

CAPE COD CHILDREN'S PLACE, INC.
(a nonprofit corporation)

FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

CAPE COD CHILDREN'S PLACE, INC.
FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
NOTES TO FINANCIAL STATEMENTS	9 - 23
INDEPENDENT AUDITOR'S 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	24- 25

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Cape Cod Children's Place, Inc.

Opinion

We have audited the accompanying financial statements of Cape Cod Children's Place, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cape Cod Children's Place, Inc. as of June 30, 2023 and 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cape Cod Children's Place, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cape Cod Children's Place, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cape Cod Children's Place, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cape Cod Children's Place, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2023, on our consideration of Cape Cod Children's Place, 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 Cape Cod Children's Place, 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 Cape Cod Children's Place, Inc.'s internal control over financial reporting and compliance.

Sanders, Walsh & Eaton, CPAs, LLC

Chatham, Massachusetts
November 10, 2023

CAPE COD CHILDREN'S PLACE, INC.
Statements of Financial Position
June 30, 2023 and 2022

ASSETS

	2023	2022
Current Assets:		
Cash and cash equivalents	\$ 780,266	\$ 896,771
Operating investments	508,628	-
Accounts receivable, net	37,510	45,666
Grants receivable, net	354,274	199,782
Prepaid expenses	12,019	5,652
Total Current Assets	1,692,696	1,147,871
Non-current Assets:		
Endowment investments	86,665	20,393
Beneficial interest in assets held by community foundation	203,377	187,088
Property and equipment, net	520,776	550,086
Operating lease right of use asset	88,164	-
Total Non-current Assets	898,982	757,567
Total Assets	\$ 2,591,678	\$ 1,905,438

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 110,245	\$ 4,477
Accrued expenses	33,673	38,754
Deferred revenue	23,854	196,734
Operating lease liability, current portion	16,922	-
Total Current and Total Liabilities	184,695	239,965
Long-Term Liabilities:		
Operating lease liability, less current portion	72,476	-
Total Long Term Liabilities	72,476	-
Total Liabilities	257,171	239,965
Net Assets:		
Without donor restrictions	1,948,874	1,442,350
With donor restrictions	385,633	223,124
Total Net Assets	2,334,507	1,665,474
Total Liabilities and Net Assets	\$ 2,591,678	\$ 1,905,438

The accompanying notes are an integral part of these financial statements

CAPE COD CHILDREN'S PLACE, INC.

Statement of Activities
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support:			
Tuition and fees:			
Preschool program	\$ 194,318	\$ -	\$ 194,318
Infant and toddler program	84,365	-	84,365
SeaBabies offsite childcare program	40,945	-	40,945
Family support	-	-	-
Total tuition and fees	319,629	-	319,629
Contributions	76,273	174,365	250,638
In-kind contributions	36,000	-	36,000
Government grants	2,429,502	-	2,429,502
Special events, net of \$14,598 direct benefit to donors	34,100	-	34,100
Contract revenue	600	-	600
Investment return (loss), net	27,728	-	27,728
Distributions from and change in value of beneficial interest in assets held by community foundation	-	16,289	16,289
Net assets released from restrictions	28,145	(28,145)	-
Total Revenue, Gains and Other Support	2,951,977	162,509	3,114,486
Expenses:			
Programs:			
Grant programs	1,654,676	-	1,654,676
Preschool program	243,085	-	243,085
Infant and toddler program	124,477	-	124,477
Seababies childcare program	90,374	-	90,374
Total program expenses	2,112,612	-	2,112,612
Supporting services:			
Management and general	296,840	-	296,840
Fundraising	36,000	-	36,000
Total supporting services expense	332,840	-	332,840
Total Expenses	2,445,452	-	2,445,452
Change in Net Assets	506,525	162,509	669,034
Net Assets, Beginning of Year	1,442,350	223,124	1,665,474
Net Assets, End of Year	\$ 1,948,874	\$ 385,633	\$ 2,334,507

