The Manhattan Childrens Center

FINANCIAL STATEMENTS

AUGUST 31, 2021

Roth&Co
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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, 2021, 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, 2021, 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
August 3, 2022

The Manhattan Childrens Center
Statement of Financial Position
August 31, 2021

ASSETS

CURRENT ASSETS		
Cash	$ 4,637,879	
Tuition receivable	3,196,713	
Deposit on contract	312,226	
Due from related parties	808,314	
TOTAL CURRENT ASSETS		$ 8,955,132
FIXED ASSETS		
Leasehold improvements	3,634,653	
Furniture and equipment	590,965	
Fixed assets at cost	4,225,618	
Accumulated depreciation	(2,212,942)	
NET FIXED ASSETS		2,012,676
OTHER ASSET		
Security deposit		61,126
TOTAL ASSETS		$ 11,028,934

The Manhattan Childrens Center
Statement of Financial Position
August 31, 2021

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$ 96,942	
Accrued expenses	484,448	
Deferred revenue	2,075,320	
TOTAL CURRENT LIABILITIES		$ 2,656,710
LONG-TERM LIABILITIES		
Paycheck protection program loan	2,000,000	
Deferred rent	1,274,523	
TOTAL LONG-TERM LIABILITIES		3,274,523
TOTAL LIABILITIES		5,931,233
NET ASSETS		
Net assets without donor restrictions		5,097,701
TOTAL LIABILITIES AND NET ASSETS		$ 11,028,934

The Manhattan Childrens Center
Statement of Activities and Changes in Net Assets
For the Year Ended August 31, 2021

REVENUES		
Tuition, net	$ 15,354,050	
Grants	183,475	
Other income	168,116	
TOTAL REVENUES		$ 15,705,641
OPERATING EXPENSES		
Program expenses	12,816,184	
General and administrative expenses	3,153,886	
TOTAL OPERATING EXPENSES		15,970,070
INCOME FROM OPERATIONS		(264,429)
OTHER INCOME		
Paycheck Protection Program grant		2,145,825
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		1,881,396
NET ASSETS - BEGINNING		3,216,305
NET ASSETS - ENDING		$ 5,097,701

The Manhattan Childrens Center
Statement of Functional Expenses
For the Year Ended August 31, 2021

	Program	General and Administrative	Total
EXPENSES			
Salaries and wages	$ 7,936,167	$ 2,162,374	$ 10,098,541
Payroll taxes and employee benefits	1,759,607	479,442	2,239,049
Contracted services	347,682	-	347,682
Activities	102,915	-	102,915
Depreciation	299,119	30,053	329,172
Insurance	50,682	5,092	55,774
Interest	-	4,279	4,279
Office expenses and payroll processing fees	83,441	80,177	163,618
Professional fees	-	179,071	179,071
Property taxes	267,612	26,888	294,500
Rent	1,604,634	161,223	1,765,857
Repair and maintenance	119,221	11,979	131,200
Staff development	75,455	-	75,455
Supplies	35,189	2,034	37,223
Telephone and internet	48,456	4,869	53,325
Tuition processing fees	22,257	-	22,257
Utilities	63,747	6,405	70,152
TOTAL OPERATING EXPENSES	$ 12,816,184	$ 3,153,886	$ 15,970,070

The Manhattan Childrens Center
Statement of Cash Flows
For the Year Ended August 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets		$ 1,881,396
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
Depreciation	$ 329,172	
Deferred rent	33,091	
Income from Paycheck Protection Program	(2,145,825)	
Changes in operating assets and liabilities		
Tuition receivable	1,228,005	
Due from related parties	(362,285)	
Security deposit	(4,206)	
Accounts payable	41,208	
Accrued expenses	126,320	
Deferred revenue	792,205	
Total adjustments		37,685
NET CASH PROVIDED BY OPERATING ACTIVITIES		1,919,081
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposit on contract	(312,226)	
Capital expenditures	(85,857)	
NET CASH USED IN INVESTING ACTIVITIES		(398,083)
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of credit payments	(432,463)	
Paycheck protection program loan proceeds	2,000,000	
NET CASH PROVIDED BY FINANCING ACTIVITIES		1,567,537
NET INCREASE IN CASH		3,088,535
CASH AT BEGINNING OF YEAR		1,549,344
CASH AT END OF YEAR		$ 4,637,879
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest paid		$ 4,279

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 recognizes tuition receivable monthly during the school year based on the contract amount, less scholarships, and other discounts. The Organization does not require collateral in support of its tuition receivable. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance which is based on its assessment of the age of the receivables, subsequent receipts, current economic conditions, and historical information. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to tuition receivable. Changes in the valuation allowance have not been material to the financial statements. [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, 2021. 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 revenue from student tuition and fees during the year in which the related services are provided to students, in the amount it expects to receive. 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 academic year. Scholarships provided to students are recorded as a reduction from the standard tuition rates at the time revenue is recognized. All amounts received prior to the commencement of the school year, including registration fees, are deferred to the applicable period.

