



Julie's Family Learning
Program, Inc.

Financial Statements

June 30, 2020



Kevin P. Martin & Associates, P.C.

JULIE'S FAMILY LEARNING PROGRAM, INC.

Index

June 30, 2020

Independent Auditors' Report

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Financial Statements:

Statement of Financial Position as of June 30, 2020
with Comparative Totals as of June 30, 2019

Statement of Activities for the Year Ended June 30, 2020
with Comparative Totals for the Year Ended June 30, 2019

Statement of Cash Flows for the Year Ended June 30, 2020
with Comparative Totals for the Year Ended June 30, 2019

Statement of Functional Expenses for the Year Ended June 30, 2020
with Comparative Totals for the Year Ended June 30, 2019

Notes to Financial Statements

Schedule of Findings and Responses



Independent Auditors' Report

To the Board of Directors of
Julie's Family Learning Program, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Julie's Family Learning Program, Inc. (a nonprofit organization), (the Agency), 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.

Auditors' 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 Agency 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Agency has adopted ASU No. 2018-08, *Clarified Scope and Accounting Guidance for Contributions Received and Made*. Our opinion is not modified with respect to these matters.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Agency's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 3, 2020. The prior year summarized comparative information is not intended to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2021, on our consideration of the Agency'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 Agency'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 Agency's internal control over financial reporting and compliance.



Braintree, Massachusetts
January 26, 2021



Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors of
Julie's Family Learning Program, Inc.

We have audited, in accordance with the 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, the financial statements of Julie's Family Learning Program, Inc. (a nonprofit organization), (the Agency), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 26, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nevin P. Martini & Quatro P.C.

Braintree, Massachusetts
January 26, 2021

JULIE'S FAMILY LEARNING PROGRAM, INC.

Statement of Financial Position

As of June 30, 2020

With Comparative Totals as of June 30, 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 356,123	\$ 95,846
Accounts receivable	-	497
Prepaid expenses	<u>14,616</u>	<u>16,033</u>
Total Current Assets	<u>370,739</u>	<u>112,376</u>
Fixed Assets		
Leasehold improvements	1,517,888	1,517,888
Furniture and equipment	<u>155,159</u>	<u>143,338</u>
	1,673,047	1,661,226
Less: accumulated depreciation	<u>(1,354,324)</u>	<u>(1,275,013)</u>
Total Fixed Assets	<u>318,723</u>	<u>386,213</u>
Total Assets	<u><u>\$ 689,462</u></u>	<u><u>\$ 498,589</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 6,515	\$ 14,483
Accrued expenses	54,840	29,485
Note payable, current	<u>110,602</u>	<u>33,333</u>
Total Current Liabilities	<u>171,957</u>	<u>77,301</u>
Total Liabilities	<u>171,957</u>	<u>77,301</u>
Net Assets		
Net assets without donor restrictions	517,505	408,638
Net assets with donor restrictions	<u>-</u>	<u>12,650</u>
Total Net Assets	<u>517,505</u>	<u>421,288</u>
Total Liabilities and Net Assets	<u><u>\$ 689,462</u></u>	<u><u>\$ 498,589</u></u>

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

JULIE'S FAMILY LEARNING PROGRAM, INC.

Statement of Activities

For the Year Ended June 30, 2020
With Comparative Totals for the Year Ended June 30, 2019

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
Revenue and Support				
Contributions and grants	\$ 781,603	\$ -	\$ 781,603	\$ 759,904
In-kind contributions	224,132	-	224,132	315,345
Program service fees	628,828	-	628,828	74,487
Other revenue	810	-	810	1,793
	<u>1,635,373</u>	<u>-</u>	<u>1,635,373</u>	<u>1,151,529</u>
Net assets released from restrictions	<u>12,650</u>	<u>(12,650)</u>	<u>-</u>	<u>-</u>
Total	<u>1,648,023</u>	<u>(12,650)</u>	<u>1,635,373</u>	<u>1,151,529</u>
Expenses				
Program services	1,178,239	-	1,178,239	1,004,165
Management and general	176,739	-	176,739	212,631
Fundraising	184,178	-	184,178	143,514
	<u>1,539,156</u>	<u>-</u>	<u>1,539,156</u>	<u>1,360,310</u>
Change in Net Assets	108,867	(12,650)	96,217	(208,781)
Net Assets at Beginning of Year	<u>408,638</u>	<u>12,650</u>	<u>421,288</u>	<u>630,069</u>
Net Assets at End of Year	<u>\$ 517,505</u>	<u>\$ -</u>	<u>\$ 517,505</u>	<u>\$ 421,288</u>

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

JULIE'S FAMILY LEARNING PROGRAM, INC.

