

First Steps Kent



Years Ended
September 30,
2022 and 2021

Financial
Statements
and
Supplementary
Information

Rehmann

FIRST STEPS KENT

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INDEPENDENT AUDITORS' REPORT

January 13, 2023

To the Commission of
First Steps Kent
Grand Rapids, Michigan

Opinion

We have audited the accompanying financial statements of **First Steps Kent** (the "Organization"), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements (the "financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 these 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditors' 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 auditors' 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 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 the Organization's 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 the Organization's 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the 2022 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2022 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2022 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2022 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 2022 financial statements as a whole.

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FIRST STEPS KENT

Statements of Financial Position

	September 30,	
	2022	2021
Assets		
Cash and cash equivalents	\$ 671,795	\$ 1,008,762
Pledges and grants receivable, net	1,113,457	1,096,083
Ready by Five Millage receivable	1,434,922	461,075
Prepaid expenses and other	7,626	7,332
Property and equipment, net	35,486	30,871
Total assets	\$ 3,263,286	\$ 2,604,123
Liabilities		
Accounts payable	\$ 777,767	\$ 512,508
Accrued liabilities	79,121	80,504
Refundable advance from Ready by Five millage	779,335	586,394
Total liabilities	1,636,223	1,179,406
Net assets		
Without donor restrictions		
Undesignated	52,639	202,611
Board designated funds	63,000	63,000
With donor restrictions	1,511,424	1,159,106
Total net assets	1,627,063	1,424,717
Total liabilities and net assets	\$ 3,263,286	\$ 2,604,123

The accompanying notes are an integral part of these financial statements.

FIRST STEPS KENT

Statement of Activities

For the Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues, and (losses)			
Contributions and grants	\$ 281,900	\$ 892,000	\$ 1,173,900
Ready by Five millage contract revenue and support	7,312,101	-	7,312,101
Other revenue	52,906	-	52,906
Loss on disposal of property and equipment	(4,804)	-	(4,804)
Total support, revenues, and (losses)	7,642,103	892,000	8,534,103
Net assets released from restrictions	539,682	(539,682)	-
Total support, revenues, (losses) and net assets released from restrictions	8,181,785	352,318	8,534,103
Expenses			
Program services:			
Early Childhood Development	7,370,070	-	7,370,070
Early Learning Initiative	318,376	-	318,376
Shared Services	320,220	-	320,220
Data Projects	6,404	-	6,404
Total program services	8,015,070	-	8,015,070
Support services:			
Administration	224,199	-	224,199
Fundraising	92,488	-	92,488
Total support services	316,687	-	316,687
Total expenses	8,331,757	-	8,331,757
Change in net assets	(149,972)	352,318	202,346
Net assets, beginning of year	265,611	1,159,106	1,424,717
Net assets, end of year	\$ 115,639	\$ 1,511,424	\$ 1,627,063

The accompanying notes are an integral part of these financial statements.

FIRST STEPS KENT

Statement of Activities

For the Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions and grants	\$ 754,961	\$ 798,426	\$ 1,553,387
Ready by Five millage contract revenue and support	4,782,893	-	4,782,893
Other revenue	27,160	-	27,160
Total support and revenues	5,565,014	798,426	6,363,440
Net assets released from restrictions	405,620	(405,620)	-
Total support, revenues and net assets released from restrictions	5,970,634	392,806	6,363,440
Expenses			
Program services:			
Early Childhood Development	4,850,836	-	4,850,836
Early Learning Initiative	351,585	-	351,585
Shared Services	632,273	-	632,273
Data Projects	46,243	-	46,243
Total program services	5,880,937	-	5,880,937
Support services:			
Administration	214,741	-	214,741
Fundraising	84,576	-	84,576
Total support services	299,317	-	299,317
Total expenses	6,180,254	-	6,180,254
Change in net assets	(209,620)	392,806	183,186
Net assets, beginning of year	475,231	766,300	1,241,531
Net assets, end of year	\$ 265,611	\$ 1,159,106	\$ 1,424,717

The accompanying notes are an integral part of these financial statements.

