

Tulsa Children's Coalition, Inc.

Tulsa, Oklahoma

Financial Statements

Years Ended December 31, 2020 and 2019



Tulsa Children’s Coalition, Inc.

Financial Statements

Years Ended December 31, 2020 and 2019

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Independent Auditor's Report

Board of Directors
Tulsa Children's Coalition, Inc.
Tulsa, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Tulsa Children's Coalition, Inc. which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 14 to the financial statements, Tulsa Children's Coalition, Inc. elected to change its accounting policy for imputing interest on notes payable issued with interest rates below the market rate. This change in policy is reflected on a retrospective basis. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tulsa Children's Coalition, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Wipfli LLP

Wipfli LLP

August 23, 2021
Madison, Wisconsin

Tulsa Children's Coalition, Inc.

Statements of Financial Position

December 31, 2020 and 2019

	<i>Assets</i>	2020	2019 (restated)
Current assets:			
Cash and cash equivalents		\$ 5,089,309	\$ 2,021,703
Investments		5,406,104	2,807,794
Prepaid expenses		81,480	97,814
Total current assets		10,576,893	4,927,311
Property and equipment, net		26,045,776	31,840,494
Total assets		\$ 36,622,669	\$ 36,767,805
<i>Liabilities and Net Assets</i>			
Current liabilities:			
Notes payable - Current portion		\$ 375,064	\$ 69,001
Deferred rental income - Current portion		26,154	26,154
Accounts payable		21,980	361,644
Total current liabilities		423,198	456,799
Long-term liabilities:			
Notes payable, net		4,237,348	3,460,416
Deferred rental income		360,019	378,967
Deferred capital assessment fee		486,789	582,521
Total long-term liabilities		5,084,156	4,421,904
Total liabilities		5,507,354	4,878,703
Net assets:			
Without donor restrictions		30,200,870	31,036,613
With donor restrictions		914,445	852,489
Total net assets		31,115,315	31,889,102
Total liabilities and net assets		\$ 36,622,669	\$ 36,767,805

See accompanying notes to financial statements.

Tulsa Children's Coalition, Inc.

Statements of Activities

Years Ended December 31, 2020 and 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Rental income	\$ 1,129,188	\$ 0	\$ 1,129,188
Grants and contracts	95,768	151,593	247,361
Contributions	245,271	0	245,271
Investment income	160,437	0	160,437
Net assets released from restriction through satisfaction of donor restrictions	89,637	(89,637)	0
Total revenue	1,720,301	61,956	1,782,257
Expenses:			
Program activities	2,430,035	0	2,430,035
Management and general	126,009	0	126,009
Total expenses	2,556,044	0	2,556,044
Change in net assets	(835,743)	61,956	(773,787)
Net assets at beginning of year	31,036,613	852,489	31,889,102
Net assets at end of year	\$ 30,200,870	\$ 914,445	\$ 31,115,315

Tulsa Children's Coalition, Inc.

Statements of Activities (Continued)
 Years Ended December 31, 2020 and 2019

	2019 (restated)		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Rental income	\$ 1,106,470	\$ 0	\$ 1,106,470
Grants and contracts	1,165,642	66,921	1,232,563
Contributions	0	0	0
Investment income	557,145	0	557,145
Loss on impairment of property and equipment	(307,702)	0	(307,702)
Total revenue	2,521,555	66,921	2,588,476
Expenses:			
Program activities	2,732,784	0	2,732,784
Management and general	122,065	0	122,065
Total expenses	2,854,849	0	2,854,849
Change in net assets	(333,294)	66,921	(266,373)
Net assets at beginning of year, prior to change in policy	30,372,370	785,568	31,157,938
Change in accounting policy	997,537	0	997,537
Net assets at beginning of year, as restated	31,369,907	785,568	32,155,475
Net assets at end of year	\$ 31,036,613	\$ 852,489	\$ 31,889,102

Tulsa Children's Coalition, Inc.

