

**The Children's Center of Hamden, Inc.
(Entity Controlled by The Children's Center)**

**Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

June 30, 2020 and 2019

**The Children's Center of Hamden, Inc.
(Entity Controlled by The Children's Center)**

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Independent Auditor's Report

To the Board of Directors
The Children's Center of Hamden, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Children's Center of Hamden, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 The Children's Center of Hamden, Inc. as of June 30, 2020 and 2019, 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.

Other Matters

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report December 29, 2020, on our consideration of The Children's Center of Hamden, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Children's Center of Hamden, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Children's Center of Hamden, Inc.'s internal control over financial reporting and compliance.

CohnReznick LLP

Hartford, Connecticut
December 29, 2020

**The Children's Center of Hamden, Inc.
(Entity Controlled by The Children's Center)**

**Statements of Financial Position
June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Cash	\$ 3,897,846	\$ 1,419,183
Accounts receivable, net of allowance for doubtful accounts of \$187,756 and \$193,983	1,491,118	1,650,278
Prepaid expenses and other assets	30,136	21,401
Supplies inventory	8,601	15,607
Investments, deferred compensation	811,069	731,877
Land, buildings and equipment, net	<u>2,117,760</u>	<u>2,078,407</u>
 Total assets	 <u><u>\$ 8,356,530</u></u>	 <u><u>\$ 5,916,753</u></u>
<u>Liabilities and Net Assets</u>		
Liabilities		
Deferred bonding revenue	\$ 643,410	\$ 742,240
Deferred revenue	328,595	-
Refundable advances - grants	399,232	400,739
Accrued salaries and other expenses	1,449,726	1,311,687
Accounts payable	199,092	269,268
Due to Parent	337,000	597,000
Accrued benefit plans payable	1,109,701	1,024,938
Refundable advance - economic relief loan payable	<u>2,316,100</u>	<u>-</u>
 Total liabilities	 <u>6,782,856</u>	 <u>4,345,872</u>
Commitments and contingencies		
Net assets		
Without donor restrictions	1,407,005	1,408,494
With donor restrictions	<u>166,669</u>	<u>162,387</u>
 Total net assets	 <u>1,573,674</u>	 <u>1,570,881</u>
 Total liabilities and net assets	 <u><u>\$ 8,356,530</u></u>	 <u><u>\$ 5,916,753</u></u>

See Notes to Financial Statements.

The Children's Center of Hamden, Inc.
(Entity Controlled by The Children's Center)

Statements of Activities
Years Ended June 30, 2020 and 2019

	2020	2019
Changes in net assets without donor restrictions		
Public support and revenue		
Public support		
Grants from foundations and government	\$ 6,071,841	\$ 6,171,541
Contributions	281,314	66,447
Total public support	6,353,155	6,237,988
Revenue		
Program service fees		
Residential	6,124,597	7,031,948
Education	5,429,417	5,413,659
Day treatment	731,826	747,596
Outpatient counseling	177,817	150,678
Investment income	(27,672)	(35,230)
Other	12,950	69,785
Total revenue	12,448,935	13,378,436
Net assets released from restrictions		
Satisfaction of program restrictions	99,675	54,267
Total public support and revenue	18,901,765	19,670,691
Expenses		
Residential	9,198,882	10,090,944
Education	5,530,989	5,504,305
Community based services	2,592,708	2,375,920
Program services expenses	17,322,579	17,971,169
Management and general	2,018,286	1,914,773
Bonding	99,302	92,790
Fundraising	166,159	144,938
Supporting services expenses	2,283,747	2,152,501
Total expenses	19,606,326	20,123,670
Distributions of investment income from Parent	703,072	350,304
Decrease in net assets without donor restrictions	(1,489)	(102,675)
Changes in net assets with donor restrictions		
Contributions	103,957	118,491
Net assets released from restrictions		
Satisfaction of program restrictions	(99,675)	(54,267)
Increase in net assets with restrictions	4,282	64,224
Change in net assets	2,793	(38,451)
Net assets, beginning	1,570,881	1,609,332
Net assets, end	\$ 1,573,674	\$ 1,570,881

See Notes to Financial Statements.

