MEYER CENTER
FOR SPECIAL CHILDREN

GREENVILLE, SOUTH CAROLINA

FINANCIAL STATEMENTS
June 30, 2019

(With Independent Auditors' Report Thereon)

MEYER CENTER FOR SPECIAL CHILDREN
GREENVILLE, SOUTH CAROLINA
Annual Financial Report
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FINANCIAL SECTION

MARTIN · SMITH

& COMPANY CPAs

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Meyer Center for Special Children
Greenville, South Carolina

Report on the Financial Statements
We have audited the accompanying statement of financial position of Meyer Center for Special Children ("the Center") (a non-profit organization) as of June 30, 2019, and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 the 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.

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 Meyer Center for Special Children as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Martin Smith and Company CPAs PA

October 15, 2019

MEYER CENTER FOR SPECIAL CHILDREN
STATEMENT OF FINANCIAL POSITION
June 30, 2019

ASSETS

Cash (Note 2)	$	232,568
Other receivable		6,940
Pledges receivable (Note 3)		260,000
Investments (Note 4)		147,192
Property and equipment, net (Note 5)		4,880,469
Other assets (Note 6)		5,000
Total assets	$	5,532,169

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	$	63,848
Long-term debt (Note 7)		2,059,876
Total liabilities		2,123,724
Net assets:		
Without donor restrictions:		
Net investment in capital assets		2,820,593
Other undesignated		138,945
		2,959,538
With donor restrictions (Note 9)		448,907
Total net assets		3,408,445
Total liabilities and net assets	$	5,532,169

See accompanying notes to financial statements.

MEYER CENTER FOR SPECIAL CHILDREN
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
United Way	$ 331,823	$ -	$ 331,823
Fees	135,887	-	135,887
Contributions	572,447	733,942	1,306,389
Fees from government agencies	1,854,391	-	1,854,391
Rental income	14,100	-	14,100
Investment income	3,760	-	3,760
Other income	6,000	-	6,000
Net assets released from purpose restrictions:			
Capital projects and debt retirement	909,692	(909,692)	-
Program expenses	55,230	(55,230)	-
Total support and revenues	3,883,330	(230,980)	3,652,350
Expenses:			
Program services:			
Developmental services	1,570,933	-	1,570,933
Training and therapy	1,100,442	-	1,100,442
Supporting services:			
Management and general	717,313	-	717,313
Fundraising	448,712	-	448,712
Total expenses	3,837,400	-0-	3,837,400
Changes in net assets	45,930	(230,980)	(185,050)
Net assets at beginning of year	2,913,608	679,887	3,593,495
Net assets at end of year	$ 2,959,538	$ 448,907	$ 3,408,445

See accompanying notes to financial statements.

MEYER CENTER FOR SPECIAL CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	Program Services			Supporting Services			
	Pre-School Developmental Services	Pre-School Developmental Training and Therapy	Total	Management and General	Fund Raising	Total	Total Expenses
Salaries	$ 1,017,029	$ 718,668	$ 1,735,697	$ 321,504	$ 170,043	$ 491,547	$ 2,227,244
Employee benefits	174,583	142,841	317,424	43,646	35,710	79,356	396,780
Payroll taxes	72,992	59,721	132,713	18,248	14,930	33,178	165,891
Total salaries and related expenses	1,264,604	921,230	2,185,834	383,398	220,683	604,081	2,789,915
Professional fees	32,388	-	32,388	158,474	-	158,474	190,862
Supplies	59,179	1,772	60,951	12,819	-	12,819	73,770
Telephone	-	-	-	14,200	-	14,200	14,200
Postage	-	-	-	3,409	-	3,409	3,409
Occupancy	42,158	34,493	76,651	10,540	8,623	19,163	95,814
Repairs and maintenance	-	-	-	58,184	-	58,184	58,184
Printing, advertising and photography	-	-	-	4,350	-	4,350	4,350
Transportation	13,379	12,672	26,051	-	-	-	26,051
Conferences	-	-	-	8,530	-	8,530	8,530
Interest and fees	54,134	44,292	98,426	13,534	11,072	24,606	123,032
Dues	-	-	-	5,291	-	5,291	5,291
Equipment purchases	-	-	-	6,677	-	6,677	6,677
Fundraising	-	-	-	-	186,838	186,838	186,838
Miscellaneous	-	-	-	11,635	-	11,635	11,635
Total before depreciation	1,465,842	1,014,459	2,480,301	691,041	427,216	1,118,257	3,598,558
Depreciation / Amortization	105,091	85,983	191,074	26,272	21,496	47,768	238,842
Total	$ 1,570,933	$ 1,100,442	$ 2,671,375	$ 717,313	$ 448,712	$ 1,166,025	$ 3,837,400

See accompanying notes to financial statements.

