Moody Early Childhood Center

Giving every Galveston child the opportunity to soar

Moody Early Childhood Center Board of Directors
Special Called Board Meeting
Wednesday, February 16, 2022 @ 11:30 a.m.
Moody Early Childhood Center
1110 21st Street, Galveston, Texas 77550 or Virtual *
AGENDA

A. Call to order
B. Introduction and Welcome (Ms. Massey)
C. Review 2020-2021 Audit – Michael Killian, Ham, Langston, & Brezina, L.L.P.
D. Approval 2020-2021 Audit
E. Next Regular BOD meeting February 25, 2022 at 1:00 p.m.
F. Adjourn

Join Zoom Meeting
https://us02web.zoom.us/j/86499654376?pwd=NUtmUzFoOTBZWlhVRWhxUmd5Nzl3Zz09

Meeting ID: 864 9965 4376
Passcode: 990834

MOODY EARLY CHILDHOOD CENTER

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
As of and for the Years Ended August 31, 2021 and 2020

MOODY EARLY CHILDHOOD CENTER
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Ham, Langston & Brezina, L.L.P.
CPAs and Advisors

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Moody Early Childhood Center:

We have audited the accompanying financial statements of Moody Early Childhood Center, a Texas non-profit corporation, which comprise the Statements of Financial Position as of August 31, 2021 and 2020, and the related Statements of Activities and Changes in Net Assets 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 position of Moody Early Childhood Center as of August 31, 2021 and 2020, 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.

Galveston, Texas
February __, 2022

MOODY EARLY CHILDHOOD CENTER
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2021 AND 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 948,481	$ 934,501
Receivables:		
Tuition, net	-	10,244
Contribution	1,966,666	1,966,667
Other	303,830	306,616
Prepaid expenses	24,488	22,357
Other assets	-	1,832
Total current assets	3,243,465	3,242,217
Contribution receivable	-	1,966,666
Property and equipment, net	650,354	764,116
Total assets	$ 3,893,819	$ 5,972,999
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 24,025	$ 21,713
Accrued liabilities	82,405	83,503
Payroll protection program loan	633,100	633,100
Line of credit	283,000	295,000
Total liabilities	1,022,530	1,033,316
Net assets:		
Without donor restrictions	2,801,290	4,712,211
With donor restrictions	69,999	227,472
Total net assets	2,871,289	4,939,683
Total liabilities and net assets	$ 3,893,819	$ 5,972,999

MOODY EARLY CHILDHOOD CENTER
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	$ 78,904	$ 34,409	$ 113,313
In-kind contributions	1,185,778	-	1,185,778
In-district charter school funding	684,841	-	684,841
Grants	526,006	-	526,006
Tuition, net	609,823	-	609,823
Interest income	2,139	-	2,139
Gain on forgiveness of PPP loan	633,100	-	633,100
Other	11,200	-	11,200
Revenue before release of restrictions on net assets	3,731,791	34,409	3,766,200
Net assets released from restrictions:			
Program expenditures	191,882	(191,882)	-
Total revenue and support	3,923,673	(157,473)	3,766,200
Expenses:			
Program expenses	4,715,882	-	4,715,882
Management and general	1,118,712	-	1,118,712
Total expenses	5,834,594	-	5,834,594
Change in net assets	(1,910,921)	(157,473)	(2,068,394)
Net assets at beginning of year	4,712,211	227,472	4,939,683
Net assets at end of year	$ 2,801,290	$ 69,999	$ 2,871,289

MOODY EARLY CHILDHOOD CENTER
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	$ 5,985,037	$ 288,671	$ 6,273,708
In-kind contributions	1,185,778	-	1,185,778
In-district charter school funding	638,192	-	638,192
Grants	323,571	-	323,571
Tuition, net	530,512	-	530,512
Interest income	5,774	-	5,774
Other	24,293	-	24,293
Revenue before release of restrictions on net assets	8,693,157	288,671	8,981,828
Net assets released from restrictions:			
Program expenditures	331,989	(331,989)	-
Total revenue and support	9,025,146	(43,318)	8,981,828
Expenses:			
Program expenses	4,344,008	-	4,344,008
Management and general	1,134,676	-	1,134,676
Total expenses	5,478,684	-	5,478,684
Change in net assets	3,546,462	(43,318)	3,503,144
Net assets at beginning of year	1,165,749	270,790	1,436,539
Net assets at end of year	$ 4,712,211	$ 227,472	$ 4,939,683