The Children's Center of Hamden, Inc.
(Entity Controlled by The Children's Center)

Statement of Functional Expenses
Year Ended June 30, 2020
(With Comparative Totals for 2019)

	Program services				Supporting services					
	Residential	Education	Community based services	Total program services	Management and general			Total supporting services	2020 Total	2019 Total
					Management and general	Allocated expenses	Fundraising			
Salaries	\$ 5,488,970	\$ 2,885,639	\$ 1,466,362	\$ 9,840,971	\$ 1,018,635	\$ 1,336,753	\$ 57,072	\$ 2,412,460	\$ 12,253,431	\$ 12,599,052
Fringe benefits	1,091,953	628,159	286,543	2,006,655	285,887	260,327	15,075	561,289	2,567,944	2,572,090
Payroll taxes	411,244	221,025	108,906	741,175	73,955	100,078	4,312	178,345	919,520	939,162
Total salaries and related expenses	6,992,167	3,734,823	1,861,811	12,588,801	1,378,477	1,697,158	76,459	3,152,094	15,740,895	16,110,304
Occupancy	303,218	227,986	55,579	586,783	119,060	408,224	-	527,284	1,114,067	1,176,064
Professional fees	158,549	145,327	141,791	445,667	184,315	83,644	-	267,959	713,626	678,729
Supplies	125,402	104,906	27,555	257,863	46,082	393,506	3,367	442,955	700,818	778,231
General insurance	218	163	-	381	145,353	51,229	-	196,582	196,963	179,367
Children's expenses	86,593	21,293	14,905	122,791	14,794	14,305	44,610	73,709	196,500	301,441
Transportation	122,130	16,990	149,913	289,033	18,279	38,083	-	56,362	345,395	363,957
Printing	456	96	2,530	3,082	233,040	1,183	1,895	236,118	239,200	236,924
Telephone	18,062	9,833	14,078	41,973	15,285	5,604	859	21,748	63,721	41,332
Conferences and seminars	13,570	11,259	5,800	30,629	18,883	799	117	19,799	50,428	41,057
Equipment rental	7,403	4,275	-	11,678	11,718	8,281	-	19,999	31,677	37,960
Membership dues	240	1,330	-	1,570	21,804	4,534	-	26,338	27,908	28,428
Postage	-	-	-	-	6,169	151	527	6,847	6,847	7,558
Subscriptions	-	-	-	-	385	378	-	763	763	1,529
Provision for bad debts	-	-	46,200	46,200	-	-	-	-	46,200	46,200
Bank fees	-	-	-	-	12,588	-	-	12,588	12,588	6,731
Other	5,480	6,695	114	12,289	68,008	108	38,325	106,441	118,730	87,858
Total other expenses	841,321	550,153	458,465	1,849,939	915,763	1,010,029	89,700	2,015,492	3,865,431	4,013,366
Total direct expenses	7,833,488	4,284,976	2,320,276	14,438,740	2,294,240	2,707,187	166,159	5,167,586	19,606,326	20,123,670
Occupancy allocation	347,357	362,421	127,638	837,416	-	(837,416)	-	(837,416)	-	-
Dietary allocation	299,375	295,604	144,794	739,773	-	(739,773)	-	(739,773)	-	-
Related services allocation	718,662	587,988	-	1,306,650	-	(1,306,650)	-	(1,306,650)	-	-
	9,198,882	5,530,989	2,592,708	17,322,579	2,294,240	(176,652)	166,159	2,283,747	19,606,326	20,123,670
Management and general allocation	1,133,320	578,855	306,111	2,018,286	(2,294,240)	275,954	-	(2,018,286)	-	-
Total expenses	\$ 10,332,202	\$ 6,109,844	\$ 2,898,819	\$ 19,340,865	\$ -	\$ 99,302	\$ 166,159	\$ 265,461	19,606,326	20,123,670

See Notes to Financial Statements.