MEYER CENTER FOR SPECIAL CHILDREN
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

Cash flows from operating activities:		
Changes in net assets	$	(185,050)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation		238,842
Unrealized (gain) loss on investments		(2,992)
(Increase) decrease in assets:		
Other receivable		81,046
Pledges receivable		253,000
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses		(7,185)
Contributions restricted for capital improvements		(393,055)
Net cash used in operating activities		(15,394)
Cash flows from investing activities:		
Purchases of property and equipment		(44,386)
Purchase of investments		(19,390)
Net cash used in investing activities		(63,776)
Cash flows from financing activities:		
Payments on notes payable		(219,451)
Contributions restricted for capital improvements		393,055
Net cash provided by financing activities		173,604
Net increase in cash		94,434
Cash at beginning of year		138,134
Cash at end of year	$	232,568
Interest paid	$	109,152

There were no non-cash financing or investing amounts for the current fiscal year.

See accompanying notes to financial statements.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Organization

Meyer Center for Special Children ("the Center") is a non-profit organization established in 1954 to provide programs in developmental pre-school and developmental therapy for children with special needs. The Center operates within the South Carolina Public Charter School District ("the District"). As a charter school, the Center is eligible for certain local, state and federal funds based upon its student population. The Center continues to pursue its mission to provide quality education and therapy services to preschool children with disabilities.

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and, accordingly, reflect all significant receivables, payables, and other liabilities.

c) Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") in the *Accounting Standards Codification* ("ASC"). Under FASB ASC the Center is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations and currently available for operating purposes under the direction of the Board of Directors ("the Board"), designated by the Board for specific purposes, or invested in property and equipment.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Center and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

d) Support and Revenue

Contributions received are recorded as support without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. 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 donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

d) Support and Revenue, Continued

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. The Center uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

The Center receives client fees, Medicaid income, and other third-party insurance income for billable client services and recognizes these fees and income when earned.

e) Donated Services

A substantial number of volunteer hours have been donated to the Center's programs and activities. None of these volunteer amounts have been included in the financial statements for donated services inasmuch as no objective basis is available to measure the value of such services.

f) Cash and Cash Equivalents

The Center considers highly liquid investments with an original maturity of three months or less when purchased to be cash or cash equivalents. As of June 30, 2019, the Center had no cash equivalents.

g) Investments

Investments are reported at fair value, using the three-level hierarchy established under the *Fair Value Measurement* topic of the FASB ASC. Gains and losses on investments generally are reported as increases and decreases in unrestricted net assets unless explicit donor stipulations restrict their use.

h) Building and Equipment

Building and equipment is recorded at cost or at estimated fair value at the date of gift. Depreciation is provided using the straight-line method over the estimated useful lives, ranging from five to twenty years, of the related assets. Capital expenditures greater than $1,000 are capitalized.

i) Promises to Give

Unconditional promises to give that are expected to be collected in future years are recorded as pledges receivable and contribution income at the present values of their estimated future cash flows. The discounted value of the unconditional promises to give is computed using interest rates applicable to the year in which the promises are received. Amortization of the discount is included in other revenue. Conditional promises to give are not included as support until the conditions are substantially met. Intentions to give are not recorded as assets or contribution revenue.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

j) Tax Exempt Status

The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Center has adopted the provisions of the *Accounting for Uncertainty in Income Taxes* topic of FASB ASC. This guidance addresses the accounting uncertainty in income taxes recognized in an organization's financial statements and prescribes a threshold of more-likely-than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. It also provides related guidance on measurement classification, interest and penalties, and disclosure. The Center has determined that it has no uncertain tax positions requiring accrual and disclosure.

k) Functional Allocation of Expenses

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

l) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include determining depreciable lives of assets and method of depreciation, calculating an allowance for promises to give, and disclosing investment cost as it approximates fair value.

m) Statement of Financial Position Presentation

Assets and liabilities presented in the Statement of Financial Position are recorded in order of liquidity or nearness to conversion to cash.

n) New Accounting Pronouncement

During the year ended June 30, 2019, the Center adopted the requirements of the FASB ASC No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14*) ("the Update"). This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by the Update is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (See Footnote 11).

2) CASH

The Center maintains cash balances at two banks in South Carolina. Cash accounts at banks are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to $250,000. The Center had uninsured cash balances of $26,315 at June 30, 2019. Included in cash is $66,603 restricted by donors for capital projects and program expenses.