Statements of Functional Expenses Years Ended December 31, 2020 and 2019

	2020		
	Program Activities	Management and General	Total
Building maintenance	\$ 63,495	\$ 0	\$ 63,495
Management fees	0	108,000	108,000
Audit fees	0	13,700	13,700
Bank service fees	751	1,519	2,270
Insurance	135,434	1,660	137,094
Interest	169,371	0	169,371
Other	0	1,130	1,130
Total operating expenses	369,051	126,009	495,060
Depreciation	2,060,984	0	2,060,984
Total expenses	\$ 2,430,035	\$ 126,009	\$ 2,556,044

	2019 (restated)		
	Program Activities	Management and General	Total
Building maintenance	\$ 271,029	\$ 0	\$ 271,029
Management fees	0	108,000	108,000
Audit fees	0	10,000	10,000
Bank service fees	60	1,702	1,762
Insurance	140,297	1,614	141,911
Interest	135,065	0	135,065
Other	0	749	749
Total operating expenses	546,451	122,065	668,516
Depreciation	2,186,333	0	2,186,333
Total expenses	\$ 2,732,784	\$ 122,065	\$ 2,854,849

Tulsa Children's Coalition, Inc.

Statements of Cash Flows Years Ended December 31, 2020 and 2019

	2020	2019 (restated)
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Changes in net assets	(\$ 773,787)	(\$ 266,373)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,060,984	2,186,333
Realized and unrealized gain on investments	(81,485)	(442,517)
Loss on impairment of property and equipment	0	307,702
Amortization of deferred rental income	(18,948)	(18,948)
Change in discount on notes payable	(79,466)	127,444
Changes in operating assets and liabilities:		
Accounts receivable	0	88,514
Prepaid expenses	16,334	(4,079)
Accounts payable	(199,681)	22,790
Deferred capital assessment fee	(95,732)	(1,163,050)
Net cash provided by operating activities	828,219	837,816
Cash flows from investing activities:		
Proceeds from sale of property and equipment	5,500,000	0
Purchase of property and equipment	(1,906,249)	(3,753,109)
Proceeds from sale of investments	2,657,932	2,874,090
Purchase of investments	(5,174,757)	(2,421,624)
Net cash provided by (used in) investing activities	1,076,926	(3,300,643)
Cash flows from financing activities:		
Payments on notes payable	(69,001)	(346,087)
Proceeds from notes payable	1,231,462	0
Net cash provided by (used in) financing activities	1,162,461	(346,087)
Changes in cash and cash equivalents	3,067,606	(2,808,914)
Cash and cash equivalents - beginning of year	2,021,703	4,830,617
Cash and cash equivalents - end of year	\$ 5,089,309	\$ 2,021,703
Supplemental schedule of other operating activity:		
Interest paid	\$ 3,565	\$ 7,621
Supplemental schedule of noncash operating and investing activities:		
Capital expenditures included in accounts payable	\$ 2,000	\$ 141,978

See accompanying notes to financial statements.

Tulsa Children's Coalition, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Tulsa Children's Coalition, Inc. (TCC) was organized as a nonprofit 501(c)(3) corporation in 1991. TCC's mission is to assist in developing childcare and early childhood educational services in Tulsa, Oklahoma.

TCC acts as a real estate holding company to assist nonprofit organizations in Tulsa in obtaining facilities in which to operate childcare and early childhood education programs. To this end, TCC acquires or leases facilities, which it then leases or subleases to nonprofit organizations for use in their childcare or early childhood educational programs.

Basis of Presentation

TCC's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP).

Classification of Net Assets

Net assets and revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of TCC 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) restrictions.

Net Assets 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 explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and money market investments.

Investments

Investments are recorded at fair value. Realized and unrealized gains and losses are recognized as investment income (loss) in the statements of activities. Investment fees, if any, are netted with return.

Tulsa Children's Coalition, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment with a cost greater than \$5,000 and useful life over one year are recorded at cost and depreciated over their estimated useful life on a straight-line basis. Leasehold improvements are recorded at cost and amortized using the straight-line method over the life of the associated lease. Amortization of leasehold improvements is included in depreciation expense.

Property acquired with grant funds is owned by TCC while used in the programs for which it was purchased or in other future authorized programs. The grants stipulate that buildings constructed or renovated using grant funds are to be used for low-income early childhood purposes for at least five years after completion. Their disposition during the five-year period, as well as the ownership of any proceeds there from, is subject to funding source regulations. The cost of property acquired with grant funds and subject to funding source regulations are \$914,445 and \$852,489 at December 31, 2020 and 2019.

Revenue Recognition

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, 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.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants and contracts are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

A. Grant Awards That Are Contributions

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses or asset acquisition costs are incurred. Amounts received, if any, in excess of expenses or asset acquisitions are reflected as refundable advance liability.

Tulsa Children's Coalition, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

B. Grant Awards That Are Exchange Transactions

Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

Rent is recognized as income when earned. Rent received in advance is recorded as deferred rental income and amortized into income over the life of the lease.