MOODY EARLY CHILDHOOD CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2021

Description	Program Services	Management and General	Total Expenses
Payroll, benefits, and taxes	$ 3,134,085	$ 659,982	$ 3,794,067
Contract services	92,061	-	92,061
Professional fees	1,196	86,405	87,601
Program materials and services	10,930	1,971	12,901
Food services	37,341	-	37,341
Transportation	39,729	-	39,729
Professional development and training	19,200	3,712	22,912
Rent	979,511	206,267	1,185,778
Insurance	33,013	6,952	39,965
Utilities	34,387	7,241	41,628
Technology and communication	11,516	2,425	13,941
Supplies	124,915	52,694	177,609
Copying and printing	13,332	2,807	16,139
Advertising	-	13,245	13,245
Community outreach	1,377	-	1,377
Dues and subscriptions	14,785	3,113	17,898
Meeting expense	-	863	863
Licensing and other fees	-	1,689	1,689
Repairs and maintenance	73,932	15,569	89,501
Depreciation	93,973	19,789	113,762
Interest expense	-	10,500	10,500
Bank charges	-	4,776	4,776
Miscellaneous	599	18,712	19,311
Total expenses	$ 4,715,882	$ 1,118,712	$ 5,834,594

MOODY EARLY CHILDHOOD CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020

Description	Program Services	Management and General	Total Expenses
Payroll, benefits, and taxes	$ 2,735,876	$ 597,094	$ 3,332,970
Contract services	125,512	27,392	152,904
Professional fees	-	140,875	140,875
Program materials and services	26,441	-	26,441
Food services	66,834	-	66,834
Transportation	44,333	-	44,333
Professional development and training	38,480	8,398	46,878
Rent	961,429	224,349	1,185,778
Insurance	33,028	7,208	40,236
Utilities	55,207	12,049	67,256
Technology and communication	3,457	754	4,211
Equipment and rentals	2,913	636	3,549
Supplies	113,176	19,673	132,849
Copying and printing	10,058	2,195	12,253
Advertising	-	16,643	16,643
Community outreach	2,586	-	2,586
Dues and subscriptions	12,811	2,796	15,607
Travel	4,754	1,037	5,791
Meeting expense	-	1,087	1,087
Licensing and other fees		792	792
Repairs and maintenance	22,981	5,015	27,996
Depreciation	82,747	18,059	100,806
Interest expense	-	16,090	16,090
Bank charges	-	10,877	10,877
Miscellaneous	1,385	21,657	23,042
Total expenses	$ 4,344,008	$ 1,134,676	$ 5,478,684

MOODY EARLY CHILDHOOD CENTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ (2,068,394)	$ 3,503,144
Adjustments to reconcile change in net assets		
to net cash from operating activities:		
Depreciation expense	113,762	100,806
Gain on forgiveness of PPP loan	(633,100)	-
Changes in operating assets and liabilities:		
Tuition receivable	10,244	(8,293)
Contribution receivable	1,966,667	(3,133,333)
Other receivables	2,786	(257,553)
Prepaid expenses	(2,131)	(6,356)
Other assets	1,832	(1,832)
Accounts payable	2,312	(15,773)
Accrued liabilities	(1,098)	(150,385)
Net cash (used in) provided by operating activities	(607,120)	30,425
Cash flows from investing activities:		
Purchase of property and equipment	-	(140,624)
Net cash used in investing activities	-	(140,624)
Cash flows from financing activities:		
Proceeds from paycheck protection program	633,100	633,100
Payments (proceeds) from line of credit, net	(12,000)	95,000
Net cash provided by financing activities	621,100	728,100
Net (decrease) increase in cash and cash equivalents	13,980	617,901
Cash and cash equivalents at beginning of year	934,501	316,600
Cash and cash equivalents at end of year	$ 948,481	$ 934,501
Supplemental cash flow disclosures:		
Interest paid	$ 10,500	$ 16,090