**The Children's Center of Hamden, Inc.
(Entity Controlled by The Children's Center)**

**Statement of Functional Expenses
Year Ended June 30, 2019**

	Program Services				Supporting Services				
	Residential	Education	Community based services	Total program services	Management and general			Total supporting services	Total
					Management and general	Allocated expenses	Fundraising		
Salaries	\$ 5,849,483	\$ 2,720,382	\$ 1,355,623	\$ 9,925,488	\$ 1,022,572	\$ 1,587,306	\$ 63,686	\$ 2,673,564	\$ 12,599,052
Fringe benefits	1,070,514	651,587	241,906	1,964,007	282,576	310,493	15,014	608,083	2,572,090
Payroll taxes	433,336	210,115	100,670	744,121	71,263	119,114	4,664	195,041	939,162
Total salaries and related expenses	7,353,333	3,582,084	1,698,199	12,633,616	1,376,411	2,016,913	83,364	3,476,688	16,110,304
Occupancy	390,287	227,292	61,639	679,218	112,351	384,495	-	496,846	1,176,064
Professional fees	168,992	86,952	109,184	365,128	218,351	95,250	-	313,601	678,729
Supplies	179,141	79,255	27,513	285,909	30,964	460,459	899	492,322	778,231
General insurance	-	-	-	-	128,553	50,814	-	179,367	179,367
Children's expenses	129,074	27,791	17,848	174,713	15,750	84,345	26,633	126,728	301,441
Transportation	143,479	17,394	140,165	301,038	16,981	45,938	-	62,919	363,957
Professional services	16,445	40	2,157	18,642	213,551	1,290	3,441	218,282	236,924
Telephone	15,467	(1,143)	12,313	26,637	9,652	4,254	789	14,695	41,332
Conferences and seminars	10,920	8,090	5,748	24,758	14,071	2,043	185	16,299	41,057
Equipment rental	7,510	9,259	-	16,769	11,393	9,798	-	21,191	37,960
Membership dues	1,019	970	-	1,989	21,905	4,534	-	26,439	28,428
Postage	-	-	-	-	6,275	895	388	7,558	7,558
Subscriptions	121	50	121	292	1,082	155	-	1,237	1,529
Provision for bad debts	-	-	46,200	46,200	-	-	-	-	46,200
Bank and investment fees	-	-	-	-	6,731	-	-	6,731	6,731
Other	7,272	9,034	1,200	17,506	39,960	1,153	29,239	70,352	87,858
Total other expenses	1,069,727	464,984	424,088	1,958,799	847,570	1,145,423	61,574	2,054,567	4,013,366
Total direct expenses	8,423,060	4,047,068	2,122,287	14,592,415	2,223,981	3,162,336	144,938	5,531,255	20,123,670
Occupancy allocation	369,555	382,617	106,154	858,326	-	(858,326)	-	(858,326)	-
Dietary allocation	339,492	290,117	147,479	777,088	-	(777,088)	-	(777,088)	-
Related services allocation	958,837	784,503	-	1,743,340	-	(1,743,340)	-	(1,743,340)	-
	10,090,944	5,504,305	2,375,920	17,971,169	2,223,981	(216,418)	144,938	2,152,501	20,123,670
Management and general allocation	1,144,746	515,285	254,742	1,914,773	(2,223,981)	309,208	-	(1,914,773)	-
Total expenses	\$ 11,235,690	\$ 6,019,590	\$ 2,630,662	\$ 19,885,942	\$ -	\$ 92,790	\$ 144,938	\$ 237,728	\$ 20,123,670

See Notes to Financial Statements.

The Children's Center of Hamden, Inc.
(Entity Controlled by The Children's Center)

Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 2,793	\$ (38,451)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Bad debts	46,200	46,200
Depreciation and amortization	320,669	305,580
Distributions from Parent	(703,072)	(350,304)
Deferred bonding revenue	(99,302)	(92,790)
Changes in operating assets and liabilities		
Accounts receivable	112,960	(290,178)
Prepaid expenses and other assets	(8,735)	163,478
Supplies inventory	7,006	(528)
Deferred revenue	328,595	68,379
Refundable advances - grants	(1,507)	-
Accrued salaries and other expenses	138,039	7,694
Accounts payable	(70,176)	(4,781)
Accrued benefit plans payable	5,571	15,212
Refundable advance - economic relief loan proceeds	2,316,100	-
	<u>2,395,141</u>	<u>(170,489)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchase of land, buildings and equipment	(360,022)	(332,993)
	<u>(360,022)</u>	<u>(332,993)</u>
Cash flows from financing activities		
Distributions from Parent	703,072	350,304
Due to Parent	(260,000)	122,000
Bonding received for capital expenditures	472	154,050
Proceeds from short-term borrowings	600,000	125,000
Repayment of short-term borrowings	(600,000)	(125,000.00)
	<u>443,544</u>	<u>626,354</u>
Net cash provided by financing activities		
Net increase in cash	2,478,663	122,872
Cash, beginning	<u>1,419,183</u>	<u>1,296,311</u>
Cash, end	<u>\$ 3,897,846</u>	<u>\$ 1,419,183</u>
Supplemental disclosure of cash flow information		
Interest paid during the year	<u>\$ 12,900</u>	<u>\$ 3,388</u>

See Notes to Financial Statements.

**The Children's Center of Hamden, Inc.
(Entity Controlled by The Children's Center)**

**Notes to Financial Statements
June 30, 2020 and 2019**

Note 1 - Organization and summary of significant accounting policies

Organization

The Children's Center of Hamden, Inc. (the "Organization") is a social service agency. The Organization provides residential, educational, day treatment, case management and substance abuse services to children, adults, and counseling services to parents, through its facility in Hamden, Connecticut.

The Organization is licensed by the Department of Children and Families, Department of Developmental Services, and the Department of Public Health, approved by the Department of Education, and is accredited by the Joint Commission on Accreditation of Healthcare Organizations. The Organization is an operating subsidiary of The Children's Center (the "Parent") and is responsible for operating the Hamden campus.

Basis of presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Organization reports information regarding its financial position and activities according to the following net asset categories:

Net assets without donor restrictions - net assets without donor restrictions represent available resources other than donor-restricted contributions. Included in net assets without donor restrictions are funds that may be earmarked for specific purposes.

Net assets with donor restrictions - net assets subject to donor- (or certain grantor-) 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.

Allowances for receivables

Allowances for accounts receivable are determined by management based on an assessment of their collectibility. Management considers past history, current economic conditions and overall viability of the third party. Receivables are written-off only when management believes amounts will not be collected. Receivables are considered past due based on the invoice date.

Supplies inventory

Inventory consists of food and dietary supplies valued at the lower of cost or market, determined on the first-in, first-out basis.

Revenue recognition

Contributions

Transactions where the resource providers often receive value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Organization has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Organization fails to overcome the barrier. The Organization recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as a refundable advance.

The Children's Center of Hamden, Inc.
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Notes to Financial Statements
June 30, 2020 and 2019

Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received. Unconditional contributions are recorded as either with donor restriction or without donor restriction. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statement of activities as net assets released from restriction. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as contributions without donor restrictions.

Grant and contract services

Grants are recorded as receivables in the year the commitment is made by the grantor. Grants and other support received and expended in the same period are recorded as revenue and support without donor restrictions. Restricted grants designated by the grantor for specific operating purposes, endowment or property acquisitions are recorded as restricted revenue and support and reclassified to revenue and support without donor restrictions when the Organization has expended funds which meet the specific restrictions.

Program service fees

Program service fees are recognized as revenue in the period in which the related services are provided.

Donated materials

Donated materials are recognized as contributions in the accompanying financial statements at their estimated fair value on the date of receipt.

Land, buildings and equipment

The Organization capitalizes all expenditures for movable items over \$1,000 and building improvements over \$5,000 with a useful life greater than three years, depending on the type of program, per diem or grant funded. Purchased property and equipment are recorded at cost on the date of acquisition or in the case of gifts, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective asset.

Estimated useful lives for financial reporting purposes are as follows:

Asset	Estimated useful lives
Buildings, improvements and land improvements	7 - 40 years
Vehicles, computers and software	3 - 5 years
Equipment and furnishings	5 - 10 years

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statements of activities.

Construction in progress accumulates costs on various projects as work progresses. When a project is complete, the asset is placed in service and depreciated over its useful life.