Income Taxes

TCC is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Oklahoma tax law, which provides tax exemption for corporations organized and operated exclusively for religious, charitable, or education purposes.

TCC is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. TCC has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Functional Allocation of Costs

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

Recently Adopted Accounting Pronouncements

In 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurements*. The amendments in this ASU are intended to improve the effectiveness of disclosures about fair value measurements required under Accounting Standards Codification (ASC) 820. The ASU removes certain disclosures and modifies others. TCC has applied the amendments in this ASU on a retrospective basis. There was no change in opening balances of net assets and prior period results were not restated.

Change in Accounting Policy and Restatement

During the year ended December 31, 2020, TCC elected to change its accounting policy related to its notes payable. The notes payable were issued with interest rates at below the market rate. Previously, TCC did not impute interest on these notes as it considered them to be related party notes for cash with no other rights or privileges exchanged. In 2020, TCC determined that imputing interest to recognize the contribution elements of these notes more accurately reflects the nature of these transactions.

Tulsa Children's Coalition, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Change in Accounting Policy and Restatement (Continued)

The effect of this change in accounting policy has been applied on a retrospective basis so the financial statements for the year ended December 31, 2019 have been restated. See Note 14 for the effect of the restatement on the 2019 financial statements.

Subsequent Events

Subsequent events have been evaluated through August 23, 2021, which is the date the financial statements were available to be issued.

Note 2: Concentrations of Risk

TCC maintains cash balances at one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. TCC also maintains money market accounts at a brokerage house, which is insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 and maintains an investment account at Schwab which are subject to market risk. TCC's cash and investment balances at times exceed the insured limits as designated by the FDIC and SIPC. Management has assessed the risk of potential loss due to these concentrations and feels that the risk is minimal.

TCC is a sublessor of various parcels of real estate used for childcare and early childhood education, and currently the sublease agreements are primarily with one tenant (see Note 9).

Note 3: Investments

TCC maintains investment accounts with two investment firms. The investments are carried at fair value. As of December 31, investments consist of the following:

	2020	2019
Exchange traded funds	\$ 5,073,822	\$ 2,578,163
Mutual funds	332,282	229,631
Total	\$ 5,406,104	\$ 2,807,794

For the years ended December 31, TCC's total investment income was as follows:

	2020	2019
Interest and dividends	\$ 78,952	\$ 114,628
Realized and unrealized gain	81,485	442,517
Total	\$ 160,437	\$ 557,145

Tulsa Children's Coalition, Inc.

Notes to Financial Statements

Note 4: Fair Value Measurements

TCC is required by accounting standards to describe the three levels of inputs that may be used to measure fair value (the fair value hierarchy) for assets and liabilities. The level of an asset or liability within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement of that asset or liability. Following is a brief description of each level of the fair value hierarchy:

Level 1 - Fair value measurement is based on quoted prices for identical assets or liabilities in active markets.

Level 2 - Fair value measurement is based on 1) quoted prices for similar assets or liabilities in active markets; 2) quoted prices for identical or similar assets or liabilities in markets that are not active; or 3) valuation models and methodologies for which all significant assumptions are or can be corroborated by observable market data.

Level 3 - Fair value measurement is based on valuation models and methodologies that incorporate at least one significant assumption that cannot be corroborated by observable market data. Level 3 measurements reflect TCC's estimates about assumptions market participants would use in measuring fair value of the asset or liability.

Information regarding assets measured at fair value on a recurring basis as of December 31, 2020, is as follows:

	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Investments:				
Exchange traded funds	\$ 5,073,822	\$ 0	\$ 0	\$ 5,073,822
Mutual funds	332,282	0	0	332,282
Total investments	\$ 5,406,104	\$ 0	\$ 0	\$ 5,406,104

Information regarding assets measured at fair value on a recurring basis as of December 31, 2019, is as follows:

	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Investments:				
Exchange traded funds	\$ 2,578,163	\$ 0	\$ 0	\$ 2,578,163
Mutual funds	229,631	0	0	229,631
Total investments	\$ 2,807,794	\$ 0	\$ 0	\$ 2,807,794

The above investments were valued based on quoted market prices.

Tulsa Children's Coalition, Inc.

Notes to Financial Statements

Note 4: Fair Value Measurements (Continued)

Information regarding the fair value of assets measured at fair value on a non-recurring basis as of December 31, 2019, is as follows:

	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Property and equipment	\$ 0	\$ 0	\$ 5,593,490	\$ 5,593,490

Property and equipment at the Rosa Parks Center was written down to its fair value of \$5,593,490 since this impairment was deemed to be other than temporary. As a result, an impairment charge of \$307,702 is included in the statement of activities for the year ended December 31, 2019. This asset was valued using appraisals and other observable market data, including the sales price of this center in 2020.

