

LEKOTEK OF GEORGIA, INC.
Atlanta, Georgia

Independent Auditors' Report

Financial Statements

Years ended June 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

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BARNES MERRITT & BARNES LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Lekotek of Georgia, Inc.
Atlanta, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of Lekotek of Georgia, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses 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 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 Lekotek of Georgia, Inc. as of June 30, 2021 and 2020, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Banner Merritt + Banner LLC

Atlanta, Georgia
October 5, 2021

Lekotek of Georgia, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets:		
Cash and cash equivalents	\$ 162,635	\$ 94,175
Investments (Note B)	1,493,899	1,111,505
Property and equipment-net (Note C)	<u>106,747</u>	<u>112,800</u>
Total assets	<u>\$ 1,763,281</u>	<u>\$ 1,318,480</u>
Liabilities:		
Accrued expenses	\$ 13,200	\$ 12,730
PPP Loan	<u>-</u>	<u>67,400</u>
Total liabilities	<u>13,200</u>	<u>80,130</u>
Net assets:		
Unrestricted - including Board Designated Endowment Fund of \$683,894 in 2021 and \$467,794 in 2020	<u>1,750,081</u>	<u>1,238,350</u>
Total net assets	<u>1,750,081</u>	<u>1,238,350</u>
Total liabilities and net assets	<u>\$ 1,763,281</u>	<u>\$ 1,318,480</u>

The accompanying notes are an integral part of this exhibit.

Lekotek of Georgia, Inc.

STATEMENT OF ACTIVITIES

Year ended June 30, 2021

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in net assets:				
Revenues, gains, and other support:				
Private gifts and grants	\$ 482,482	\$ -	\$ -	\$ 482,482
In-kind gifts	5,600	-	-	5,600
Membership dues	14,709	-	-	14,709
Program fees:				
Professional/consulting	-	-	-	-
Computer fees	-	-	-	-
Family programs	575	-	-	575
Special events and programs:				
Special events	131,898	-	-	131,898
Direct mailing	93,444	-	-	93,444
Interest and dividend income	43,134	-	-	43,134
PPP Loan - Forgiven	67,400	-	-	67,400
Net gain on investments	411,554	-	-	411,554
	<u>1,250,796</u>	<u>-</u>	<u>-</u>	<u>1,250,796</u>
Total revenue gains and other support				
Operating expenses:				
Program services:				
Child/family support services	645,984	-	-	645,984
Supporting services:				
Administrative services	34,234	-	-	34,234
Fund-raising activities	58,847	-	-	58,847
Total supporting services	93,081	-	-	93,081
	<u>739,065</u>	<u>-</u>	<u>-</u>	<u>739,065</u>
Total operating expenses				
Changes in net assets	511,731	-	-	511,731
Net assets, beginning of year	1,238,350	-	-	1,238,350
Net assets, end of year	<u>\$ 1,750,081</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,750,081</u>

The accompanying notes are an integral part of this exhibit.

Lekotek of Georgia, Inc.

STATEMENT OF ACTIVITIES

Year ended June 30, 2020

	Temporarily Permanently			Total
	Unrestricted	Restricted	Restricted	
Changes in net assets:				
Revenues, gains, and other support:				
Private gifts and grants	\$ 400,886	\$ -	\$ -	\$ 400,886
In-kind gifts	12,100	-	-	12,100
Membership dues	18,003	-	-	18,003
Program fees:				
Professional/consulting	1,426	-	-	1,426
Computer fees	1,816	-	-	1,816
Family programs	1,214	-	-	1,214
Special events and programs:				
Special events	133,173	-	-	133,173
Direct mailing	90,978	-	-	90,978
Interest and dividend income	46,990	-	-	46,990
Net (loss) on investments	<u>(37,658)</u>	<u>-</u>	<u>-</u>	<u>(37,658)</u>
Total revenue gains and other support	<u>668,928</u>	<u>-</u>	<u>-</u>	<u>668,928</u>
Operating expenses:				
Program services:				
Child/family support services	<u>623,192</u>	<u>-</u>	<u>-</u>	<u>623,192</u>
Supporting services:				
Administrative services	29,639	-	-	29,639
Fund-raising activities	<u>55,845</u>	<u>-</u>	<u>-</u>	<u>55,845</u>
Total supporting services	<u>85,484</u>	<u>-</u>	<u>-</u>	<u>85,484</u>
Total operating expenses	<u>708,676</u>	<u>-</u>	<u>-</u>	<u>708,676</u>
Changes in net assets	(39,748)	-	-	(39,748)
Net assets, beginning of year	<u>1,278,098</u>	<u>-</u>	<u>-</u>	<u>1,278,098</u>
Net assets, end of year	<u>\$ 1,238,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,238,350</u>

The accompanying notes are an integral part of this exhibit.