3) PLEDGES RECEIVABLE

Pledges receivable consist of unconditional promises to give of $260,000, net of unamortized discount of $25,000, and are all unrestricted. All amounts are due in one to three years and are discounted at a rate of 4.25%.

4) INVESTMENTS

Investments at June 30, 2019, consist of mutual funds with a fair market value of $147,193, of which $130,104 is restricted by donors for permanent endowment. All investment income is unrestricted.

5) PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2019:

Buildings	$ 6,073,672
Equipment	609,890
Vehicles	335,861
	7,019,423
Less accumulated depreciation and amortization	(2,138,954)
	$ 4,880,469

Depreciation expense for the year ended June 30, 2019 is $238,842.

6) OTHER ASSETS

Other assets include an undivided, timeshare interest in resort property as of June 30, 2019.

7) NOTES PAYABLE

As of June 30, 2019 the Center has a $2,250,000 note payable with a bank. This note is payable in thirty-six consecutive payments of interest only, beginning on September 18, 2017. This will be followed by eighty-three consecutive payments of principal and interest in the amount of $13,854 beginning on September 18, 2020. One final balloon payment shall be due on the maturity date in an amount equal to the then unpaid principal and interest. The initial variable interest rate on this note will be 3.875% and will never be greater than 4.950% The note is secured by the Center's real estate.

The Center also has another note payable with the same bank with an outstanding balance of $23,376 as of June 30, 2019. This note is payable in monthly installment of $600, including interest at 4.625% per annum for 5 years and matures in January 2022.

Future scheduled maturities of long-term debt are as follows:

Year Ending June 30	
2020	$ 6,234
2021	2,043,035
2022	10,607
	$ 2,059,876

Interest expense for the year ended June 30, 2019, was $109,152.

8) DEFINED CONTRIBUTION PLAN

The Center's Board has established a defined contribution plan ("the Plan") covering all employees. Prior to October 1, 2018, the Center contributed into the retirement fund for each employee that has been with the Center for more than one year an amount equal to 3% of the employee's gross salary. If an employee was with the Center less than one year, the employee could make his own contribution without a corresponding employer contribution. The employer also contributed a fixed amount equal to 50% of an employee's deferrals up to 2% of the employee's compensation. Subsequent to October 1, 2018, the employer contributions are discretionary rather than mandatory. Plan expense for the year ended June 30, 2019 was $17,154 and was charged to employee benefits in the Statement of Functional Expenses.

9) NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2019, net assets with donor restrictions are available for the following purposes:

Capital projects and debt retirement	$ 292,850
Program expenses	25,953
	$ 318,803

Net assets which are donor restricted for permanent endowment of $130,104 as of June 30, 2019, consist of assets that must be held indefinitely. The income earned from these assets may be used for current year operations.

10) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Center has adopted the provisions of the *Fair Value Measurements and Disclosures* topic of FASB ASC. This guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. Level 1 inputs represent fair values obtained using quoted process in active markets. Level 2 inputs represent fair values obtained from observable market data but not from quoted market prices. Level 3 inputs represent unobservable inputs that are supported by little or no market activity and are generally based on the entity's own assumptions.

The following methods and assumptions are used to estimate the fair value of each financial instrument:

Cash and cash equivalents, accounts payable and accrued expenses – the carrying values approximate fair value due to their short maturities.

Accounts and pledges receivable – the carrying values approximate fair value due to their short maturities.

Investments – the fair values are based on quoted market prices (Level 1 inputs) of the underlying investment securities. Investments are carried at fair value in the accompanying Statement of Financial Position.

Note payable – the fair value is determined by discounting the future cash flows of the debt instrument at rates currently offered to the Center for similar debt instruments of comparable maturities. The carrying amount of the note payable approximates its fair value.

11) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Center's financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable because certain net assets are donor restricted (See Footnote 9). The Center has the following financial assets that could readily be made available within one year of the Statement of Financial Position date to fund expenses without limitations:

Financial assets:		
Cash	$	232,568
Other receivable		6,940
Pledges receivable		260,000
Investments		147,192
Financial assets, at year-end		646,700
Less those unavailable for general expenditures within one year due to:		
Donor imposed restrictions:		
Restrictions by donor with purpose restrictions		(318,803)
Restrictions by donor for permanent endowment		(130,104)
		(448,907)
Financial assets available to meet cash needs for general expenditures within one year	$	197,793

The Center has a policy to structure its financial assets to be available as its general expenses, liabilities and other obligations come due. The Center monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash.

12) SUBSEQUENT EVENTS

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through October 15, 2019, the date the financial statements were available to be issued. There were no such events requiring recording or disclosure for the year ended June 30, 2019.