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FIRST STEPS KENT

Statement of Functional Expenses

For the Year Ended September 30, 2022

	Program Services		
	Early Childhood Development	Early Learning Initiatives	Shared Services
Salaries	\$ 309,035	\$ 184,320	\$ 157,674
Payroll taxes and employee benefits	61,974	83,712	35,189
Total salaries and related expenses	371,009	268,032	192,863
Grants	6,918,342	-	-
Special Funds	-	-	40,960
Contractual and professional fees	49,081	-	69,183
Office supplies	5,297	-	2,138
Telephone	1,764	-	3,787
Minor equipment	1,240	2,200	-
Occupancy	14,440	21,186	-
Printing, publications, and promotion	2,906	5,013	3,197
Conferences, workshops, and meetings	2,537	21,945	8,092
Miscellaneous	3,454	-	-
Depreciation	-	-	-
Total expenses	\$ 7,370,070	\$ 318,376	\$ 320,220

The accompanying notes are an integral part of these financial statements.

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Program Services		Support Services		
Data Projects	Total Program Services	Administration	Fundraising	Total
\$ -	\$ 651,029	\$ 41,229	\$ 16,977	\$ 709,235
2,024	182,899	20,197	8,316	211,412
2,024	833,928	61,426	25,293	920,647
-	6,918,342	-	-	6,918,342
-	40,960	-	-	40,960
4,380	122,644	99,271	42,544	264,459
-	7,435	16,283	6,980	30,698
-	5,551	3,068	1,315	9,934
-	3,440	2,425	1,015	6,880
-	35,626	23,358	9,778	68,762
-	11,116	5,525	2,313	18,954
-	32,574	4,798	1,483	38,855
-	3,454	3,883	853	8,190
-	-	4,162	914	5,076
<u>\$ 6,404</u>	<u>\$ 8,015,070</u>	<u>\$ 224,199</u>	<u>\$ 92,488</u>	<u>\$ 8,331,757</u>

FIRST STEPS KENT

Statement of Functional Expenses

For the Year Ended September 30, 2021

	Program Services		
	Early Childhood Development	Early Learning Initiatives	Shared Services
Salaries	\$ 272,098	\$ 250,707	\$ 102,842
Payroll taxes and employee benefits	68,675	75,932	24,745
Total salaries and related expenses	340,773	326,639	127,587
Grants	4,391,007	-	-
Coronavirus Aid, Relief, and Economic Security Act	-	-	420,804
Contractual and professional fees	63,572	-	69,653
Office supplies	9,691	-	3,675
Telephone	3,300	-	2,058
Minor equipment	397	1,971	-
Occupancy	27,717	15,586	-
Printing, publications, and promotion	539	6,775	3,320
Conferences, workshops, and meetings	10,581	614	5,176
Miscellaneous	3,259	-	-
Depreciation	-	-	-
Total expenses	\$ 4,850,836	\$ 351,585	\$ 632,273

The accompanying notes are an integral part of these financial statements.

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Program Services		Support Services		
Data Projects	Total Program Services	Administration	Fundraising	Total
\$ -	\$ 625,647	\$ 56,081	\$ 23,092	\$ 704,820
2,163	171,515	23,395	9,633	204,543
2,163	797,162	79,476	32,725	909,363
-	4,391,007	-	-	4,391,007
-	420,804	5,053	-	425,857
44,080	177,305	79,243	33,962	290,510
-	13,366	8,598	3,685	25,649
-	5,358	2,344	1,005	8,707
-	2,368	2,173	910	5,451
-	43,303	17,185	7,194	67,682
-	10,634	7,469	3,127	21,230
-	16,371	-	-	16,371
-	3,259	7,904	806	11,969
-	-	5,296	1,162	6,458
<u>\$ 46,243</u>	<u>\$ 5,880,937</u>	<u>\$ 214,741</u>	<u>\$ 84,576</u>	<u>\$ 6,180,254</u>

FIRST STEPS KENT

Statements of Cash Flows

	Year Ended September 30,	
	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 202,346	\$ 183,186
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	5,076	6,458
Loss on disposal of property and equipment	4,804	-
Changes in operating assets and liabilities that provided (used) cash:		
Pledges and grants receivable	(17,374)	(532,097)
Ready by Five millage receivable	(973,847)	(95,266)
Prepaid expenses and other	(294)	(238)
Accounts payable	265,259	109,909
Accrued liabilities	(1,383)	9,485
Refundable advance from Ready by Five millage	192,941	187,811
Refundable advance - CARES Act	-	(450,000)
Net cash used in operating activities	(322,472)	(580,752)
Cash flows used in investing activities		
Purchases of property and equipment	(14,495)	(3,540)
Net decrease in cash and cash equivalents	(336,967)	(584,292)
Cash and cash equivalents, beginning of year	1,008,762	1,593,054
Cash and cash equivalents, end of year	\$ 671,795	\$ 1,008,762