Statement of Cash Flows

For the Year Ended June 30, 2020
With Comparative Totals for the Year Ended June 30, 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 96,217	\$ (208,781)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	79,311	87,335
Decrease (increase) in assets		
Accounts receivable	497	18,667
Pledges receivable	-	100,000
Prepaid expenses	1,417	1,995
Increase (decrease) in liabilities		
Accounts payable	(7,968)	(6,595)
Accrued expenses	25,355	2,348
Net Cash Provided by (Used in) Operating Activities	<u>194,829</u>	<u>(5,031)</u>
Cash Flows from Investing Activities		
Purchase of fixed assets	<u>(11,821)</u>	<u>(1,231)</u>
Net Cash Used in Investing Activities	<u>(11,821)</u>	<u>(1,231)</u>
Cash Flows from Financing Activities		
Proceeds from note payable	110,602	50,000
Repayment of note payable	(33,333)	(16,667)
Proceeds from line of credit	25,000	25,000
Repayment of line of credit	(25,000)	(25,000)
Net Cash Provided by Financing Activities	<u>77,269</u>	<u>33,333</u>
Net Increase in Cash and Cash Equivalents	260,277	27,071
Cash and Cash Equivalents, Beginning of Year	<u>95,846</u>	<u>68,775</u>
Cash and Cash Equivalents, End of Year	<u>\$ 356,123</u>	<u>\$ 95,846</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 1,444</u>	<u>\$ 1,093</u>

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

JULIE'S FAMILY LEARNING PROGRAM, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2020

With Comparative Totals for the Year Ended June 30, 2019

	<u>Managment & General</u>	<u>Fundraising</u>	<u>Program Services</u>	<u>Total 2020</u>	<u>Total 2019</u>
Functional Expenses					
Employee compensation and related expenses	\$ 69,045	\$ 101,026	\$ 716,836	\$ 886,907	\$ 584,242
Occupancy	31,732	297	225,084	257,113	274,506
Professional fees	48,217	5,878	21,522	75,617	82,954
Operating expenses	19,387	76,977	143,844	240,208	331,273
Depreciation	<u>8,358</u>	<u>-</u>	<u>70,953</u>	<u>79,311</u>	<u>87,335</u>
Total Functional Expenses	<u>\$ 176,739</u>	<u>\$ 184,178</u>	<u>\$ 1,178,239</u>	<u>\$ 1,539,156</u>	<u>\$ 1,360,310</u>

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

JULIE'S FAMILY LEARNING PROGRAM, INC.

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The significant accounting policies followed by Julie's Family Learning Program, Inc. (the Agency) are described below to enhance the usefulness of the financial statements to the reader.

(a) Nature of Activities

The Agency administers community-based family support and education programs committed to the development of strong, healthy family functioning. The Agency's mission is to break the cycle of poverty among low-income, at-risk families by providing services that enable mothers and their children to become healthy, responsible, successful at life and economically self-sufficient members of their communities.

The majority of the Agency's services are provided to residents of the greater Boston area. The following program divisions are listed in order of relative importance based upon total program expenditures:

Adult Education - The adult education program is aimed towards single mothers. The program provides counseling, educational opportunities, life skills development and career development programs to clients to help break the cycle of poverty. The adult education division accounted for 65% of total program expenditures for the year ended June 30, 2020.

Child Development - The child development program includes infant and toddler and preschool services. The program is designed to aid in the development of skills that will ensure success in later educational settings. The child development division accounted for 35% of total program expenditures for the year ended June 30, 2020.

(b) Basis of Presentation

The statement of activities reports all changes in net assets, including changes in net assets without donor restrictions from operating activities. Operating revenues consist of those monies received and other contributions attributable to the Agency's ongoing efforts.

JULIE'S FAMILY LEARNING PROGRAM, INC.

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(c) Revenue Recognition

The Agency earns revenue as follows:

Program Service Fees - Federal and state contracts that are considered reciprocal transactions or purchases of services, the results of which are turned over to the grantor, are recognized as the work under the contract is performed. Contracts that are considered nonreciprocal transactions that further the programs of the Agency are recorded when the Agency receives notification of the contract, or if, conditions for performance are imposed, revenue is recognized when conditions have been met. The contracts consist of two types, unit-rate and cost-reimbursement contracts, all with ceiling amounts. Unit-rate contracts provide that revenue is to be earned and recognized at a negotiated or class rate for each unit-of-service that is provided under the terms of the contract. Under the cost-reimbursement contracts, revenue recognition takes place as costs related to the services provided are incurred. Billings on the contracts are subject to final approval by the governmental agency. As of June 30, 2020, program service fees on the statement of activities consist solely of nonreciprocal transactions.