The accompanying notes are an integral part of these financial statements

CAPE COD CHILDREN'S PLACE, INC.
Statement of Activities
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support:			
Tuition and fees:			
Preschool program	\$ 187,725	\$ -	\$ 187,725
Infant/toddler program	72,247	-	72,247
SeaBabies offsite childcare program	37,793	-	37,793
Family support	2,300	-	2,300
Total tuition and fees	300,065	-	300,065
Contributions	173,741	26,676	200,417
In-kind contributions	36,000	-	36,000
Government grants	1,578,112	-	1,578,112
Special events, net of \$13,102 direct benefit to donors	217,225	-	217,225
Contract revenue	3,950	-	3,950
Investment return (loss), net	(3,037)	-	(3,037)
Distributions from and change in value of beneficial interest in assets held by community foundation	-	(12,912)	(12,912)
Net assets released from restrictions	26,766	(26,766)	-
Total Revenue, Gains and Other Support	\$ 2,332,822	\$ (13,002)	\$ 2,319,820
Expenses:			
Programs:			
Grant programs	1,452,534	-	1,452,534
Preschool program	225,585	-	225,585
Infant/toddler program	111,225	-	111,225
Seababies offsite childcare program	87,050	-	87,050
Total program expenses	1,876,394	-	1,876,394
Supporting services:			
Management and general	211,551	-	211,551
Fundraising	2,160	-	2,160
Total supporting services expense	213,711	-	213,711
Total Expenses	2,090,104	-	2,090,104
Change in Net Assets	242,717	(13,002)	229,715
Net Assets, Beginning of Year	1,199,632	236,126	1,435,758
Net Assets, End of Year	\$ 1,442,350	\$ 223,124	\$ 1,665,474

The accompanying notes are an integral part of these financial statements

CAPE COD CHILDREN'S PLACE, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program services					Supporting services		Total
	Grant	Preschool	Infant/Toddler	Seababies Childcare	Total	Management and General	Fundraising	
Bad debt	\$ -	\$ 2,707	\$ -	\$ 778	\$ 3,485	\$ -	\$ -	\$ 3,485
Bank and credit card fees	28	986	208	-	1,222	545	-	1,767
Training and continuing education	6,058	696	473	473	7,700	1,185	-	8,885
Subcontractors and substitutes	239,007	-	-	110	239,117	3,780	-	242,897
Depreciation	750	-	-	-	750	39,690	-	40,440
Miscellaneous	12,504	-	-	-	12,504	86,320	-	98,824
Operating lease expense	24,848	211	108	76	25,243	2,923	36,000	64,166
Utilities	39,149	7,428	3,692	2,636	52,905	3,141	-	56,046
Office expenses	16,920	2,800	838	1,009	21,567	7,238	-	28,805
Professional services	-	-	-	-	-	19,450	-	19,450
Repairs and maintenance	8,451	2,242	883	520	12,096	2,489	-	14,585
Salaries, benefits and related costs	1,095,615	219,158	117,034	83,736	1,515,543	123,193	-	1,638,736
Stipends	60,470	35	18	18	60,541	-	-	60,541
Supplies and materials	59,654	6,822	1,223	1,018	68,717	6,886	-	75,603
Taxes - Other	444	-	-	-	444	-	-	444
Travel and client transportation	33,106	-	-	-	33,106	-	-	33,106
Vouchers and scholarships	57,673	-	-	-	57,673	-	-	57,673
Total Expenses	\$ 1,654,676	\$ 243,085	\$ 124,477	\$ 90,374	\$ 2,112,612	\$ 296,840	\$ 36,000	\$ 2,445,452

The accompanying notes are an integral part of these financial statements

CAPE COD CHILDREN'S PLACE, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program services				Supporting services		Total
	Grant	Preschool	Infant/Toddler	Seababies Childcare	Management and General	Fundraising	
Bad debt	-	-	-	-	-	-	-
Bank and credit card fees	62	369	354	111	1,488	-	2,383
Training and continuing education	6,309	1,899	177	177	2,893	-	11,455
Subcontractors and substitutes	221,628	-	-	-	2,648	1,000	225,276
Depreciation	-	555	217	203	30,126	-	31,101
Miscellaneous	7,418	-	-	-	-	-	7,418
Operating lease expense	51,736	-	-	-	-	-	51,736
Utilities	2,181	6,030	2,875	2,213	38,522	-	51,821
Office expenses	21,986	875	419	1,044	7,620	-	31,944
Professional services	-	-	-	-	10,929	-	10,929
Repairs and maintenance	6,026	1,645	688	718	481	-	9,558
Salaries, benefits and related costs	954,669	206,333	104,069	80,233	100,356	1,160	1,446,818
Stipends	49,809	-	-	-	-	-	49,809
Supplies and materials	58,522	7,880	2,428	2,351	15,614	-	86,794
Taxes - Other	-	-	-	-	-	-	-
Travel and client transportation	29,697	-	-	-	874	-	30,571
Vouchers and scholarships	42,493	-	-	-	-	-	42,493
Total Expenses	\$ 1,452,534	\$ 225,585	\$ 111,225	\$ 87,050	\$ 211,551	\$ 2,160	\$ 2,090,104