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

FIRST STEPS KENT

Notes to Financial Statements

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The mission of **First Steps Kent** (the "Organization") is to create a coordinated, integrated system of early childhood services that supports families in Kent County.

The Organization is governed by the Commission, which serves as our Board of Directors.

First Steps Kent provided the following programs in fiscal 2022 and 2021:

Early Childhood Development

First Steps Kent administers and oversees the Ready by Five Early Childhood Millage (the "Ready by Five Millage") for programs that improve the health, school readiness, and well-being of children through age five. It allows more children and families from across Kent County to participate in programs that are proven to increase their likelihood of success in school and beyond. Community-based organizations apply for funding to provide services such as home visiting, play and learn groups, developmental screening, and navigation support to help families access the help they need and want. Decisions about which organizations to fund are based on community needs assessments and the recommendations of the Resident Proposal Review Board, which includes parents, Kent County Commissioners and staff, a community early childhood expert, and a First Steps Kent Commissioner.

Early Learning Initiatives

First Steps Kent was established to be the systems level organization for Early Childhood in Kent County, born out of planning between community leaders, funders and the Kent County administration in 2009. Although terms and the vernacular has shifted over several years, promotion and advocacy for Early Learning focused on children and families covering the age continuum from pre-natal to 5 years of age is a large part of the work of First Steps Kent. The measurable outcomes associated with this work ensures that children are born healthy and are referred to services to assist them and their families with developmentally appropriate resources and services, so that they are able to enter kindergarten ready to learn and reach their full potential. First Steps Kent is a lead convener in Kent County, statewide and even nationally to promote and advocate for evidenced-based models to enhance the healthy development of young children. These initiatives include dozens of meetings, convenings and contributions to the latest research documents created by partners like the Build Initiative, the Pritzker Children's Initiative, the National League of Cities and the Center for the Study of Social Policy. First Steps Kent strives to advocate for services and resources for our youngest children and their families by providing impact reports and needs assessments showing where gaps exist in the early childhood landscape.

FIRST STEPS KENT

Notes to Financial Statements

Shared Services

First Steps Kent was selected as the convening entity to incubate and implement a quality childcare service model for Kent County that will increase access to affordable, quality childcare for working families with young children by maximizing early childcare provider capacity. The shared services initiative offers resources to increase business sustainability through supports such as technical assistance from experts on small business management, professional development webinars and workshops on best practices in quality childcare, and developing a coordinated purchasing system to ensure providers receive volume discounts that will increase their buying power for supplies.

Data Projects

First Steps Kent supports community-wide data collection initiatives from service providers to support understanding the needs of expectant parents and families with young children in Kent County. The organization also participates with community partners to determine how developmental screening data can reveal trends and disparities in kindergarten readiness. Data collection is also used to support the third-party evaluation of the Ready by Five Millage to understand the millage funding impact with children's developmental readiness, and continuing to support performance-based metrics with agencies receiving millage funding.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue, support and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

Net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board has designated an unrestricted donation for future data projects.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

FIRST STEPS KENT

Notes to Financial Statements

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks, cash on hand, and deposits in money market funds. The Organization maintains demand deposits in banks that are insured by the Federal Deposit Insurance Corporation up to \$250,000 per bank. At times during fiscal 2022 and 2021, the Organization's bank balance in these accounts may have exceeded the insured limit. Management believes the Organization is not exposed to any significant interest rate or other risk on these deposits.

Pledges and Grants Receivable

The Organization's grants receivable are composed primarily of grants and allocations committed from various funding sources for use in the Organization's activities. The Organization has not recorded a provision for doubtful accounts since it is the opinion of management that those receivables are collectible in full. Pledges receivable are recorded at the net present value of the expected future cash flows using a discount rate of 2%. No allowance for uncollectible pledges was considered necessary as of September 30, 2022 or 2021.

