The Manhattan Childrens Center

FINANCIAL STATEMENTS

AUGUST 31, 2020

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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Manhattan Childrens Center
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of The Manhattan Childrens Center, which comprise the statement of financial position as of August 31, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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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 Manhattan Childrens Center as of August 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,

Roth & Company LLP

Roth & Company LLP
Brooklyn, New York
March 24, 2021

The Manhattan Childrens Center
Statement of Financial Position
August 31, 2020

ASSETS		
CURRENT ASSETS		
Cash	$ 1,549,344	
Tuition receivable	4,424,718	
Due from related parties	446,029	
TOTAL CURRENT ASSETS		$ 6,420,091
FIXED ASSETS		
Leasehold improvements	3,601,070	
Furniture and equipment	538,691	
Fixed assets at cost	4,139,761	
Accumulated depreciation	(1,883,770)	
NET FIXED ASSETS		2,255,991
OTHER ASSET		
Security deposit		56,920
TOTAL ASSETS		$ 8,733,002

The Manhattan Childrens Center
Statement of Financial Position
August 31, 2020

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$ 55,734	
Line of credit	432,463	
Paycheck protection program loan - current portion	596,063	
Accrued expenses	358,128	
Deferred revenue	1,283,115	
TOTAL CURRENT LIABILITIES		$ 2,725,503
LONG-TERM LIABILITIES		
Paycheck protection program loan	1,549,762	
Deferred rent	1,241,432	
TOTAL LONG-TERM LIABILITIES		2,791,194
TOTAL LIABILITIES		5,516,697
NET ASSETS		
Net assets without donor restrictions		3,216,305
TOTAL LIABILITIES AND NET ASSETS		$ 8,733,002

The Manhattan Childrens Center
Statement of Activities and Changes in Net Assets
For the Year Ended August 31, 2020

REVENUES		
Tuition	$ 16,435,325	
Other income	56,205	
TOTAL REVENUES		$ 16,491,530
OPERATING EXPENSES		
Program expenses	13,352,331	
General and administrative expenses	3,018,545	
TOTAL OPERATING EXPENSES		16,370,876
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		120,654
NET ASSETS - BEGINNING		3,095,651
NET ASSETS - ENDING		$ 3,216,305

The Manhattan Childrens Center
Statement of Functional Expenses
For the Year Ended August 31, 2020

	Program	General and Administrative	Total
EXPENSES			
Salaries and wages	$ 8,433,539	$ 2,149,129	$ 10,582,668
Payroll taxes and employee benefits	1,679,621	428,020	2,107,641
Contracted services	369,607	-	369,607
Activities	68,493	-	68,493
Depreciation	286,834	29,746	316,580
Insurance	53,890	5,290	59,180
Interest	-	8,336	8,336
Office expenses and payroll processing fees	57,030	69,054	126,084
Professional fees	-	119,460	119,460
Property taxes	256,057	25,135	281,192
Rent	1,584,064	155,493	1,739,557
Repair and maintenance	115,370	11,325	126,695
Staff development	54,796	-	54,796
Supplies	51,496	2,030	53,526
Telephone and internet	45,397	4,456	49,853
Travel	-	6,246	6,246
Tuition processing fees	246,982	-	246,982
Utilities	49,155	4,825	53,980
TOTAL OPERATING EXPENSES	$ 13,352,331	$ 3,018,545	$ 16,370,876

The Manhattan Childrens Center
Statement of Cash Flows
For the Year Ended August 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets		$ 120,654
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
Depreciation	$ 316,580	
Deferred rent	67,503	
Changes in operating assets and liabilities		
Tuition receivable	(2,273,934)	
Due from related parties	(328,696)	
Prepaid expenses	93,217	
Security deposit	770	
Accounts payable	(41,554)	
Accrued expenses	278,030	
Deferred revenue	(316,983)	
Total adjustments		(2,205,067)
NET CASH USED IN OPERATING ACTIVITIES		(2,084,413)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(88,076)	
NET CASH USED IN INVESTING ACTIVITIES		(88,076)
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of credit proceeds	2,165,000	
Line of credit repayments	(1,732,537)	
Paycheck protection program loan proceeds	2,145,825	
NET CASH PROVIDED BY FINANCING ACTIVITIES		2,578,288
NET INCREASE IN CASH		405,799
CASH AT BEGINNING OF YEAR		1,143,545
CASH AT END OF YEAR		$ 1,549,344
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest paid		$ 8,336

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization
The Manhattan Childrens Center (the organization), a not-for-profit educational institution, was formed in March 2007, under the laws of the State of New York. The organization, which is located in New York, provides educational services to children aged six (6) to twenty-one (21) who are diagnosed with autism spectrum disorder. Programs are funded by tuition and contributions.

Income Taxes
The organization is exempt from income tax under section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting
The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) and accordingly reflect all significant receivables, payables and other assets and liabilities.

Tuition Receivable
The organization does not require collateral in support of its tuition receivable. Estimated provisions for losses on this receivable are recorded annually as bad debt expense in the statement of activities. In evaluating the collectability of tuition receivable, the organization considers the age of the account and the financial condition of the liable party. Any changes in these factors or in the actual collections of this receivable in subsequent periods may require changes in the estimated allowance for doubtful accounts. Changes in these estimates are charged or credited to the results of operations in the period of change. There has been no experience of significant credit losses and management believes that no material credit risk exists.