The accompanying notes are an integral part of these financial statements

CAPE COD CHILDREN'S PLACE, INC.
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Change in net assets	\$ 669,034	\$ 229,715
Adjustments to reconcile net assets to net cash provided (used) by operating activities:		
Depreciation	40,440	31,101
Change in value of beneficial interest held at community foundation	(16,289)	12,912
Contribution restricted to endowment	(52,000)	-
Endowment net investment (return) loss	(14,272)	3,037
(Increase) decrease in operating assets:		
Accounts and grants receivable, net	(146,336)	(5,686)
Prepaid expenses	(6,366)	(2,436)
Operating lease right of use asset	(88,164)	-
Increase (decrease) in operating liabilities:		
Accounts payable	105,768	(16,097)
Accrued expenses	(5,080)	(27,095)
Deferred revenue	(172,880)	100,999
Operating lease liability	89,398	-
Net Cash Provided by (Used in) Operating Activities	403,253	326,451
Cash Flows from Investing Activities:		
Purchases of investments	(565,952)	(23,430)
Purchases of property and equipment	(5,806)	(67,500)
Net Cash Provided by (Used in) Investing Activities	(571,758)	(90,930)
Cash Flows from Financing Activities:		
Collection of contributions restricted to endowment	52,000	-
Net Cash from Financing Activities	52,000	-
Net change in cash and cash equivalents	(116,505)	235,521
Cash and cash equivalents, beginning of year	896,771	661,250
Cash and cash equivalents, end of year	\$ 780,266	\$ 896,771

The accompanying notes are an integral part of these financial statements

CAPE COD CHILDREN'S PLACE, INC.
Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Cape Cod Children's Place, Inc. (the Organization), is a Massachusetts non-profit corporation established in 1994 whose purpose is to provide pre-school educational, social, childcare, and family support services.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest bearing amounts due for educational programs from customers. Grants receivable consist of noninterest bearing amounts due from government agencies for qualified expenditures under cost-reimbursement grants. Management determines the allowance for uncollectable accounts and grants receivable based on historical experience, an assessment of economic conditions, and review of subsequent collections. Accounts and grants receivable are written off when deemed uncollectable. At June 30, 2023 and 2022, the allowance was \$1,500 and \$1,500, respectively.

Receivables from contracts with customers are reported as accounts receivable, net in accompanying statements of financial positions. Contract liabilities are reported as deferred revenue on accompanying statements of financial position.

Property and Equipment

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 40 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2023 and 2022, respectively.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their values in the statement of financial position. Net investment return (loss) is reported in the statements of activities and consists of interest and dividends income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

CAPE COD CHILDREN'S PLACE, INC.

Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Beneficial Interest in Assets Held by Community Foundation

During 2021, the Organization established an endowment fund for the amount of \$200,000 that is perpetual in nature (the fund) under a community foundation's (Cape Cod Community Foundation, Inc.) Non-Profit Agency Fund and named Cape Cod Children's Place, Inc. as beneficiary. The Organization granted variance power to the community foundation (CF), which allows the CF to modify any condition or restriction on its distribution for any specified charitable purpose or to any specified organization if, in the sole judgment of the CF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the CF for Cape Cod Children's Place, Inc.'s benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statement of activities.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions. The governing board has designated, from net assets without donor restrictions, a board-designated endowment.

Net Asset With Donor Restrictions: – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. 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 to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Organization reports conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized when received and released from restrictions when the assets are placed in service.