MOODY EARLY CHILDHOOD CENTER
NOTES TO FINANCIAL STATEMENTS

1. Organization and Purpose

The Moody Early Childhood Center (the "Center") is a Texas not-for-profit corporation originally created on December 11, 2015, under the legal name Galveston Island Day School. On June 2, 2016, the Center changed its legal name to the Moody Early Childhood Center in accordance with stipulations in a grant agreement with The Moody Foundation, a private charitable foundation. On June 20, 2018, the Center entered into a cooperative partnership agreement (the "Agreement") with the Galveston Independent School District ("GISD") under Senate Bill No. 1882, which allowed the Center to operate as an in-district charter school.

The purpose of the Center is to provide education, development, and year-round child care for children six weeks to three years of age in the greater Galveston area. The Center is governed by a Board of Directors and is primarily supported by GISD, private grants and tuition fees. The Center operates in a mixed income setting with approximately 70% of their children receiving subsidies for tuition.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements of the Center have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and follows the guidance promulgated by the Financial Accounting Standards Board ("FASB") related to financial statements of not-for-profit organizations. Accordingly, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of the Center and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. As of August 31, 2021 and 2020, net assets without donor restrictions were $2,801,290 and $4,712,211, respectively.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that are either (i) restricted until the donor-imposed restriction has been met through the passage of time and/or by actions of the Board of Directors, or (ii) expected to be maintained in perpetuity. When a purpose restriction is accomplished, or a time restriction ends, net assets with donor restrictions are released to net assets without donor restrictions. As of August 31, 2021 and 2020, net assets with donor restrictions were $69,999 and $227,472, respectively.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 during the reporting period, and the allocation of expenses among various functions. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Center considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents. Cash balances may periodically exceed the federal depository insurance limit. However, the Center believes risk of loss is minimal in these accounts due to the strength of the financial institutions in which funds are held.

Tuition Receivable and Allowance for Doubtful Accounts

Tuition receivable consists of amounts due from tuition billings. A provision is made for doubtful accounts, when considered necessary by management, to reflect tuition receivable at its estimated realizable value. Receivables are considered past due when payments are not made according to agreed-upon terms. As of August 31, 2021 and 2020, the allowance for doubtful accounts was $1,291 and $10,517, respectively.

2. Summary of Significant Accounting Policies, continued

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a specified measurement date. Fair value measurements are derived using inputs and assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. U.S. GAAP establishes a valuation hierarchy for disclosure of the inputs used to measure fair value. This three-tier hierarchy classifies fair value amounts recognized or disclosed in the financial statements based on the observability of inputs used to estimate fair values. The classification within the hierarchy of a financial asset or liability is determined based on the lowest level input that is significant to the fair value measurement. The hierarchy considers fair value amounts based on observable inputs (Levels 1 and 2) to be more reliable and predictable than those based primarily on unobservable inputs (Level 3).

Fair value estimates of financial instruments are based on relevant market information and may be subjective in nature and involve uncertainties and matters of significant judgment. The Center's financial instruments consist mainly of cash, cash equivalents, tuition receivable, contributions receivable, other receivables, accounts payable, accrued liabilities and a line of credit. The Center believes that the carrying value of its assets and liabilities approximates the fair value of such items due to the short term nature of the accounts. The Center does not hold or issue financial instruments for trading purposes.

Property and Equipment

Property and equipment are recorded at cost, or in the case of donated assets, at estimated fair value at the date of the donation. Expenditures for substantial renewals and betterments are capitalized, while repairs and maintenance are charged to expense as incurred. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized on a straight-line method over the lesser of the useful life of the asset or the term of the lease. The estimated useful lives of significant assets are as follows:

	Years
Leasehold improvements	5-20
Playground equipment	15
Office equipment	5
Furniture and fixtures	7
Software	3

Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Center first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent the carrying value exceeds its fair value. No impairment on long-lived assets was recognized for the years ended August 31, 2021 and 2020. Long-lived assets to be disposed of by sale are reported at the lower of their carrying amount or their fair value less costs to sell and are not depreciated.