The Children's Center of Hamden, Inc.
(Entity Controlled by The Children's Center)

Notes to Financial Statements
June 30, 2020 and 2019

The Organization reviews its long-lived assets for impairment using an undiscounted cash flow method whenever events or circumstances indicate the carrying value of an asset may not be recoverable. There were no impairment losses related to long-lived assets during the years ended June 30, 2020 and 2019.

Income taxes

The Organization is exempt from federal and state corporate income taxes under the provisions of Internal Revenue Code (the "Code") Section 501(c)(3).

The Organization has no unrecognized tax benefits at June 30, 2020 and 2019. The Organization's federal informational returns for years prior to 2017 are closed. The Organization believes it is in compliance with all laws and regulations, but management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If the Organization had unrelated business income taxes, it would recognize interest and penalties associated with any tax matters as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statements of financial position.

Functional expense allocation

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort. Dietary expenses are allocated based on meals served. Related services are allocated based on census data. Dietary, related services and occupancy are reported as allocated expenses in the statements of functional expenses.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Newly adopted accounting standards

The Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization adopted the provisions of ASU 2018-08 on January 1, 2019 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There is no effect on net assets in connection with the implementation of ASU 2018-08.

In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which provides for elective deferrals of the effective dates of Topic 606 and Topic 842 for certain entities.

**The Children's Center of Hamden, Inc.
(Entity Controlled by The Children's Center)**

**Notes to Financial Statements
June 30, 2020 and 2019**

The Organization has elected to apply the deferral provided by ASU 2020-05 and, therefore, expects to adopt Topic 606 for annual reporting periods beginning after December 15, 2019 on a modified retrospective basis and adopt Topic 842 for fiscal years beginning after December 15, 2021 on a modified retrospective basis. The Organization is currently evaluating the potential impact of adopting Topic 606 and 842 on its financial statements.

Subsequent events

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure through December 29, 2020, which is the date the financial statements were available to be issued.

Note 2 - Concentrations

Cash

At times, the Organization maintains bank accounts in commercial banks with balances that exceed the federal insurance limits. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk since the balances are maintained at large financial institutions.

Funding source concentration

The Organization receives a substantial amount of its grants and program service fees from the State of Connecticut Department of Children and Families ("DCF"). If a significant reduction in the level of this support were to occur, it could have a significant effect on the Organization's programs and activities. DCF provided over 10% of the Organization's total revenue for the years ended June 30, 2020 and 2019 as follows:

	June 30, 2020		June 30, 2019	
	Receivables	Revenue	Receivables	Revenue
Amount related to DCF	\$ 171,934	\$ 5,761,784	\$ 431,639	\$ 8,506,541
% Amount related to DCF	12%	29%	26%	43%

Collective bargaining agreement

The Organization has a concentration of labor subject to a collective bargaining agreement. At June 30, 2020 and 2019, approximately 51% and 55%, respectively, of the labor force is covered by this agreement, which is effective through June 30, 2021. The wages and benefits portions of the agreement are subject to re-negotiation on an annual basis.

Note 3 - Liquidity

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations.

These financial assets are not subject to any donor or contractual restrictions. The Organization supports its general operations primarily with grants, program service fees contributions without donor restrictions and donor-restricted funds whose time or purpose restriction has been met.

**The Children's Center of Hamden, Inc.
(Entity Controlled by The Children's Center)**

**Notes to Financial Statements
June 30, 2020 and 2019**

As of June 30, 2020 and 2019, the Organization has the following financial assets available to meet annual operating needs for the 2021 and 2020 fiscal year as follows:

	2020	2019
Cash	\$ 3,329,799	\$ 863,030
Accounts receivable, net	1,491,118	1,650,278
Total financial assets at year-end	\$ 4,820,917	\$ 2,513,308

The Organization supports its general operations primarily with grants, program service fees, unrestricted donor contributions and donor-restricted funds whose time or purpose restriction has been met. The Organization also has a \$1,000,000 line of credit available to support general operations.