Compensated Absences

Compensated absences have not been accrued because the amount cannot be reasonably estimated.

In-kind Contributions

Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received (Note D). The Organization does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

CAPE COD CHILDREN'S PLACE, INC.

Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition

The Organization recognizes revenue from student tuition and fees during the month in which the related services are provided to students. The performance obligation of delivering educational services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the month. Payment for tuition is required at the beginning of each month for that month. All amounts received prior to the commencement of the classes, including enrollment deposits, are deferred to the applicable period.

Contract revenue from sale of advisory and training products and services is recognized when the performance obligations of transferring the products and providing the services are met. Payments are required at the time of sale; amounts received in advance are deferred to the applicable period.

Special events revenue is comprised of an exchanged element based upon the direct benefits donors receive and a contribution element for the difference. The Organization recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Organization recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

With the exception of goods and services provided in connection with the educational services, which are transferred over the academic year, all goods and services are transferred at a point in time.

A significant portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when expenditures have incurred in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. No amounts have been received in advance under these federal and state contracts.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Private and town grants are considered non reciprocal transactions or contributions that further the programs of the Organization. Accordingly, revenue is recorded upon receipt of the notification of grant award, or, if conditions for performance are imposed, revenue is recognized when conditions have been met.

Advertising Costs

Advertising costs are expensed as incurred, and approximated \$7,919 and \$2,229 for the years ended June 30, 2023 and 2022, respectively.

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 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, and those differences could be material.

CAPE COD CHILDREN'S PLACE, INC.

Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Cape Cod Children's Place, Inc. is organized as Massachusetts nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organization described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundation under IRC Sections 509(a)(1) and (3), respectively. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Organization has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Functional Allocation of Expenses

The cost of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain expenses have been allocated among the program and supporting services benefited on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, operating lease expense, occupancy, and repair and maintenance which are allocated on a square-footage basis, as well as salaries, benefits and related cost, training and education, supplies and materials, office expenses, subcontractors and substitutes, bank and credit card fees, stipends, and travel and client transportation, which are allocated on the basis of estimates of time and effort.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grant receivables is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies. Investments are made by diversified investment managers whose performance is monitored by management and the Investment Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

CAPE COD CHILDREN'S PLACE, INC.
Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Standards

In 2023, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, Leases, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to restate the comparative period 2022. It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Organization recognized right-of-use assets of \$105,073 and lease liabilities totaling \$105,073 in its statement of financial position as of July 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended June 30, 2023.

NOTE B – CONCENTRATION OF REVENUE SOURCES

The Organization's program services are funded primarily by the Commonwealth of Massachusetts Department of Early Education and Care (EEC) and the Department of Public Health (DPH). Grants receivable from these two agencies represents 100% and 100% of the Organization's total grants receivable balance at June 30, 2023 and 2022, respectively. Approximately 64% and 68% of the Organization's total revenue derives from grants from these two state agencies at June 30, 2023 and 2022, respectively. The current level of the Organization's operations and program services may be impacted if funding is not renewed.

NOTE C - FAIR VALUE MEASUREMENTS AND DISCLOSURES

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumption about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in market that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3: Unobservable inputs for the asset or liability. In these situations, inputs using the best information available in the circumstances are developed.

CAPE COD CHILDREN'S PLACE, INC.

Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

NOTE C - FAIR VALUE MEASUREMENTS AND DISCLOSURES (Continued)

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the assessment of the quality, risk, or liquidity profile of the asset or liability.

Portion of the Organization's investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values.

The fair value of the beneficial interest in asset held by community foundation is based on the fair value of fund investment as reported by the community foundation. This is considered to be Level 3 measurements.