Revenue Recognition

On September 1, 2020, the Center adopted FASB Accounting Standards Codification Topic 606 ("ASC 606"), *Revenues from Contracts with Customers*, using the modified retrospective method applied to only those contracts that were incomplete upon adoption and there was no material impact to the nature and timing of revenue recognition. Results for reporting periods beginning after August 31, 2020 are presented under the new revenue standard, while prior period amounts are not adjusted and continue to be reported in accordance with historic accounting standards under ASC 605.

The Center generates revenue through a variety of sources including student tuition and fees, in-district charter school funding, grants and donor contributions.

2. Summary of Significant Accounting Policies, continued

Revenue Recognition, continued

The Center accounts for a contract with a student under ASC 606 and determines its revenue recognition through the following steps: (i) identification of the contract or contracts with a student; (ii) identification of the performance obligations with the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligation(s) within the contract; and (v) recognition of revenue when, or as the performance obligation has been satisfied.

Student tuition and fees are recognized in the period in which the services are provided and are shown net of discounts and student financial aid. Any tuition and fees collected in advance are reported as deferred revenue, a contract liability, until earned.

Revenues from contributions, including in-kind contributions, grants and in-district charter school funding, does not fall under the scope of ASC 606, as such revenue follows the accounting guidance of ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*.

Contributions

In accordance with the terms of the Agreement, due to the Center's in-district charter school status, the Center is eligible to receive funding from GISD based on projected enrollment at the beginning of the Center's fiscal year. The funding is received in monthly installments, due on the 15th of each month, and is recognized during the month due.

Contributions, including grants, are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence or nature of any donor restrictions. Unconditional contributions are recorded at their fair market value in the period in which the Center is notified of the intent of the contribution. Conditional contributions are not included in contributions until such time as the conditions are substantially met. Expirations of restrictions on net assets (i.e., the donor-restricted purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the Statement of Activities and Changes in Net Assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions.

Donated Materials, Use of Facilities and Services

Donated materials and use of facilities are recorded at fair value as contributions without donor restrictions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. The Center does not imply time restrictions for donations of long-lived assets. In the absence of donor-imposed restrictions, donations of long-lived assets are reported as revenue without donor restrictions. For both the years ended August 31, 2021 and 2020, the Center received in-kind rent of $1,185,778 (See Note 8).

In accordance with FASB Accounting Standards Codification ("ASC") Topic 958-605, *Not-for-Profit Entities – Accounting for Contributions Received and Contributions Made*, the Center recognizes contributed services at their estimated fair value if the services received (i) create or enhance nonfinancial assets or (ii) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No amounts for contributed services have been reflected in the accompanying financial statements as they did not meet the criteria for recognition required by U.S. GAAP.

Income Tax Status

The Center is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code (the "IRC") and comparable state law. The Center is funded by tuition fees and private contributions. Contributions to the Center are tax deductible within the limitations prescribed by the IRC. However, the Center is subject to taxes on unrelated business income. For the years ended August 31, 2021 and 2020, there were no unrelated business activities; thus, no provision has been made for income taxes.

2. Summary of Significant Accounting Policies, continued

Functional Expense Allocation

The Center only has one program activity, which is the education of children in the greater Galveston area who are in the early stage of development. The cost of providing the program and the related management activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Asset. Accordingly, certain costs have been allocated among program services and management and general, based on the level of effort by employees and other methods determined by management.

Compensable Absences

Full time employees are allowed five days of paid time off ("PTO") after completing one year of service. Employees who leave in good standing with proper notification may receive pay in lieu of taking accrued time off. The Center has adopted a policy in which accrued PTO balances are reset to zero at the beginning of each year. Thus, no amount is accrued in the financial statements for compensated absences as of August 31, 2021 and 2020.