Property and Equipment

Furniture and equipment and leasehold improvements are recorded at cost or, if donated, at fair value on the date of the gift. Major improvements and renewals are capitalized, while ordinary maintenance and repairs are expensed. Management reviews assets to determine whether carrying values have been impaired. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which generally range from 5 to 10 years.

Refundable Advance from Ready by Five millage

The contract with Kent County for the administration of the Ready by Five Millage provides that First Steps Kent annually receive a cash advance to be used for working capital. The amount of the cash advance will be equal to 1/12th of the annual millage and is repaid each year whereupon a new advance is provided by the county based on the then current years millage.

Revenue and Support Recognition

Donations and Unconditional Promises to Give

Donations received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor imposed restrictions. Donations are recognized when the donor makes a promise to give that is, in substance, unconditional. Donations that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the donations are received. All other donor-restricted donations are reported as increases in net assets with donor restrictions. When a restriction has been satisfied or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

FIRST STEPS KENT

Notes to Financial Statements

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, less an allowance for promises estimated to be uncollectible. The gifts are reported as either net assets without donor restrictions or net assets with donor restrictions if they are received with donor stipulations that limit the use of donated assets. Conditional contributions include a measurable performance or other barrier and a right of return or right of release and are not recognized until the conditions on which they depend have been met.

Grant Awards

Grant awards are either recorded as contributions or exchange transactions based on criteria contained in the grant award:

Grant awards that are contributions: Grants that qualify as contributions are recorded as invoiced to the funding sources in accordance with the terms of the award and ASC Topic 958-605, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Revenue is recognized in the accounting period when the related allowable expenses or asset acquisition costs are incurred. Amounts received in excess of expenses or asset acquisitions are reflected as grant funds received in advance.

Grant awards that are exchange transactions: Exchange transactions are typically reimbursement based on a predetermined rate for services performed in accordance with the terms of the award and ASC Topic 606, *Revenue from Contracts with Customers*. The revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. There were no grant awards that were considered exchange transactions during the year ended September 30, 2022 or 2021.

Ready by Five Millage

On November 16, 2018, Kent County voters approved a 6 year millage for .25 mills that provides funding for community-based early childhood development services for families with children up to age five and expectant mothers. On July 25, 2019 the Kent County Board of Commissioners signed a contract with the Organization to serve as the childhood millage administrator. The contract was effective May 1, 2019. Under terms of the contract, the Organization receives a monthly administration fee which is recorded as revenue ratably over time as services are provided. For the year ended September 30, 2022, First Steps Kent received \$393,759 of funding from the millage for administration and a \$6,918,342 contribution for distribution to the approved service providers. For the year ended September 30, 2021, \$391,886 was received for administration and \$4,391,007 as a contribution for distribution to the approved service providers. The revenue from this contract is included within the Ready By Five Millage Contract revenue and support in the fiscal 2022 and 2021 statement of activities. Accounts receivable related to the administration fee totaled \$32,740, \$33,033 and \$31,529 at September 30, 2022, 2021 and 2020, respectively.

FIRST STEPS KENT

Notes to Financial Statements

Contributions Made

Unconditional grants are recorded as an expense when they are approved by the Commission. Grant awards that are conditional in nature are not recorded as expenses until the condition has been satisfied. Payments made in advance to charitable organizations for which conditions have not yet been satisfied are classified as refundable advances to grant subrecipients in the combined statement of financial position.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses which apply to more than one functional category have been allocated among the respective functions based upon the time spent on these functions by specific employees as estimated by management and applied on a consistent basis. Other expenses have been allocated between program and support service classifications based upon square footage, estimates of usage and other relevant measures as determined by management. Accordingly, certain costs have been allocated among the programs and supporting services benefited as detailed in the statements of functional expenses. Dedicated program support expenses consist primarily of personnel functions directly associated with several different programs. Although the methods of allocation used are considered reasonable, other methods could be used that would produce different amounts.

Income Taxes

First Steps Kent is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and are exempt from similar state and local taxes. Although the Organization was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to “unrelated business taxable income.”