The following table represents assets measured at fair value on a recurring basis, except those measured at carrying value, at June 30, 2023:

Assets	Fair Value Measurements at Report Date Using			
	Total	Quoted Prices in Active Mkts for Identical Assets (Level1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Operating investments				
Non-traded CDs at carrying value	\$ 508,628	\$ -	\$ -	\$ -
Endowment investments				
Global equity mutual funds	86,665	86,665	-	-
Beneficial interest in:				
Assets held by community foundation	203,377	-	-	203,377
	<u>\$ 798,670</u>	<u>\$ 86,665</u>	<u>\$ -</u>	<u>\$ 203,377</u>

The following table represents assets measured at fair value on a recurring basis, except those measured at carrying value, at June 30, 2022:

CAPE COD CHILDREN'S PLACE, INC.
Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

NOTE C - FAIR VALUE MEASUREMENTS AND DISCLOSURES (Continued)

Assets	Fair Value Measurements at Report Date Using			
	Total	Quoted Prices in Active Mkts for Identical Assets (Level1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Operating investments				
Non-traded CDs at carrying value	\$ -	\$ -	\$ -	\$ -
Endowment investments				
Global equity mutual funds	20,393	20,393	-	-
Beneficial interest in:				
Assets held by community foundation	187,088	-	-	187,088
	<u>\$ 207,481</u>	<u>\$ 20,393</u>	<u>\$ -</u>	<u>\$ 187,088</u>

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2023 and 2022.

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)	
	2023	2022
Beneficial interest in assets held by community foundation		
Balance, Beginning of Year	\$ 187,088	\$ 200,000
Net investment return (loss)	16,289	(12,912)
Purchases/contributions of investments	-	-
Distributions	-	-
Balance, End of Year	<u>\$ 203,377</u>	<u>\$ 187,088</u>

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2023 and 2022:

	2023	2022
Leasehold improvements	\$ 830,093	\$ 822,368
Equipment, furniture and fixtures	52,031	65,561
	<u>882,123</u>	<u>887,929</u>
Less accumulated depreciation	(361,347)	(337,843)
Property and Equipment, Net	<u>\$ 520,776</u>	<u>\$ 550,086</u>

CAPE COD CHILDREN'S PLACE, INC.

Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

NOTE E - IN-KIND CONTRIBUTIONS

For the years ended June 30, 2023 and 2022, contributed nonfinancial asset recognized within the statements of activities include the following:

	2023	2022
Donated space	\$ 36,000	\$ 36,000

Contributed space is provided by the Town of Eastham and it is comprised of the Organization's teaching facility. Contributed space is recognized at fair value based on estimated rental rates for similar spaces. Contributed space is used for educational program activities and it is included in the accompanying financial statements both as an in-kind contribution and as operating lease expense. There are no associated donor restriction related to contributed space.

NOTE F – REVENUE FROM CONTRACT WITH CUSTOMERS

Deferred revenue represents amounts received in advance for student tuition and under cost-reimbursable grants that are deferred to the applicable period. The following table provides information about significant changes in deferred revenue for the years ended June 30, 2023 and 2022:

	2023	2022
Deferred Revenue, Beginning of Year	\$ 196,734	\$ 95,735
Revenue recognized that was included in deferred revenue at the beginning of the year	(196,734)	(95,735)
Increases in deferred revenue due to cash received during the year	23,854	196,734
Deferred Revenue, End of Year	\$ 23,854	\$ 196,734

NOTE G – GRANTS

State and federal cost-reimbursable grants are major source of support for the Organization, primarily from the Massachusetts Department of Early Education and Care (EEC) and the Department of Public Health (DPH). During the fiscal years 2023 and 2022, the Organization was also awarded other town and private grants. Town grants are cost-reimbursable, paid quarterly and are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses.

A summary of grant revenue for the years ended June 30, 2023 and 2022 is as follows:

	2023	2022
State grants, MA Departments of EEC/The Children's Trust/DPH	\$ 787,828	\$ 773,344
Federal grants, pass-through MA Departments of DPH	678,889	568,335
Federal grants, pass-through the Children's Trust/EEC	22,539	62,500
Private and town grants	503,561	173,235
Employee Retention Credit	436,685	698
Total Grant Revenue	\$ 2,429,502	\$ 1,578,112

CAPE COD CHILDREN'S PLACE, INC.

Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows for the years ended June 30, 2023 and 2022:

	2023	2022
Subject to expenditures for specified purpose:		
Education - maternal wellness	\$ 53,000	\$ 9,503
Emergency fund (Childcare Vouchers)	20,876	7,891
Family support	56,380	18,642
	130,256	36,036
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for		
Available for general use	52,000	-
Perpetual in nature, not subject to spending policy or appropriation:		
Beneficial interest in assets held by community foundation	203,377	187,088
	\$ 385,633	\$ 223,124

Net assets that were released from donor restrictions by incurring expenses satisfying restricted purpose or by occurrence of passage of time or other events specified by the donors as follows for the years ended June 30, 2023 and 2022.

