Moody Early Childhood Center

Giving every Galveston child the opportunity to soar

Moody Early Childhood Center Board of Directors
Special Called Meeting
Monday, February 17, 2020 @ 9:30 a.m. at
Quigg Cottage 2628 Broadway Galveston, Texas 77550

AGENDA

1. Call to order
2. Public Comment
3. Presentation of 2018-2019 Audit by Neil Hoover, CPA with Ham, Langston & Brezina, L.L.P.
4. Action Item – Audit Approval
5. Adjourn

MOODY EARLY CHILDHOOD CENTER

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
As of and for the Years Ended August 31, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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

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MOODY EARLY CHILDHOOD CENTER
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2019 AND 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 316,600	$ 610,634
Receivables:		
Tuition, net	1,951	9,747
Contribution	800,000	-
Other	49,063	
Prepaid expenses	16,001	6,000
Total current assets	1,183,615	626,381
Property and equipment, net	724,298	738,533
Total assets	$ 1,907,913	$ 1,364,914
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 37,486	$ 59,244
Accrued liabilities	233,888	2,173
Line of credit	200,000	100,000
Total liabilities	471,374	161,417
Net assets:		
Without donor restrictions	1,165,749	664,692
With donor restrictions	270,790	538,805
Total net assets	1,436,539	1,203,497
Total liabilities and net assets	$ 1,907,913	$ 1,364,914

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

MOODY EARLY CHILDHOOD CENTER
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	$ 3,026,207	$ 213,731	$ 3,239,938
In-district charter school funding	500,331		
Grants	302,616	-	302,616
Tuition, net	618,255	-	618,255
Other	18,115	-	18,115
Revenue before release of restrictions on net assets	4,465,524	213,731	4,178,924
Net assets released from restrictions:			
Program expenditures	379,982	(379,982)	-
Capital expenditures	101,764	(101,764)	-
Total revenue and support	4,947,270	(268,015)	4,178,924
Expenses:			
Program expenses	3,606,490	-	3,606,490
Management and general	839,723	-	839,723
Total expenses	4,446,213	-	4,446,213
Change in net assets	501,057	(268,015)	233,042
Net assets at beginning of year	664,692	538,805	1,203,497
Net assets at end of year	$ 1,165,749	$ 270,790	$ 1,436,539

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MOODY EARLY CHILDHOOD CENTER
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	$ 1,650,346	$ 627,290	$ 2,277,636
Tuition, net	655,910	-	655,910
Other	18,404	-	18,404
Revenue before release of restrictions on net assets	2,324,660	627,290	2,951,950
Net assets released from restrictions:			
Program expenditures	182,751	(182,751)	-
Capital expenditures	108,367	(108,367)	-
Total revenue and support	2,615,778	336,172	2,951,950
Expenses:			
Program expenses	2,116,847	-	2,116,847
Management and general	502,320	-	502,320
Total expenses	2,619,167	-	2,619,167
Change in net assets	(3,389)	336,172	332,783
Net assets at beginning of year	668,081	202,633	870,714
Net assets at end of year	$ 664,692	$ 538,805	$ 1,203,497

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MOODY EARLY CHILDHOOD CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2019

Description	Program Services	Management and General	Total Expenses
Payroll, benefits, and taxes	$ 2,604,672	$ 599,364	$ 3,204,036
Contract services	135,931	31,719	167,650
Professional fees	3,391	46,162	49,553
Program materials and services	244,314	-	244,314
Food services	84,345	-	84,345
Transportation	76,223	-	76,223
Professional development and training	150,346	35,218	185,564
Insurance	28,487	6,647	35,134
Utilities	54,457	12,708	67,165
Technology and communication	6,563	1,532	8,095
Equipment and rentals	16,102	2,065	18,167
Supplies	42,436	44,408	86,844
Copying and printing	-	1,007	1,007
Advertising	7,682	-	7,682
Community outreach	3,025	-	3,025
Dues and subscriptions	8,530	1,991	10,521
Travel	1,940	429	2,369
Meeting expense		3,960	3,960
Licensing and other fees	1,596	-	1,596
Repairs and maintenance	36,008	8,403	44,411
Depreciation	63,507	14,819	78,326
Bad debt expense	[illegible]	-	18,944
Interest expense		3,817	3,817
Bank charges	16,359	3,817	20,176
Miscellaneous	1,632	21,657	23,289
Total expenses	$ 3,606,490	$ 839,723	$ 4,446,213