Lekotek of Georgia, Inc.

STATEMENTS OF CASH FLOWS

Years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Changes in net assets:	\$ 511,731	\$ (39,748)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
PPP loan	(67,400)	
Depreciation	14,766	8,937
Net realized (gain) loss on investments	(39,837)	(2,089)
Net unrealized (gain) loss on investments	(371,717)	39,747
Increase (Decrease) in accrued expenses	470	(1,574)
Net cash provided by operating activities	<u>48,013</u>	<u>5,273</u>
Cash flows from investing activities:		
Purchase and donated property and equipment	(8,712)	(77,960)
Purchase of investments	(226,231)	(314,394)
Proceeds on sale of investments	<u>255,390</u>	<u>297,221</u>
Net cash used for investing activities	<u>20,447</u>	<u>(95,133)</u>
Cash flows from financing activities:		
PPP loan	<u>-</u>	<u>67,400</u>
Net cash used for financing activities	<u>-</u>	<u>67,400</u>
Net increase in cash and cash equivalents	68,460	(22,460)
Cash and cash equivalents, beginning of year	<u>94,175</u>	<u>116,635</u>
Cash and cash equivalents, end of year	<u><u>\$ 162,635</u></u>	<u><u>\$ 94,175</u></u>

The accompanying notes are an integral part of this exhibit.

Lekotek of Georgia, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021

	Child/Family Support Services	Administrative Services	Fund-Raising Activities	Total
Teachers' salaries	\$ 306,779	\$ -	\$ -	\$ 306,779
Administrative salaries	8,444	8,445	8,444	25,333
Director salary	38,850	8,325	8,325	55,500
Staff development	1,376	-	-	1,376
Special events	-	-	41,190	41,190
Publicity printing	3,165	352	-	3,517
Family programs	8,433	-	-	8,433
Dues & subscriptions	1,367	152	-	1,519
Insurance	28,219	-	-	28,219
Office expense	11,563	3,854	-	15,417
Postage	1,550	517	-	2,067
Depreciation	11,075	3,691	-	14,766
Rent	122,433	6,444	-	128,877
Consultants	25,714	-	-	25,714
Computer expenses	21,303	-	-	21,303
Teaching aids	8,729	-	-	8,729
Taxes-payroll	27,832	888	888	29,608
Telephone	10,361	1,151	-	11,512
Travel	904	-	-	904
Utilities	7,887	415	-	8,302
	<u>\$ 645,984</u>	<u>\$ 34,234</u>	<u>\$ 58,847</u>	<u>\$ 739,065</u>
Total				
Percent of total	87%	5%	8%	100%

The accompanying notes are an integral part of this exhibit.

Lekotek of Georgia, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2020

	Child/Family Support Services	Administrative Services	Fund-Raising Activities	Total
Teachers' salaries	\$ 303,850	\$ -	\$ -	\$ 303,850
Administrative salaries	7,659	7,659	7,659	22,977
Director salary	37,590	8,055	8,055	53,700
Staff development	5,602	-	-	5,602
Special events	-	-	39,280	39,280
Publicity printing	4,973	553	-	5,526
Family programs	9,347	-	-	9,347
Dues & subscriptions	752	83	-	835
Insurance	19,866	-	-	19,866
Office expense	5,409	1,802	-	7,211
Postage	2,123	708	-	2,831
Depreciation	6,703	2,234	-	8,937
Rent	122,173	6,430	-	128,603
Consultants	23,770	-	-	23,770
Computer expenses	15,416	-	-	15,416
Teaching aids	11,478	-	-	11,478
Taxes-payroll	26,672	851	851	28,374
Telephone	9,762	1,085	-	10,847
Travel	6,655	-	-	6,655
Utilities	3,392	179	-	3,571
Total	<u>\$ 623,192</u>	<u>\$ 29,639</u>	<u>\$ 55,845</u>	<u>\$ 708,676</u>
Percent of total	88%	4%	8%	100%

The accompanying notes are an integral part of this exhibit.