	2023	2022
Satisfaction of purpose restrictions:		
Education - maternal wellness	\$ 9,503	\$ -
Emergency fund (Childcare Vouchers)	-	7,393
Family support	18,642	19,373
	\$ 28,145	\$ 26,766

NOTE I – ENDOWMENT

The Organization endowment (the Endowment) consists of funds established by donors to provide annual funding for general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

The Organization Board of Directors has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2023 and 2022, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

CAPE COD CHILDREN'S PLACE, INC.

Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

NOTE I – ENDOWMENT (Continued)

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

As of June 30, 2023 and 2022, the Organization had the following endowment net asset composition by type of fund:

	Without Donor Restriction	With Donor Restriction	Total
<u>June 30, 2023</u>			
Board-designated endowment funds	\$ 34,665	\$ -	\$ 34,665
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	52,000	52,000
Accumulated investment gains	-	-	-
	\$ 34,665	\$ 52,000	\$ 86,665
<u>June 30, 2022</u>			
Board-designated endowment funds	\$ 20,393	\$ -	\$ 20,393
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	-	-
Accumulated investment gains	-	-	-
	\$ 20,393	\$ -	\$ 20,393

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2023 and 2022 the Organization does not have underwater endowments.

CAPE COD CHILDREN'S PLACE, INC.

Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

NOTE I – ENDOWMENT (Continued)

Investment and Spending Policies

The Organization has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The target minimum rate of return is the Consumer Price Index plus 4 percent on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective spending must be flexible in order to endure periods of underperformance without excessive deterioration of principal. The investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

The Organization use an endowment spending-rate formula to determine the maximum amount to spend from the Endowment. The Organization will target a 4% draw of the rolling 12 quarters (3 year) average market value of the portfolio (base amount). In addition, the Investment Committee may also authorize up to 50% of the amount by which the 3 year average net total return exceeds the 3 year average annual Consumer Price Index (CPI). The Investment Committee will review the spending calculation and its effect on the investment account and make recommendation to the Organization's Board of Directors annually. In establishing this policy, the Organization considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

Changes in Endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>June 30, 2023</u>			
Endowment net assets, beginning of year	\$ 20,393	\$ -	\$ 20,393
Investment return (loss), net	14,272	-	14,272
Contributions	-	52,000	52,000
Appropriation of endowment assets pursuant to spending-rate policy	-	-	-
Other changes:			
Distribution from board-designated endowment pursuant to distribution policy	-	-	-
Endowment net assets, end of year	<u>34,665</u>	<u>52,000</u>	<u>86,665</u>

CAPE COD CHILDREN'S PLACE, INC.

Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

NOTE I – ENDOWMENT (Continued)

June 30, 2022	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ -
Investment return (loss), net	(3,037)	-	(3,037)
Contributions	23,430	-	23,430
Appropriation of endowment assets pursuant to spending-rate policy	-	-	-
Other changes:			
Distribution from board-designated endowment pursuant to distribution policy	-	-	-
Endowment net assets, end of year	<u>\$ 20,393</u>	<u>\$ -</u>	<u>\$ 20,393</u>

NOTE J – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

	2023	2022
Financial assets, at year end:		
Cash and cash equivalents	\$ 780,266	\$ 896,771
Operating investments	508,628	
Accounts receivable, net	37,510	45,666
Grants receivable, net	354,274	199,782
Endowment investments	86,665	20,393
Beneficial interest in assets held by community foundation	203,377	187,088
Total financial assets	<u>1,970,719</u>	<u>1,349,700</u>
Less amounts not available for general expenditures within one year, due to contractual or donor-imposed restrictions:		
Restricted by donor with purpose restrictions	(130,256)	36,036
Donor-restricted endowment	(52,000)	-
Perpetual in nature, not subject to spending policy or appropriation	(203,377)	187,088
	<u>(385,633)</u>	<u>223,124</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,585,087</u>	<u>\$ 1,126,576</u>

The Organization is also supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in future periods, the Organization maintains sufficient resources to meet those responsibilities to its donors. Thus, certain financial assets may not be available for general expenditures within one year. As part of the Organization's liquidity management, it has a policy to structure its assets to be available as its general expenditures, liabilities, and other obligations come due.

