Paycheck Protection Program Flexibility Act of 2020 (Flexibility Act) extended the deferral period for borrower payments of principal, interest, and fees on all PPP loans to the date that the Small Business Administration (SBA) remits the borrower's loan forgiveness amount to the lender (or, if the borrower does not apply for forgiveness, 10 months after the end of the borrower's loan forgiveness covered period).