MOODY EARLY CHILDHOOD CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2018

Description	Program Services	Management and General	Total Expenses
Payroll, benefits, and taxes	$ 1,446,826	$ 337,617	$ 1,784,443
Contract services	4,462	1,041	5,503
Professional fees	13,473	45,150	58,623
Program materials and services	8,105	-	8,105
Food services	106,304	-	106,304
Professional development and training	34,180	7,976	42,156
Rent	268,218	62,588	330,806
Insurance	9,828	2,293	12,121
Utilities	8,594	2,005	10,599
Technology and communication	12,877	3,005	15,882
Equipment and rentals	8,703	2,031	10,734
Supplies	85,489	11,595	97,084
Copying and printing	9,097	2,123	11,220
Advertising	8,485	-	8,485
Dues and subscriptions	284	66	350
Travel	965	225	1,190
Licensing and other fees	545	-	545
Repairs and maintenance	12,978	3,029	16,007
Depreciation	59,071	13,784	72,855
Interest expense	-	433	433
Bank charges	11,774	2,747	14,521
Miscellaneous	6,589	4,612	11,201
Total expenses	$ 2,116,847	$ 502,320	$ 2,619,167

MOODY EARLY CHILDHOOD CENTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 233,042	$ 332,783
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	78,326	72,855
Changes in operating assets and liabilities:		
Tuition receivable	7,796	(6,747)
Contribution receivable	(800,000)	-
Other receivables	(49,063)	-
Prepaid expenses	(10,001)	7,235
Accounts payable	(21,758)	(150,541)
Accrued liabilities	231,715	2,713
Net cash (used in) provided by operating activities	(329,943)	258,298
Cash flows from investing activities:		
Purchase of property and equipment	(64,091)	(108,367)
Net cash used in investing activities	(64,091)	(108,367)
Cash flows from financing activities:		
Proceeds from line of credit	200,000	175,000
Payments on line of credit	(100,000)	(75,000)
Net cash provided by financing activities	100,000	100,000
Net (decrease) increase in cash and cash equivalents	(294,034)	249,931
Cash and cash equivalents at beginning of year	610,634	360,703
Cash and cash equivalents at end of year	$ 316,600	$ 610,634

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The accompanying notes are an integral part of these financial statements

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") 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, 2019 and 2018, unrestricted net assets were $1,165,749 and $564,69[illegible], 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, 2019 and 2018, net assets with donor restrictions were $270,790 and $538,805, 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, 2019 and 2018, the allowance for doubtful accounts was $10,517 and $1,000, respectively.

2. Summary of Significant Accounting Policies, continued

Fair Value of Financial Instruments

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 believes that the carrying value of its assets and liabilities approximates the fair value of such items. 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, 2019 and 2018. 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.

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 the year ended August 31, 2019, the Center received in-kind rent of $________ (See Note 7).**

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 (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. 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.

Revenue Recognition

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 until earned.

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.

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MOODY EARLY CHILDHOOD CENTER
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Revenue Recognition, continued

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.

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, 2019 and 2018, there were no unrelated business activities; thus, no provision has been made for income taxes.

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, 2019 and 2018.

Reclassifications

Certain prior year balances have been reclassified in order to conform to the current year presentation. Such reclassifications have no impact on net assets and changes in net assets as previously reported.

Recent Accounting Standards

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU No. 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled to those goods or services. ASU No. 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required under existing U.S. GAAP. The original standard was effective for annual periods beginning after December 15, 2017, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU No. 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). In July 2015, the FASB issued ASU No. 2015-14 which delayed the effective date of ASU No. 2014-09 by one year (effective for annual periods beginning after December 15, 2018). Management does not anticipate that the standard will have a material impact on the financial statements upon adoption for fiscal year ending August 31, 2020.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Liabilities*, to make targeted improvements to U.S. GAAP on accounting for financial instruments. ASU No. 2016-01 is effective for fiscal years beginning after December 15, 2018. The new standard is effective for the Center for fiscal year beginning September 1, 2019 and is not expected to have a significant impact on the Center's financial statements.

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MOODY EARLY CHILDHOOD CENTER
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements, continued

In February 2016, the FASB issued 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: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) 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. The new standard is effective for the Center for the year beginning September 1, 2020. Management is currently reviewing their various leases to identify those affected by ASU No. 2016-02 and the effect the provisions of ASU No. 2016-02 will have on the financial statements.

In August 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, which changes presentation and disclosure requirements for not-for-profit entities in order to provide more relevant information about the resources (and the changes in those resources) to donors, grantors, creditors, and other financial statement users. The changes include more qualitative and quantitative requirements about the Center's liquidity, financial performance, and cash flows. ASU No. 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017 applied retrospectively to all periods presented. Management adopted ASU No. 2016-14 during the fiscal year ended August 31, 2019. The adoption of ASU No. 2016-14 is reflected through the classification of net assets in two groups (i.e., net assets with donor restrictions and net assets without donor restrictions) based on the existence or absence of donor-imposed restrictions, as well as more qualitative and quantitative requirements about the Center's liquidity, financial performance and cash flows.