Lekotek of Georgia, Inc.

NOTES TO FINANCIAL STATEMENTS

Years ended June 30, 2021 and 2020

Note A-Summary of significant accounting policies:

Nature of activities:

Lekotek of Georgia, Inc. (the “Organization”) is a not-for-profit that provides support, accessible play, technology and resources to maximize educational and therapeutic gains for children with disabilities. The Organization envisions a world where all children are included and empowered through play. It is independently funded through corporate and individual gifts, and program fees.

Basis of accounting:

The Organization maintains its accounting records on the accrual basis of accounting. All gifts are considered to be available for unrestricted use unless specifically restricted by the donor.

Financial statement presentation:

The financial statements follow the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards No. 116, “Accounting for Contributions Received and Contributions Made”, and Statement No. 117, “Financial Statements for Not-For-Profit Organizations”.

Under Statement of Financial Accounting Standards No. 117, the net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes there-in are classified and reported as follows:

Unrestricted net assets-Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets-Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets-Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Lekotek of Georgia, Inc.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

Years ended June 30, 2021 and 2020

Note A-Summary of significant accounting policies-continued:

Cash and cash equivalents:

For purposes of the statement of cash flows, the Organization considers all liquid investments purchased with a maturity of three months or less to be cash equivalents.

Investments:

The organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the changes in net assets in the statements of activities.

Property and equipment:

The furniture and equipment and computer equipment is stated at historical cost or fair market value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from three to ten years.

Donated services:

Volunteers have donated significant amounts of their time to the Organization's program services and fund raising campaigns. No amounts for donated services have been reflected in the statements since no objective basis is available for measuring the value of such services.

Income taxes:

The Organization is recognized as exempt from Federal income tax under Internal Revenue Code Section 501(c)(3) whereby only the unrelated business income, as defined by Section 512(a)(1) of the Internal Revenue Code, is subject to Federal income tax. The Organization has been classified as an organization that is not a private foundation under IRC Section 509(a).

Lekotek of Georgia, Inc.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

Years ended June 30, 2021 and 2020

Note A-Summary of significant accounting policies-continued:

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, the 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. Actual results could differ from those estimates.

Note B-Investments:

SFAS No. 157 requires assets and liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition, to be disclosed to enable users of financial statements to assess the inputs used to develop those measurements. The Organization's investments are all classified as Level 1 measurement (quoted prices in active markets for identical assets and liabilities which the Organization has the ability to access at the measurement date).

Investments at June 30, 2021 and 2020 are stated at fair value and are summarized as follows:

	<u>2021</u>	<u>2020</u>
Unrestricted:		
Bond Funds	\$ 49,040	\$ 12,827
Mutual Funds	<u>760,966</u>	<u>630,884</u>
Subtotal	<u>810,005</u>	<u>643,711</u>
Board-designated endowment funds classified as unrestricted (Note E):		
Mutual Funds	<u>683,894</u>	<u>467,794</u>
Subtotal	<u>683,894</u>	<u>467,794</u>
 Total unrestricted investments	 <u>\$ 1,493,899</u>	 <u>\$1,111,505</u>

The net realized gain at June 30, 2021 and 2020 was \$39,837 and \$2,089 and the net unrealized gain (loss) at June 30, 2021 and 2020 was \$371,717 and (\$39,747), respectively.

Lekotek of Georgia, Inc.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

Years ended June 30, 2021 and 2020

Note C-Property and equipment-net:

Property and equipment-net at June 30, 2021 and 2020 is summarized as follow:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 19,146	\$ 10,433
Capital improvements	100,167	100,167
Computer equipment	<u>79,903</u>	<u>79,903</u>
Total	199,216	190,503
Less accumulated depreciation	<u>92,469</u>	<u>77,703</u>
Property and equipment-net	<u>\$ 106,747</u>	<u>\$ 112,800</u>

The Organization's capitalization policy requires items with a fair market value greater than \$500 and an estimated useful life of five years or greater to be capitalized. This also relates to in-kind gifts (see Note F). Depreciation expense related to property and equipment was \$14,766 and \$8,937 for the years ended June 30, 2021 and 2020, respectively.

Note D-Operating leases:

The Organization leases its main operating and five satellite facilities under non-cancelable operating leases that expire in May, 2027, and August, 2027. The lease agreements provide for escalating rents based upon a fixed rent schedule. Rent expense under the leases was \$128,876 and \$128,603 for the years ended June 30, 2021 and 2020, respectively.