Note 4 - Investments

Investments are stated at fair value and are comprised as follows:

	2020	2019
Deferred compensation - flexible premium annuity plan	\$ 811,069	\$ 731,877

Note 5 - Fair value measurements

The Organization values its financial assets and liabilities based on the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy was established that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data. If an asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

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Investments carried at fair value at June 30, 2020 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
Deferred compensation - flexible premium annuity plan	\$ -	\$ 811,069	\$ -	\$ 811,069

Investments carried at fair value at June 30, 2019 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
Deferred compensation - flexible premium annuity plan	\$ -	\$ 731,877	\$ -	\$ 731,877

The assets in the deferred compensation accounts are valued based on yields currently available on comparable securities of issuers with similar credit ratings (Level 2).

The Organization's policy is to recognize transfers in and transfers out of levels at the actual date of the event or change in circumstances that caused the transfer. There were no transfers in or out of the respective levels during the years ended June 30, 2020 and 2019.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 6 - Land, buildings and equipment

At June 30, 2020 and 2019, land, buildings and equipment consisted of the following:

	2020	2019
Land and improvements	\$ 544,136	\$ 536,136
Buildings and improvements	10,698,700	10,514,285
Equipment, furnishings, computers and software	2,601,905	2,494,361
Vehicles	58,450	58,450
Construction in progress	76,737	15,641
	13,979,928	13,618,873
Less accumulated depreciation and amortization	11,862,168	11,540,466
	\$ 2,117,760	\$ 2,078,407

Depreciation and amortization expense was \$320,669 and \$305,580 for the years ended June 30, 2020 and 2019, respectively.

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Note 7 - Line of credit

The Organization has an agreement with People's United Bank, National Association ("People's Bank") for an on-demand line of credit, which provides borrowings up to \$1,000,000. Borrowings under the line of credit bear interest at a variable rate based on an index set by People's Bank. The interest rate was 3.25% as of June 30, 2020. Borrowings are collateralized by specified assets of the Parent. There was no outstanding balance on the line of credit at June 30, 2020 and 2019. Interest expense incurred during the years ended June 30, 2020 and 2019 was \$12,900 and \$3,388, respectively.

Note 8 - Deferred bonding revenue and deferred revenue

The Organization has received various grant awards from DCF for repairs and renovations of the Organization's facilities. In conjunction with each grant award, the State of Connecticut places a ten-year lien, equal to the amount of the award received on the property. The liens expire at various dates through 2029. The value of each lien is reduced by 10% annually. At June 30, 2020 and 2019, the liens amounted to \$643,410 and \$742,240, respectively, and are included in deferred bonding revenue on the statements of financial position. Deferred bonding revenue of \$99,302 and \$92,790 was recognized during the years ended June 30, 2020 and 2019, respectively, and is included in public support in the statements of activities.

During June 30, 2020, the Organization received \$328,595 of funds for the residential Start Kids program in advance of providing the services.

Note 9 - Refundable advance - economic relief loan payable

In April 2020, the Organization entered into a loan agreement in the amount of \$2,316,100 through their bank pursuant to the Paycheck Protection Program ("PPP" Loan) under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The PPP loan is evidenced by a promissory note. Subject to the terms of the Note, the PPP Loan bears interest at 1% per annum and is unsecured and guaranteed by the Small Business Administration ("SBA"). The Paycheck Protection Program Flexibility Act of 2020 extended the deferral period for borrower payments of principal, interest, and fees on all PPP loans to the date the SBA remits the borrower's loan forgiveness amount to the lender or 10 months after the end of the borrower's loan forgiveness covered period if the borrower does not apply for forgiveness. Interest will accrue during the deferment period. After the deferment period, the Organization will be required to make monthly principal and interest payments. The Organization may apply to the lender for forgiveness of the PPP Loan, with the amount which may be forgiven equal to the sum of certain allowable expenses incurred by the Organization during the 24-week period calculated in accordance with the terms of the CARES Act. Management intends to apply for forgiveness. Although the Organization may apply for forgiveness, there is no assurance that all of the criteria will be met in order to have some or all of the loan forgiven. The proceeds of the loan are recognized as a refundable advance, based on Accounting Standards Codification 958-605, and are included in liabilities on the Organization's statements of financial position.

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Note 10 - Refundable advances - grants

When a State of Connecticut Department of Developmental Services ("DDS") facility commences operations, the Organization receives an operational advance equal to service revenue for one month based on full capacity. These operational advances are applied against the last reimbursement when a facility ceases its agency relationship with the DDS. Total outstanding operational advances as of June 30, 2020 and 2019 was \$79,715.