Grants - The Agency receives funding from federal and state governmental agencies and various other grantors for direct and indirect program costs associated with specific programs and projects. Various grants are subject to certain barriers as outlined in the agreement. Revenue is recognized as the barrier is met. For unconditional grants, revenue is recognized as grant revenue that increases net assets with donor restrictions at the time the grant is received or pledged and the funds are released from restriction when the restriction has been met. Grants with donor restrictions received and satisfied in the same period are included in grants without donor restrictions.

Contributions - In accordance with ASC Sub Topic 958-605, *Revenue Recognition*, the Agency must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Agency should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional advance liabilities until such conditions are met.

JULIE'S FAMILY LEARNING PROGRAM, INC.

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(c) Revenue Recognition - continued

Contributions without donor restrictions are recognized as revenue when received or unconditionally pledged. Contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as services are performed and costs are incurred pro-rata over the period covered by the contribution as time restrictions lapse. Contributions with donor restrictions received and satisfied in the same period are included in contributions without donor restrictions.

Special Events - Special event revenue is primarily derived from contributions collected and fees charged for admission at various sponsored events. Special event contributions and fees are recognized as income when received. The majority of special event revenue is derived from the Annual Dinner and the Spring Event. The Agency has determined that special events are incidental to its operations and therefore the direct costs of benefit to the donors is reported with fundraising expense and is not included with special events revenue.

Substantially all of the Agency's revenue is derived from its activities in Massachusetts. During the year ended June 30, 2020, the Agency derived approximately 62% of its total revenue from foundations and individual donors and 38% from governmental agencies. All revenue is recorded at the estimated net realizable amounts.

(d) Promises to Give

Unconditional promises to give are recognized as revenue and as assets, net of allowances, in the period in which the promises are made. Unconditional promises to give are recorded, in the year received, at the present value of estimated future cash flows using a risk-adjusted discount rate. Amortization of the discount is included in contribution revenue. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and when the promises become unconditional.

Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful accounts. Management estimates the allowance by review of historical experience and a specific review of collections trends that differ from scheduled collections on individual promises. As of June 30, 2020, management has determined any allowance would be immaterial.

JULIE'S FAMILY LEARNING PROGRAM, INC.

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(e) Accounts Receivable

The Agency carries its accounts receivable at an amount equal to uncollected but earned revenue less an allowance for doubtful accounts. Accounts receivable outstanding for thirty days or more are deemed delinquent. On a periodic basis, the Agency evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. As of June 30, 2020, management has determined any allowance would be immaterial.

The Agency does not have a policy to accrue interest on accounts receivable. Contracts and grant accounts are written off upon notification by the government and/or non-profit entity that amounts are uncollectible.

The Agency has no policies requiring collateral or other security to secure the accounts receivable.

(f) Standards of Accounting and Reporting

The Agency's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The statement of financial position presents two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) and the statement of activities displays the change in each class of net assets. The classes of net assets applicable to the Agency are presented as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions consist of assets and contributions available for the support of operations. These net assets may be designated for specific purposes by management or the Board of Directors. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

Net Assets With Donor Restrictions- Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Agency and/or passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions, gains and investment income that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the contributions are recognized.

JULIE'S FAMILY LEARNING PROGRAM, INC.

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(g) Income Taxes

The Agency qualifies as an Agency formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally not subject to income tax. However, income from certain activities not directly related to the Agency's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Agency is not a private foundation under Section 509(a)(1).

(h) Fundraising

Fundraising relates to the activities of raising general and specific contributions to the Agency and promoting special events. Fundraising expenses, as a percentage of total contribution and special event revenue, was 24% for the year ended June 30, 2020. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

(i) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Agency.

Payroll and associated costs are allocated to functions based upon actual time charges and time studies. Occupancy costs are allocated based upon square footage.

(j) Use of Estimates

In preparing the Agency's financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

(k) Cash and Cash Equivalents

The Agency considers all highly liquid investments purchased with an original maturity of three months or less, which are neither held nor restricted by donors for long-term purposes, to be cash equivalents.

JULIE'S FAMILY LEARNING PROGRAM, INC.