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*, to clarify and improve the scope and the accounting guidance for contributions received and made. The amendments in this ASU provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. ASU No. 2018-08 is effective for annual financial statements issued for fiscal years beginning after December 15, 2018. The new standard is effective for the fiscal year beginning September 1, 2019 and is not expected to have a significant impact on the Center's financial statements.

3. Contribution Receivable

As of August 31, 2019, contribution receivable consisted of a $800,000 contribution due from one donor.

4. Property and Equipment

As of August 31, 2019 and 2018, property and equipment consist of the following:

	2019	2018
Leasehold improvements	$ 456,354	$ 456,354
Furniture and fixtures	221,783	202,355
Playground equipment	194,503	194,503
Office equipment	31,846	3,876
Software	18,133	1,440
	922,619	858,528
Accumulated depreciation	(198,321)	(119,995)
Property and equipment, net	$ 724,298	$ 738,533

For the years ended August 31, 2019 and 2018, depreciation expense was $78,326 and $72,855, respectively.

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5. Accrued Liabilities

As of August 31, 2019 and 2018, accrued liabilities consist of the following:

	2019	2018
Teacher Retirement System of Texas contributions	$ 160,814	$ -
Payroll and taxes	53,167	2,173
Other	19,907	-
	$ 233,888	$ 2,173

6. Line of Credit

In August 2018, 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 on September 23, 2018, with interest calculated on the unpaid principal balances at an interest rate of 6% per annum. The line of credit matured in August 2019 and was renewed for an additional year under the same terms as the original agreement. Collateral for the line of credit consists of all Center assets. At August 31, 2019 and 2018, the outstanding balance on the line of credit was $200,000 and $100,000, respectively. During the years ended August 31, 2019 and 2018, interest expense associated with the line of credit is $3,81[illegible] and $433, respectively.

7. Occupancy Transactions

On July 1, 2016, the Center and the Galveston Independent School District ("GISD") entered into a five-year operating and lease agreement under which the Center leases, operates, and develops their early childhood center in GISD's San Jacinto School building located at 2[illegible] street Avenue L in Galveston, Texas. The building operates under the name the 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 change the rental fee. Effective April 25, 2017, the lease agreement was again amended to change the number of classrooms rented, to incorporate additional changes regarding the rental rate, and to change the policy related to payment of utilities.

In accordance with the amended lease agreement, the Center shall pay GISD an amount equal to 50% for the first two years of the total amount of salary and benefits paid or provided to GISD's teachers and teacher aides who work in the Pre-Kindergarten 3 program. During years three through five of the lease agreement, the Center shall pay GISD an amount equal to 100% of the total amount of salary and benefits paid or provided to GISD's teachers and teacher aides who work in the Pre-Kindergarten 3 program. Rent expense related to this agreement was $330,806 for the year ended August 31, 2018.

From September 1, 2016 through April 25, 2017, the payment of utilities is the responsibility of GISD with the exception of the times at which GISD is not in session (i.e. summer break, winter break, etc.). Effective April 25, 2017, the Center is responsible for utilities, based on an established monthly rate, and payable to GISD. The Center incurred utility expenses totaling $14,971 during the year ended August 31, 2018.

In accordance with the terms of the Agreement, beginning on August 1, 2018, GISD allows the Center to use the building rent free and charges only the costs of utilities.

MOODY EARLY CHILDHOOD CENTER
NOTES TO FINANCIAL STATEMENTS

8. Net Assets With Donor Restrictions

Net assets with donor restrictions at August 31, 2019 and 2018 are available for the following purposes:

	2019	2018
Subject to expenditure for a specified purpose:		
Professional development	$ 167,136	$ 351,105
Scholarships	100,636	93,436
Capital expenditures	-	94,264
Special projects	3,018	-
	$ 270,790	$ 538,805

9. Liquidity

The following reflects the Center's financial assets as of August 31, 2019 and 2018, reduced by amounts not available for general use due to contractual or donor-imposed restrictions within one year of the financial position date.

	2019	2018
Financial assets, at year-end	$ 1,167,614	$ 620,381
Less those unavailable for general expenditure within one year, due to contractual or donor-imposed restrictions:		
Restricted by donor with purpose restrictions	270,790	538,805
Financial assets available to meet cash needs for general expenditures within one year	$ 896,824	$ 81,576

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.

10. 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, 2019, grant revenue from two organizations represented 77% of total revenues and support. During the year ended August 31, 2018, grant revenue from one organization represented approximately 54% of total revenues and support.

11. Subsequent Events

Management has evaluated subsequent events through ___________, which is the date the financial statements were available to be issued, and has concluded that there were no significant events to be reported.

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