The Organization analyzes its income tax filing positions in the jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions, to identify potential uncertain tax positions. The Organization concluded that there are no significant uncertain tax positions requiring recognition in these financial statements. The Organization does not expect the total amount of unrecognized tax benefits (“UTB”) (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Organization does not have any amounts accrued for interest and penalties related to UTB at September 30, 2022 or 2021, and is not aware of any claims for such amounts by federal or state income tax authorities.

Risks and Economic Uncertainties

The global pandemic resulting from the novel coronavirus (COVID-19) continues to affect the world economy, but did not dramatically affect program operations. The Organization was able to release monies from the Ready By Five mileage, to community agencies selected through the Resident Proposal Review Board, closer to the originally intended rate. At this time management does not believe that the negative financial impact of the pandemic, if any, would be material to the Organization.

FIRST STEPS KENT

Notes to Financial Statements

Subsequent Events

In preparing these financial statements, the Organization has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to September 30, 2022, the most recent statement of financial position presented herein, through January 13, 2023, the date these financial statements were available to be issued. No significant such events or transactions were identified.

2. PLEDGES AND GRANTS RECEIVABLES

Pledges and grants receivable are summarized as follows at September 30:

	2022	2021
Gross grants and promises to give	\$ 1,119,040	\$ 1,102,916
Less unamortized discount using 2 percent discount rate	<u>(5,583)</u>	<u>(6,833)</u>
Net pledges and grants receivable	<u>\$ 1,113,457</u>	<u>\$ 1,096,083</u>
Net pledges and grants receivable expected to be collected in:		
Less than one year	\$ 839,873	\$ 754,416
One to five years	<u>273,584</u>	<u>341,667</u>
Total	<u>\$ 1,113,457</u>	<u>\$ 1,096,083</u>

3. PROPERTY AND EQUIPMENT

Property and equipment, net is summarized as follows at September 30:

	2022	2021
Furniture and equipment	\$ 63,987	\$ 61,502
Leasehold improvements	<u>9,150</u>	<u>9,150</u>
Total	73,137	70,652
Less accumulated depreciation	<u>(37,651)</u>	<u>(39,781)</u>
Property and equipment, net	<u>\$ 35,486</u>	<u>\$ 30,871</u>

FIRST STEPS KENT

Notes to Financial Statements

4. LINE OF CREDIT

Under a line of credit agreement with a bank, the Organization has available borrowings of up to \$150,000. There were no borrowings on this line of credit at September 30, 2022 and 2021. The note bears interest at a rate equal to the bank's prime rate plus 0.50 percent, with a minimum rate of 4.00 percent, and matures during July 2023. The line of credit is secured by substantially all assets.

5. LEASES

The Organization leases office equipment under a noncancelable operating lease agreement that expires during October 2024. The Organization leases office space managed by a nonrelated party under a noncancelable operating lease agreement beginning on December 1, 2018 and continuing through December 31, 2023. The following is a schedule of annual future minimum lease payments under operating leases with initial or remaining noncancelable lease terms in excess of one year as of September 30, 2022.

Year Ended September 30,	Amount
2023	\$ 72,505
2024	22,507
2025	<u>478</u>
Total	<u>\$ 95,490</u>

Total rent expense on these leases for fiscal 2022 and 2021 was approximately \$71,600 and \$70,200, respectively. On November 1, 2018, the Organization entered into a shared space agreement related to a portion of its office space with the nonprofit entity K-Connect. The agreement runs concurrent with the Organization's lease agreement above. Under the terms of the shared space agreement, K-Connect reimburses the Organization for its share of common costs including rent, utilities and other costs. The amount of rent and other shared occupancy costs received under the shared space agreement from K Connect for the year ended September 30, 2022 and 2021 was approximately \$27,300 and \$26,600 respectively. The revenue from this shared space agreement is shown as other revenue on the fiscal 2022 and 2021 statement of activities.

6. EMPLOYEE BENEFIT PLAN

The Organization sponsors a 401(k) defined contribution retirement plan covering substantially all employees of First Steps Kent. All employees who have reached the age of 21 and are employed on the last day of the plan year are eligible to participate in the plan. The Organization matches 50 percent of a participant's elective deferral up to a maximum of 6 percent of gross pay, as well as a discretionary annual contribution, as limited by the Internal Revenue Service. The Organization made contributions of \$13,289 and \$13,893 to the plan for the years ended September 30, 2022 and 2021, respectively.