Fixed Assets
Fixed assets valued at more than $1,000 are recorded at cost. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. Management reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future discounted cash flows is less than the carrying amount of the assets, the organization recognizes an impairment loss. No impairment losses were recognized for the year ended August 31, 2020. Depreciation is computed using straight line depreciation over the estimated useful lives of the assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition
The organization recognizes tuition revenue and the related receivable monthly during the school year based on the contract amount. An allowance for uncollectible tuition is provided based on management's evaluation of potential uncollectible amounts receivable at year end.

Contributions are recognized as support when received or when evidenced by a written promise to give.

When a 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 restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions are recorded as unrestricted support if such restrictions are met in the same reporting period in which the contribution is recognized.

Functional Presentation of Expenses
The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, insurance, property taxes, rent, repair and maintenance, supplies, telephone and internet, and utilities, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimated time spent on each function.

Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies, if any, at the date of the financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Classes of Net Assets
The organization classifies its net assets in the accompanying financial statements based on the absence or existence of donor-imposed restrictions as follows:

- Net Assets Without Donor Restrictions represent net assets that are not subject to donor-imposed restrictions. All of the organization's net assets are comprised of such net assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classes of Net Assets (Continued)

- Net Assets With Donor Restrictions represent net assets that are subject to legal or donor imposed stipulations that require that resources be used in a later period or after a specified date (time restrictions), or that resources be used for a specified purpose (purpose restrictions), or both. Also included in this category are net assets limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization. Generally, the donors of such assets permit the organization to use all or part of the income earned on the assets. As of August 31, 2020, there were no net assets with donor restrictions.

Operating Leases

The organization has entered into operating lease agreements for its educational facilities and administrative offices, some of which contain provisions for future rent increases or periods in which rent payments are reduced or abated. In accordance with GAAP, the organization records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent, which is reflected as a separate line item in the accompanying statement of financial position.

NOTE 2 TUITION RECEIVABLE

The organization considers the full amount of receivables to be collectible and has not established an allowance for uncollectability.

NOTE 3 LINE OF CREDIT

The organization has a bank revolving line of credit agreement expiring April 16. 2021, under the terms of which it may borrow up to $500,000 with interest at a rate of 3.75%. The organization owed $432,463 of the line at August 31, 2020, which was fully repaid on October 22, 2020.

NOTE 4 RELATED PARTY TRANSACTIONS

The organization incurred expenses for shared space and services of related organizations under common ownership, which are unsecured, due on demand and bear no interest. Additionally, the related organization provides applied behavior analysis (ABA) and digital data management and analytics to the MCC's school-based ABA programming. These services are provided based on an agreement between the two entities. At August 31, 2020 the outstanding balance due from the related parties was $446,029.

NOTE 5 PAYCHECK PROTECTION PROGRAM LOAN

As a result of the uncertainty surrounding the COVID-19 pandemic and its impact on operating results, the organization applied for and, in April 2020, received loan proceeds of $2,145,825 under the Paycheck Protection Program ("PPP") under a promissory note from the Bank of Princeton (the "PPP Loan"). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration. The PPP Loan has a two-year term and bears interest at an annual interest rate of 1%. Monthly principal and interest payments are deferred for six months, and the maturity date is April 27, 2022. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan and accrued interest. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds for payment of payroll costs and any payments of mortgage interest, rent, utilities, and retention of employees and maintaining salary levels. However, the organization provides no assurance that forgiveness for any portion of the PPP Loan will be obtained.

As of August 31, 2020, all loan proceeds were used to fund eligible payroll, rent and utility expenses under the terms of the PPP Loan and the organization has substantially met the conditions for full forgiveness of the PPP Loan. The organization accounts for the loan as debt in accordance with ASC 470 until the loan is formally forgiven, at which point it may be presented as other income.

NOTE 6 DEFERRED REVENUE

Deferred revenue represents amounts billed and collected before the services are performed.

NOTE 7 DEFINED CONTRIBUTION PLAN

The organization established a defined contribution plan covering all employees with at least six months of 20 or more weekly hours of service. No contributions were made or accrued for the year ended August 31, 2020.

NOTE 8 CONCENTRATIONS OF CREDIT RISK

Cash
At times, the organization maintains cash balances in excess of the Federal Deposit Insurance Corporation's insured limits. The organization has not experienced any losses in such accounts and does not believe it is exposed to any significant risk of loss on cash.

NOTE 9 LEASE COMMITMENTS

The organization leases its education facilities and administrative offices for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates with expiration dates between May 2027 and March 2030. Future lease commitments are:

Year ending August 31,	Amount
2021	$ 1,727,986
2022	1,773,001
2023	1,819,084
2024	1,866,166
2025	1,914,660
Thereafter	9,533,154
Total	$ 18,634,051

NOTE 10 LIQUIDITY AND AVAILABILITY

The organization has the following financial assets available within one year of the balance sheet date to meet cash needs for general expenditures:

Cash	$ 1,549,344
Receivables	4,870,747
Total	$ 6,420,091

The organization maintains a line of credit in order to fund expenditures in excess of cash balances. In addition, none of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the balance sheet date.

NOTE 11 RISKS AND UNCERTAINTIES

Coronavirus Pandemic
In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. The organization has continued its educational programs remotely, allowing for continuance of operations. The organization did not experience a significant disruption in student enrollment or tuition payments for the school year ended June 30, 2020.

NOTE 12 SUBSEQUENT EVENTS

The organization has evaluated subsequent events through March 24, 2021, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.