The Organization also provides certain ancillary services which are not included in the bundle of services, and as such, are treated as separate performance obligations satisfied at a point in time, if and when those services are rendered.

Unconditional contributions, including promises to give cash or other assets, are recognized at the amount management expects to collect, or the market value, as applicable, when the contribution is received. Contributions are reported as restricted if they are received with donor stipulations that limit the use of the donated assets.

Promises receivable over more than one year are recognized at the present value of future expected cash flows. As the promise is collected, the resultant decrease in the discount is reported as contribution income.

Conditional contributions are promises to give that contain a barrier (condition) the Organization must overcome or fulfill, to be entitled to the funds. In addition, the donor retains a right to recoup the funds if the conditions are not met. Conditional contributions are not recognized until the conditions have been substantially met.

Accounting Policy Adopted

The Organization adopted Accounting Standards Codification (ASC) Topic 958-605, Not-for-Profit Entities-Revenue Recognition, effective July 1, 2020. The Organization’s adoption of Topic 605 primarily impacted the presentation of revenues due to the inclusion of variable consideration in the form of implicit price concessions contained in certain of its contracts with customers. Under Topic 958-605, amounts estimated to be uncollectable are generally considered implicit price concessions that are a direct reduction to net revenues. To the extent there are material subsequent events that affect the payor's ability to pay, such amounts are recorded within operating expenses.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Policy Adopted (continued)

In June 2018 the FASB issued an accounting standard update entitled ASU 2018-08 Accounting Guidance for Contributions Received. The core principle of the new guidance is to distinguish between grants accounted for as contributions and those accounted for as exchange transactions (revenue from contracts with customers). Contributions are generally recognized when received, or when evidenced by an enforceable promise to give. Exchange transactions are recognized under ASC-606, as performance obligations are satisfied. This new standard requires the reporting entity to exercise judgment to evaluate whether the resource provider (grantor) is receiving commensurate value in return for the resources transferred. If the grantor receives value, the transaction is reported as a sale. If the grantor does not receive value, the transaction is reported as a contribution. The Organization has adopted the provisions of ASU 2018-08 as of September 1, 2020. Adoption of the standard had no significant effect on previously reported amounts.

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, 2021, 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 DEPOSIT ON CONTRACT

Deposit on contract as of August 31, 2021, consists of a down payment of $312,226 on a property the Organization was in contract to purchase. Subsequent to year end the Organization decided not to go through with the purchase and the deposit was returned to the Organization.

NOTE 4 LINE OF CREDIT

The Organization has a bank revolving line of credit agreement expiring November 13, 2022, under the terms of which it could borrow up to $500,000 with interest at a rate of 3.75%. As of August 31, 2021, there was no outstanding balance.

NOTE 5 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, 2021 the outstanding balance due from the related parties was $808,314.

NOTE 6 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. As of August 31, 2021, $2,145,825 of 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 forgiveness related to this amount, which is recognized as other income.

In January 2021, the Organization received additional PPP loan proceeds of $2,000,000. 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 ten months, and the maturity date is January 19, 2027. 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. Subsequent to year-end, the Organization received notification that the Organization substantially met the conditions for forgiveness related to this amount.

The Organization has determined that the additional PPP loan should be accounted for as a conditional government grant, in accordance with ASC 958-605, Not-for-Profit Entities—Revenue Recognition. Under this model, the timing of recognition for a contribution received depends on whether the contribution is conditional or not. If conditional, the contribution is not recognized until the conditions are substantially met or explicitly waived. Specifically, the Organization would initially record the cash inflow from the PPP loan as a refundable advance. The Organization would then reduce the refundable advance and recognize the contribution once the conditions of release have been substantially met or explicitly waived.

NOTE 7 DEFERRED REVENUE

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

NOTE 8 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, 2021.

NOTE 9 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 10 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 November 2021 and March 2030. Future lease commitments are:

Year ending August 31,	Amount
2022	$ 1,834,892
2023	1,819,083
2024	1,866,166
2025	1,914,660
2026	1,964,770
Thereafter	5,884,226
Total	$ 15,283,797

NOTE 11 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	$ 4,637,879
Tuition receivable	3,196,713
Total	$ 7,834,592

NOTE 11 LIQUIDITY AND AVAILABILITY (CONTINUED)

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 12 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 did not experience a significant disruption in student enrollment or tuition payments for the school year ended August 31, 2021.

NOTE 13 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 3, 2022, 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.