FIRST STEPS KENT

Notes to Financial Statements

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of September 30 are restricted for the following purposes or time:

	2022	2021
Purpose and time restrictions:		
Contributions and grants - time restricted	\$ 739,459	\$ 658,146
Various program restrictions:		
Shared services	700,294	342,180
Data projects	71,671	158,780
Total net assets with donor restrictions	\$ 1,511,424	\$ 1,159,106

8. RELATED PARTY TRANSACTIONS

Contributions in the amount of \$65,000 and \$0 were received from related parties of members of the Commission during the fiscal years ended September 30, 2022 and 2021, respectively. Pledges receivable balances of \$0 and \$100,000 at year end for fiscal years 2022 and 2021, respectively, are from related parties of members of the Commission.

9. LIQUIDITY AND AVAILABILITY

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 at September 30:

	2022	2021
Cash and cash equivalents	\$ 671,795	\$ 1,008,762
Pledges and grants receivable	1,113,457	1,096,083
Ready by Five Millage receivable	1,434,922	461,075
Subtotal	3,220,174	2,565,920
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with time and purpose restrictions, exclusive of time restrictions greater than one year	(273,584)	(341,667)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,946,590	\$ 2,224,253

FIRST STEPS KENT

Notes to Financial Statements

The Organization has \$2,946,590 and \$2,224,253, as of September 30, 2022 and 2021, respectively, of financial assets available within one year of the statements of financial position date to meet cash needs for general expenditures. The Organization manages its liquidity required to meet its operating needs while also trying to maximize the investment of its available funds. To help manage unanticipated liquidity needs, the Organization has a line of credit with an available balance of \$150,000, which it could draw upon.

In 2022, the Board has designated certain funds for specified purposes other than general expenditure. However, these amounts could be made available if necessary.

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SUPPLEMENTARY INFORMATION

FIRST STEPS KENT

Combining Schedule of Financial Position

September 30, 2022

	First Steps Kent Fund	Ready by Five Millage Fund	Total
Assets			
Cash and cash equivalents	\$ 557,943	\$ 113,852	\$ 671,795
Pledges and grants receivables, net	1,113,457	-	1,113,457
Ready by Five Millage receivable	-	1,434,922	1,434,922
Prepaid expenses and other assets	7,626	-	7,626
Property and equipment, net	35,486	-	35,486
Total assets	\$ 1,714,512	\$ 1,548,774	\$ 3,263,286
Liabilities			
Accounts payable	\$ 8,328	\$ 769,439	\$ 777,767
Accrued liabilities	79,121	-	79,121
Refundable advance from Ready by Five millage	-	779,335	779,335
Total liabilities	87,449	1,548,774	1,636,223
Net assets			
Without donor restrictions	115,639	-	115,639
With donor restrictions	1,511,424	-	1,511,424
Total net assets	1,627,063	-	1,627,063
Total liabilities and net assets	\$ 1,714,512	\$ 1,548,774	\$ 3,263,286

The accompanying notes are an integral part of these financial statements.

FIRST STEPS KENT

Combining Schedule of Activities

For the Year Ended September 30, 2022

	First Steps Kent Fund	Ready by Five Millage Fund	Total
Support, revenues, and (losses)			
Contributions and grants	\$ 1,173,900	\$ -	\$ 1,173,900
Ready by Five millage contract revenue and support	393,759	6,918,342	7,312,101
Other revenue	52,906	-	52,906
Loss on disposal of property and equipment	(4,804)	-	(4,804)
Total support, revenues, and (losses)	1,615,761	6,918,342	8,534,103
Expenses			
Program services:			
Early Childhood Development	451,728	6,918,342	7,370,070
Early Learning Initiative	318,376	-	318,376
Shared Services	320,220	-	320,220
Data Projects	6,404	-	6,404
Total program services	1,096,728	6,918,342	8,015,070
Support services:			
Administration	224,199	-	224,199
Fundraising	92,488	-	92,488
Total support services	316,687	-	316,687
Total expenses	1,413,415	6,918,342	8,331,757
Change in net assets	202,346	-	202,346
Net assets, beginning of year	1,424,717	-	1,424,717
Net assets, end of year	\$ 1,627,063	\$ -	\$ 1,627,063

The accompanying notes are an integral part of these financial statements.