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(k) Cash and Cash Equivalents – continued

The Agency maintains its cash balances at several financial institutions located in Massachusetts. The cash balances are insured by the Federal Deposit Insurance Corporation. At times these balances may exceed the federal insurance limits; however, the Agency has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of June 30, 2020.

(l) Fixed Assets

Fixed assets are recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

The Agency computes depreciation using the straight-line method over the following estimated lives:

Leasehold improvements	20 years
Furniture and equipment	3-5 years

(m) Contributed Facilities and Gifts in Kind

Donated materials are reported as contributions in the financial statements at their estimated fair values at the time of receipt. In addition, the Agency is located in a building whose rent is donated by the City of Boston. The donated rent is similarly recorded at estimated fair value in the statement of activities.

(n) Summarized Financial Information for 2019

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Also, the financial statements do not include a full presentation of the statement of functional expenses, as certain prior year summarized comparative information is presented in total but not by functional classification. In addition, the financial statements do not include full financial statement disclosures for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2019, from which the summarized information is derived.

JULIE'S FAMILY LEARNING PROGRAM, INC.

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(o) Recent Accounting Standard Adopted

On July 1, 2019, the Agency adopted ASU 2018-08, *Not-for Profit Entities (Topic 958), Clarified Scope and Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify and improve the guidance in U.S. GAAP for distinguishing transactions that are contributions from those that are exchange transactions. The ASU also provides guidance for determining if a contribution that is a promise to give is conditional. The Agency adopted the ASU using a modified prospective method effective July 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of July 1, 2019. As a result, the 2019 consolidated financial statements are not restated and there was no cumulative effect adjustment to opening net assets as of July 1, 2019.

(p) Recent Accounting Standards

In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*. ASU 2020-05 deferred the implementation date of ASU 2016-02 and ASU 2014-09 by one year. These ASUs are described below.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, ASC 606). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: Step 1 - identify the contract(s) with the customer; Step 2 - Identify the performance obligations in the contract; Step 3 - determine the transaction price; Step 4 - Allocate the transaction price to the performance obligations in the contract and Step 5 - recognize revenue when (or as) the entity satisfies a performance obligation. Services within the scope of ASU 2014-09 primarily include program service fees. The ASU was set to be effective for fiscal years beginning after December 15, 2018 and has been extended to be effective for fiscal years beginning after December 15, 2019. The Agency is currently evaluating the impact the adoption of this new standard will have on its consolidated financial statements.

In March 2016, FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*. In December 2016, FASB Issued ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*. These ASUs will be adopted concurrent with the Agency's adoption of ASU 2014-09.

JULIE'S FAMILY LEARNING PROGRAM, INC.

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(p) Recent Accounting Standards - continued

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)* which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today.

The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU was set to be effective on January 1, 2021, with early adoption permitted. The effective date was extended to fiscal years beginning after December 15, 2021. The Agency is currently evaluating the impact the adoption of this new standard will have on its consolidated financial statements.

In July 2018, FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases and ASU 2018-11, Leases (Topic 842), Targeted Improvements*. In December 2019, FASB issued ASU 2018-20, *Leases (Topic 842), Narrow-Scope Improvements for Lessors*. Adoption of these ASUs will run concurrent with the Agency's adoption of ASU 2016-02.

(q) Paycheck Protection Program Loan

As described at Note 3(b), the Agency received a Paycheck Protection Program (PPP) loan during the fiscal year ended June 30, 2020. The Agency has elected to follow the guidance regarding Debt found in FASB ASC 470 - *Not-for Profit Entities - Debt* to account for its PPP Loan. As a result, during the year ended June 30, 2020, the Agency recognized \$110,602 of debt.

(2) Fixed Assets

Fixed assets consist of the following as of June 30, 2020:

Leasehold improvements	\$ 1,517,888
Furniture and equipment	<u>155,159</u>
	\$ <u>1,673,047</u>

Depreciation amounted to \$79,311 for the year ended June 30, 2020.

JULIE'S FAMILY LEARNING PROGRAM, INC.

Notes to Financial Statements

June 30, 2020

(3) Debt

(a) Line of Credit

The Agency has available a demand line of credit with Liberty Bay Credit Union (a Massachusetts bank) in the maximum amount of \$25,000 to be drawn upon as needed, with interest at the prime rate plus 3.5%, or 6.75% as of June 30, 2020. During the year ended June 30, 2020 the Agency advanced and repaid \$25,000. The line of credit is secured with all business assets and expires January 23, 2021. As of June 30, 2020, there was no outstanding balance.