Recent Accounting Standards

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under ASU No. 2016-02, lessor accounting is largely unchanged. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019 with early application permitted. Lessees and lessors must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases expiring before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. In July 2019, the FASB approved the delay of the effective date of ASU No. 2016-02 by one year (effective for annual periods beginning after December 15, 2020). In June 2020, the FASB issued ASU No. 2020-05, which allowed certain entities who had not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of ASU No. 2016-02 to defer implementation for one year due to unique challenges resulting from the COVID-19 pandemic. Accordingly, ASU No. 2016-02 is effective for the Center for the year beginning September 1, 2022. Management is currently evaluating the effect the provisions of ASU No. 2016-02 will have on the Center's financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which is part of the FASB disclosure framework project to improve the effectiveness of disclosures in the notes to the financial statements. The amendments in the new guidance remove, modify and add certain disclosure requirements related to fair value measurements covered in FASB ASC Topic 820 ("ASC 820"), *Fair Value Measurements and Disclosures*. The new standard is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for either the entire standard or only the requirements that modify or eliminate the disclosure requirements, with certain requirements applied prospectively, and all other requirements applied retrospectively to all periods presented. The Center adopted ASU No. 2018-13 effective September 1, 2020 and its adoption did not have a significant impact on the Center's financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is designed to improve generally accepted accounting principles by increasing the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The amendments in the new guidance improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for not-for-profits, including additional disclosure requirements for recognized contributed services, covered in FASB ASC Topic 958 ("ASC 958") *Not-for-Profit Entities – Revenue Recognition*. The amendments in this update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021. Early adoption is permitted. Management does not expect the adoption of ASU No. 2020-07 to have a significant impact on the Center's financial statements.

3. Contributions Receivable

Contributions receivable at August 31, 2021 and 2020, consist of the following:

	2021	2020
Receivables due in less than one year	$ 1,966,666	$ 1,966,667
Receivables due in one to five years	-	1,966,666
	$ 1,966,666	$ 3,933,333

4. Property and Equipment

As of August 31, 2021 and 2020, property and equipment consist of the following:

	2021	2020
Leasehold improvements	$ 500,771	$ 500,771
Furniture and fixtures	314,416	314,416
Playground equipment	194,503	194,503
Office equipment	35,420	35,420
Software	18,133	18,133
	1,063,243	1,063,243
Accumulated depreciation	(412,889)	(299,127)
Property and equipment, net	$ 650,354	$ 764,116

For the years ended August 31, 2021 and 2020, depreciation expense was $113,762 and $100,806, respectively.

5. Accrued Liabilities

As of August 31, 2021 and 2020, accrued liabilities consist of the following:

	2021	2020
Teacher Retirement System of Texas contributions	$ -	$ 41,683
Payroll and taxes	77,006	27,966
Other	5,399	13,854
	$ 82,405	$ 83,503

6. Line of Credit

In August 2020, the Center renewed an existing line of credit agreement with Moody Bank with a maximum draw of $300,000 to assist in the periodic cash needs of the Center. Principal and interest is due monthly, beginning in September 2020, with interest calculated on the unpaid principal balances at an interest rate of 4.25% per annum. The line of credit matured in August 2021 and was renewed for an additional one year period under the same terms as the original agreement. Collateral for the line of credit consists of all Center assets. At August 31, 2021 and 2020, the outstanding balance on the line of credit was $283,000 and $295,000, respectively. During the years ended August 31, 2021 and 2020, interest expense associated with the line of credit is $10,500 and $16,090, respectively.

7. Paycheck Protection Program Loan

On March 27, 2020, the President of the United States signed into law the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, which, among other things, includes the Paycheck Protection Program (the "PPP"). On April 17, 2020, pursuant to the PPP, the Center received proceeds from an unsecured loan with Moody Bank, N.A. in the amount of $633,100, bearing interest at a rate of 1.00% per year with a maturity date of April 9, 2022. The CARES Act allows principal, interest and fees to be deferred six months ("deferral period"), and accordingly, interest and principal is due in monthly installments of $35,451 beginning October 9, 2020. Under the CARES Act, loan forgiveness may be available for certain qualifying expenses as defined in the CARES Act. On June 5, 2020, the President of the United States signed into law the PPP Flexibility Act, which, among other things, extended the deferral period for all entities that have applied for forgiveness from six months to the date that the financial institution receives the approved loan forgiveness funds from the Small Business Administration. The Center applied for and received forgiveness of the PPP Loan in February 2021. During the year ended August 31, 2021, the Center recognized $633,100 as forgiveness of debt which is included as its own line item in the accompanying Statement of Activities and Changes in Net Assets.