The Organization retains bridge-funding advances from DDS to fund the cash flow requirements of the Organization associated with certain DDS programs. DDS provides the Organization a cash advance equal to one month of claims associated with the residential program, which is \$81,872 and \$83,378 as of June 30, 2020 and 2019, respectively.

In addition, the Organization received operational grants of \$237,645 and \$237,646 to be used in future periods for the years ended June 30, 2020 and 2019, respectively.

Note 11 - Donated materials

During the years ended June 30, 2020 and 2019, the Organization received \$19,745 and \$17,861 of donated materials, respectively, which are included in contributions in the statements of activities.

Note 12 - Net assets with donor restrictions

At June 30, 2020 and 2019, net assets with donor restrictions are available for the following purposes:

	2020	2019
Specific programs and events	\$ 166,669	\$ 162,387

Note 13 - Operating leases

The Organization leases certain vehicles and equipment under noncancelable operating leases expiring at various times through February 2024. Future minimum lease payments due under the terms of these leases in each of the years subsequent to June 30, 2020 are as follows:

2021	\$	125,623
2022		45,458
2023		23,661
2024		2,569
Total	\$	197,311

Rental expense under cancelable and noncancelable operating leases recognized in the accompanying statements of activities was \$146,385 and \$144,295 for the years ended June 30, 2020 and 2019, respectively.

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Note 14 - Retirement benefits

The Organization's certified academic personnel participate in the Connecticut State Teachers' Retirement System, a contributory defined benefit plan established under Chapter 167(a) of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board. The Organization is not legally responsible to, and does not, contribute to this plan. Teachers are also eligible to participate in a contributory tax sheltered annuity program which provides for employee contributions of up to 20% of wages, subject to federal limits.

All other employees are eligible to participate in a contributory tax sheltered annuity program, which provides for employee contributions of up to 20% of wages, subject to federal limits.

The Organization maintains a profit-sharing plan ("401(k) Plan") under Section 401(k) of the Code. The 401(k) Plan covers substantially all Organization employees, other than certified academic personnel qualified to participate in the Connecticut State Teachers' Retirement System, and employees under 21 years of age. Under the terms of the 401(k) Plan, participants can contribute up to 20% of their compensation, subject to federal limitations. The Organization may make discretionary contributions, as well as discretionary matching contributions to the 401(k) Plan. Participants become fully vested in their personal contributions immediately, and become fully vested in the Organization's contributions after five years. The Organization contributed \$229,260 and \$205,509 to the 401(k) Plan during the years ended June 30, 2020 and 2019, respectively.

The Organization also maintains a supplemental retirement plan for key management employees who meet the plan's eligibility requirements. As of June 30, 2020 and 2019, the Organization recorded an asset and liability of \$811,069 and \$731,877, respectively. There were contributions to the plan during the years ended June 30, 2020 and 2019 of \$66,307 and \$57,805, respectively. The retirement plan is in conformity with Code Section 457(b).

Note 15 - Related party transactions

During the years ended June 30, 2020 and 2019, the Organization received distributions from the Parent of \$703,072 and \$350,304, respectively. The amount of the distributions represents the gains from the Parent's investments with donor restrictions.

During the years ended June 30, 2020 and 2019, the Parent advanced \$337,000 and \$597,000, respectively, from the Parent's investment account. These amounts were repaid subsequent to the year-end in which they were advanced.

Note 16 - Self-insurance

The Organization self-insures for coverage of certain future potential lawsuits. The total amount set aside for potential claims as of June 30, 2020 and 2019 is \$401,378 and \$393,766, respectively, and is included in accrued salaries and other expenses in the accompanying statements of financial position.

Note 17 - Contingencies

Issues arising in the ordinary course of business are pending against the Organization. In the opinion of management, all such matters are without merit or if disposed of unfavorably, would not have material adverse effects on the Organization's financial position or results of operations.

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In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of revenues and other material adverse effects to the Organization's financial position, results of activities, and cash flows. The Organization is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Organization 's operations continue for an extended period of time, the Organization may have to seek alternative measures to finance its operations.



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