The minimum rental commitments under the operating leases are as follows:

Year ending	
June 30,	
2022	139,225
2023	142,215
2024	145,264
2025	148,401
2026	151,591

Lekotek of Georgia, Inc.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

Years ended June 30, 2021 and 2020

Note E-Endowment related activities:

SFAS No. 117-1 subject to the UPMIFA (Uniform Prudent Management of Institutional Funds Act) requires additional disclosures relating to the Organization's Endowment Fund. The Endowment Fund consists of one Board-Designated Endowment Fund, the Chase Endowment Fund, classified as unrestricted and designated by the Board of Directors to function as an endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors must approve all appropriation of assets for expenditure as well as all investment policies. The investment objectives are investing in steady growth securities for a long term benefit. The Fund is made up of ETF's and mutual funds held by a brokerage firm. For the fiscal years ending June 30, 2021 and 2020 the board-restricted endowment had the following endowment-related activities:

	Board- Designated Endowment Fund 2021	Board- Designated Endowment Fund 2020
	<u>2021</u>	<u>2020</u>
Balance as of June 30	\$ 467,794	\$ 395,254
Investment changes		
Investment income	13,828	9,374
Purchases (sales) - net	26,570	66,437
Realized gain (loss)	(11,080)	9,919
Net unrealized gain (loss)	<u>186,782</u>	<u>(13,190)</u>
Total investment changes	<u>216,100</u>	<u>72,540</u>
Balance as of June 30	<u>\$ 683,894</u>	<u>\$ 467,794</u>

Note F-In-Kind Gifts:

SFAS No. 116 requires the fair value of donated services to be recognized in the financial statements if the services either (a) create or enhance a non-financial asset or (b) require specialized skills, are provided by entities or persons possessing those skills, and would need to be purchased if they were not donated. Certain gifts that might be considered services such as advertising, do not relate to personal services, and, therefore are recorded as in-kind gifts instead of donated services. Non-cash gifts of services are recognized as in-kind gifts in the period received and as an expense for the benefits received.

Lekotek of Georgia, Inc.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

Years ended June 30, 2021 and 2020

Note F-In-Kind Gifts - continued:

The Organization's capitalization policy (see Note C) is used for in-kind gifts of items. However, the majority of these items have been previously used and determination of useful life is uncertain as many of these items are provided at little or no costs to Lekotek members and families. Additional in-kind donations are made for special events and since the value of these items are uncertain and no objective basis is available for measurement they are not recorded in the financial statements.

The Organization also receives computers and accessories that are donated to assist families as teaching aids and bookkeeping services. The estimated fair value of the computers and bookkeeping services for the years ended June 30, 2021 and 2020 is \$5,600 and \$12,100, respectively.

Note G-Functional allocation of expenses:

The cost of providing the various programs and other activities has been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note H-Employee benefit plan:

The Organization offers staff employees the opportunity for participation in a contributory 403(b) retirement plan. There was no expense to the Organization under the arrangement for the years ended June 30, 2021 and 2020.

Note I-Tax related matters:

The Organization's Form 990 does not take into account the estimated fair market value of in-kind gifts received and expensed of \$5,600 and \$12,100 for the years ended June 30, 2021 and 2020.

The Organization has not been audited by Federal and State taxing authorities for open tax years, is current on all tax reporting requirements, and there are no uncertain tax positions.

Lekotek of Georgia, Inc.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

Years ended June 30, 2021 and 2020

Note J-Payroll Protection Program:

Due to the logistical issues and incremental costs caused by the PHE (Public Health Emergency), the Organization participated in the Payroll Protection Program (PPP), a product within the Coronavirus Aid, Relief, and Economic Security Act and implemented through the U.S. Small Business Administration's (SBA) 7(a) Loan Program. The Organization was awarded \$67,400 based on the program parameters. The entire amount was expended. The Organization has elected to use the Debt Method under FASB ASC 470. Based on this election, the Organization recorded the original loan as a financial liability and the Forgiveness of the loan program as Revenue based on the most current SBA statements regarding forgiveness, the award and the Organization's use of the proceeds for eligible expenditures.

Note K-Subsequent events:

Subsequent events were evaluated through October 5, 2021, which is the date the financial statements were available to be issued.