CAPE COD CHILDREN'S PLACE, INC.

Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

NOTE J – LIQUIDITY AND AVAILABILITY (Continued)

The Organization operates with balanced budget for each fiscal year and anticipates collecting sufficient revenue to cover short term general expenditures not covered by donor-restricted resources. A substantial portion of annual revenue is comprised of grants and contributions received during the year. The Organization considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to management and general and fundraising activities undertaken to support those services.

The Organization endowment funds consist of donor-restricted endowments and funds designated by the Board of Directors as endowments. Income from donor-restricted endowments is available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Organization board-designated endowment is subject to an annual spending rate of 4 percent as described in Note I and totaled \$86,665 and \$20,393 at June 30, 2023 and 2022, respectively. Although the Organization does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

The Organization regularly monitors liquidity to meet its operating needs and other commitments and obligations. The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, CDs and money market accounts. Management prepares regular cash flow projections to determine liquidity needs. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash.

NOTE K – OPERATING LEASE

The Organization evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has applied the risk-free rate option to building and equipment leases. The weighted-average discount rate applied to calculate lease liabilities as of June 30, 2023, was 5%. The Organization elected the practical expedient to not separate leases and non-lease components for all leases.

The Organization's long-term non-cancelable operating leases consist of real estate and equipment leases that expire at various dates through April, 2048. The Organization include in determination of the right-of-use assets and lease liabilities any renewal option when the options are reasonably certain to be exercised. For the year ended June 30, 2023, total operating lease cost was \$21,810, and total short-term lease cost was \$42,356. As of June 30, 2023 the weighted-average remaining lease term for the Organization's operating leases was approximately 9 years.

CAPE COD CHILDREN'S PLACE, INC.

Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

NOTE K – OPERATING LEASE (Continued)

Cash paid for operating leases for the year ended June 30, 2023 was \$62,931. There were no noncash investing and financing transactions related to leasing other than the transition entry described in Note A.

Future maturities of lease liabilities are presented in the following table, for the fiscal year ending June 30:

2024	\$	21,010
2025		20,738
2026		16,388
2027		16,863
2028		6,844
Thereafter		48,982
Total lease payments	\$	130,825
Lease present value discount		(41,427)
Total lease obligations	\$	<u>89,398</u>

Rent expense under FASB ASC 840 (pre-adoption of the new standards) for operating leases totaled \$51,736 for the year ended June 30, 2022. The aggregate minimum lease payments under those operating leases as of June 30, 2022, were as follows:

2023	\$	20,575
2024		21,010
2025		20,738
2026		16,388
2027		16,863
Thereafter		16,099
	\$	<u>111,673</u>

NOTE L - EMPLOYEE RETENTION CREDIT

The CARES Act provides an employee retention credit (ERC) subject to certain conditions such as meeting the rules for a decline in gross receipts and incurring qualified expenses (payroll costs). ERC is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter. The Organization substantially met the conditions for the tax credit under the CARES Act and expects to continue to receive tax credits under the additional relief provisions for qualified wages through December 31, 2021. During the fiscal years ended June 30, 2023 and 2022, the Organization recorded \$436,685 and \$0 respectively, related to the CARES ERC in government grants on the Organization's statements of activities. As of June 30, 2023 and 2022, the Organization has \$0 receivable balance from the United States government related to the CARES Act.

CAPE COD CHILDREN'S PLACE, INC.

Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

NOTE M – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 10, 2023, the date the financial statements were available to be issued.

INDEPENDENT AUDITOR'S 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*

Board of Directors
Cape Cod Children's Place, 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 the Cape Cod Children's, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023 and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cape Cod Children's Place, Inc.'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 Cape Cod Children's Place, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Cape Cod Children's Place, Inc.'s internal

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 weaknesses* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected in 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 the 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cape Cod Children's Place, Inc.'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sanders, Walsh & Eaton, CPAs, LLC

Osterville, Massachusetts
November 10, 2023