(b) Notes Payable

The Agency had an unsecured non-interest-bearing note from The Notre Dame Training School, Inc in the amount of \$50,000 to be repaid in six monthly payments of \$8,333 through maturity on March 31, 2020. As of June 30, 2020, the note was fully satisfied.

The Agency entered into an unsecured PPP note payable with Eastern Bank in the original amount of \$110,602 on April 22, 2020. Prior to any forgiveness, interest shall accrue at an initial rate of 1% per annum. Principal and interest shall be deferred for the first six months and then is payable in equal monthly installments through maturity on April 22, 2022. As of June 30, 2020, management believes the balance will be forgiven in full subsequent to year end in accordance with program guidelines. Therefore, the entire balance is included in the current liabilities on the statement of financial position. As of June 30, 2020, the outstanding balance is \$110,602

Maturities on all debt is as follows as of June 30:

2021	\$ 110,602
------	------------

Interest expense on all debt amounted to \$1,444 for year ended June 30, 2020.

(4) Special Events

The Agency held two special events during the year. Special events revenue for the year ended June 30, 2020 amounted to \$225,589. Costs related to special events amounted to \$43,784, for the year ended June 30, 2020.

(5) Contributed Facilities and Gifts in Kind

Contributed facilities and gifts in kind for the year ended June 30, 2020 were as follows:

Facility rent	\$ 150,000
Supplies and food	<u>74,495</u>
	\$ <u>224,495</u>

JULIE'S FAMILY LEARNING PROGRAM, INC.

Notes to Financial Statements

June 30, 2020

(6) Operating Lease Commitments

The Agency leases office equipment at will and under an operating lease agreement expiring October 15, 2022. The minimum annual operating lease commitments on equipment for the Agency are as follows for the year ended June 30:

2021	\$ 3,828
2022	3,828
2023	1,276

Equipment rental expense for the year ended June 30, 2020 was \$4,424.

(7) Net Assets With Donor Restrictions

Net assets with donor restrictions consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. Net assets released from program restrictions during the year ended June 30, 2020 totaled \$12,650. As of June 30, 2020, all net assets are without donor restrictions.

(8) Commitments and Contingencies

The Agency receives a portion of its funding from government agencies under cost reimbursement programs. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government. Until such audits have been completed, if any, and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

The Agency's operations are concentrated in the social service provider field. As such, the Agency operates in a heavily regulated environment. The operations of the Agency are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to the following:

Massachusetts Department of Elementary and Secondary Education
Massachusetts Department of Children and Families
Massachusetts Operational Services Division
City of Boston

Such administrative directives, rules and regulations are subject to change by an act of Congress, act of the state and local legislature or an administrative change mandated by the Commonwealth of Massachusetts Departments listed above. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. Additionally, contractual funding may decrease or be withdrawn with little notice.

JULIE'S FAMILY LEARNING PROGRAM, INC.

Notes to Financial Statements

June 30, 2020

(9) Liquidity and Availability of Resources

The following reflects the Agency's financial assets as of June 30, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year from the statement of financial position date.

Financial assets at year end	
Cash and cash equivalents	\$ 356,123
Less amounts unavailable for general expenditures within one year	<u> -</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 356,123</u>

The Agency is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Agency must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Agency's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of an unanticipated liquidity need, the Agency also could draw up to \$25,000 on its line of credit; see Note 3(a).

(10) COVID-19 - Risks and Uncertainties

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. At this stage, the limited impact to the Agency resulted in a loss of revenues and other adverse effects to the Agency's financial position, results of operations, and cash flows. As described in Note 3(b), the Agency received PPP loan. Further, the Agency's liquidity as of June 30, 2020 is documented at Note 9. The Agency 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 Agency's operations continue for an extended period of time the Agency may have to seek alternative measures to finance its operations. The Agency does not believe that the impact of COVID-19 would have a material adverse effect on its financial condition or liquidity.

(11) Subsequent Events

The Agency has performed an evaluation of subsequent events through January 26, 2021, which is the date the Agency's financial statements were available to be issued. No material subsequent events have occurred since June 30, 2020 that required recognition or disclosure in these financial statements.

JULIE'S FAMILY LEARNING PROGRAM, INC.

Schedule of Findings and Responses

June 30, 2020

(1) Financial Statement Findings

No significant deficiencies or material weaknesses reported.

(2) Status of Prior Year Findings

No significant deficiencies or material weaknesses reported.