During February 2021, the Center entered into an unsecured loan with Moody Bank, N.A. under the second round of the PPP in the amount of $633,100, bearing interest at a rate of 1.00% per year with a maturity date of February 17, 2026. The principal, interest and fees is deferred for a period of ten months after the end of the loan forgiveness covered period. At August 31, 2021, $633,100 was outstanding on the note. Under the PPP, loan forgiveness may be available for certain qualifying expenses as defined in the CARES Act. Management believes it has expended the loan proceeds in accordance with the provisions of the PPP, which should provide for full forgiveness of the loan.

8. Occupancy Transactions

On July 1, 2016, the Center and GISD entered into a five-year operating and lease agreement under which the Center leases, operates, and develops the early childhood center in GISD's San Jacinto School building located at 21st Street Avenue L in Galveston, Texas. The building operates under the name of Moody Early Childhood Center on a year-round basis with the explicit intent of providing educational opportunities for a cross-section of Galveston youth. GISD also operates their Pre-Kindergarten 3 program in the same building but retains all operating authority over their program. Effective September 15, 2016, the lease agreement was amended to increase the number of classrooms rented and to modify the rental fee. Effective April 25, 2017, the lease agreement was again amended to increase the number of classrooms rented, to incorporate changes regarding the rental rate, and to change the policy related to payment of utilities. Beginning in 2018, MECC became an In-District Charter school with GISD and signed a Charter Agreement in August of 2018 that allows the Center to utilize the entire 61,759 square foot premises rent free. As such, for the years ended August 31, 2021 and 2020, the Center recorded in-kind contributions, as well as rent expense, in the amount of $1,185,778.

9. Net Assets With Donor Restrictions

Net assets with donor restrictions at August 31, 2021 and 2020 are available for the following purposes:

	2021	2020
Subject to expenditure for a specified purpose:		
Professional development	$ -	$ 48,300
Scholarships	69,999	150,000
Special projects	-	29,172
	$ 69,999	$ 227,472

10. Liquidity

The following reflects the Center's financial assets as of August 31, 2021 and 2020, reduced by amounts not available for general use due to contractual or donor-imposed restrictions within one year of the financial position date.

	2021	2020
Financial assets, at year-end	$ 3,218,977	$ 3,218,028
Less those unavailable for general expenditure within one year, due to contractual or donor-imposed restrictions:		
Restricted by donor with purpose restrictions	69,999	227,472
Financial assets available to meet cash needs for general expenditures within one year	$ 3,148,978	$ 2,990,556

The Center is substantially supported by contributions, grants, in-district charter school funding, and tuition revenue that do not contain donor-imposed restrictions; thus, the majority of the Center's financial assets are available as their general expenditures, liabilities, and other obligations come due.

11. Concentration of Credit Risk

A substantial amount of the Center's revenue consists of grants from foundations in Galveston County.

During the year ended August 31, 2021, grant revenue from one organization represented 50% of total revenues and support. During the year ended August 31, 2020, grant revenue from two organizations represented 86% of total revenues and support.

12. Risks and Uncertainties

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Center is monitoring the recent global health emergency driven by the potential impact of the COVID-19 virus, along with global supply and demand dynamics; however, the extent to which these events may impact the Center's business will depend on future developments, which are highly uncertain and cannot be predicted at this time. The duration and intensity of these impacts and resulting disruption to the Center's operations is uncertain and continues to evolve as of the date of this report. Accordingly, the Center will continue to monitor the impact of the global situation on its financial condition, liquidity, and operations.

13. Subsequent Events

In January 2022, the Center applied for and received forgiveness of the PPP loan it had taken under the second round of the program. The balance forgiven totaled $633,100.

Management has evaluated subsequent events through February __, 2022, the date the financial statements were available to be issued and has concluded that there were no other significant events to be reported.