There were no assets measured at fair value on a non-recurring basis at December 31, 2020, and no liabilities measured at fair value on a non-recurring basis at December 31, 2020 or 2019.

Note 5: Property and Equipment

Property and equipment consist of the following at December 31:

	2020	2019
Land	\$ 101,415	\$ 101,415
Improvements	11,959,474	10,421,640
Buildings	26,580,654	33,904,900
Furniture and equipment	2,212,374	2,320,573
Construction in progress	9,500	317,276
Subtotals	40,863,417	47,065,804
Accumulated depreciation	(14,817,641)	(15,225,310)
Property and equipment, net	\$ 26,045,776	\$ 31,840,494

Note 6: Notes Payable

Notes payable consist of the following:

	2020	2019
TCC has a \$2,300,000 note payable to the Pearl M. and Julia J. Harmon Foundation maturing July 1, 2025, for the Sand Springs facility. Monthly payments of principal and interest are \$6,047, through the remaining term of the note. The note bears interest at 1%. The note is secured by a \$456,502 irrevocable letter of credit.	\$ 319,186	\$ 388,187
TCC has a \$4,000,000 note payable to CAP Tulsa maturing June 1, 2031, for design, construction, renovations, repairs, and equipping of early childhood education centers. Monthly payments of principal will begin on July 1, 2021 of \$33,613, through the remaining term of the note. The note bears no interest.	4,000,000	4,000,000

Tulsa Children's Coalition, Inc.

Notes to Financial Statements

Note 6: Notes Payable (Continued)

TCC has a \$1,231,462 note payable to CAP Tulsa maturing February 1, 2036, for HVAC Replacement and roof at Briarglen Early Childhood Education Center. Monthly payments of principal and interest will begin on March 1, 2021 of \$7,370. The note bears interest at 1%.

	1,231,462	0
Totals	5,550,648	4,388,187
Less: discount on notes payable	(938,236)	(858,770)
Less: current maturities	(375,064)	(69,001)
<u>Long-term portion</u>	<u>\$ 4,237,348</u>	<u>\$ 3,460,416</u>

Future payments of notes payable are as follows:

2021	\$ 375,064
2022	550,938
2023	552,420
2024	553,918
2025	519,072
Thereafter	2,999,236
<u>Total</u>	<u>\$ 5,550,648</u>

CAP Tulsa is listed as a co-borrower on the TCC notes payable to Pearl M. and Julia J. Harmon Foundation. Payments by TCC on these notes are current.

See Note 14 for a description of the change in accounting policy related to notes payable issued at below market interest rates.

Note 7: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, are comprised of the following as of December 31:

	2020	2019
Cash and cash equivalents	\$ 5,089,309	\$ 2,021,703
Investments	5,406,104	2,807,794
Subtotal financial assets	10,495,413	4,829,497
Less: Deferred capital assessment fee	(486,789)	(582,521)
<u>Total</u>	<u>\$ 10,008,624</u>	<u>\$ 4,246,976</u>

According to its investment policy, TCC's investment objectives are the preservation and protection of its assets, as well as the maintenance of liquid reserves to meet obligations arising from unanticipated activities.

Tulsa Children’s Coalition, Inc.

Notes to Financial Statements

Note 8: Leases

TCC entered into a land lease with Tulsa Public Schools for the McClure Center. The term of the lease is for 40 years. The cost of the McClure building is being amortized over the life of the lease. The McClure Center lease will be extendable at the option of the parties. Compensation for the McClure lease is construction of a childcare facility on the land at a gross cost of approximately \$2.1 million.

TCC entered into land leases with Tulsa Public Schools for Disney, New Reed, Eugene Field, and Skelly Centers. The term of these leases is for 99 years. Compensation for the land leases is the construction of childcare facilities at these locations.

TCC entered into a land lease with Union Public Schools (UPS) for the Rosa Parks Center. Compensation for the land lease was the construction of a childcare facility at this location. This lease was terminated in 2020 when the Rosa Parks Center was sold. After the sale of Rosa Parks facility, TCC entered into a building lease to lease a portion of the facility from UPS. Compensation for this land lease is the continued maintenance and improvements of the building at this location.

TCC entered into a land lease with Independent Public Schools # 2 of Tulsa County for the Sand Springs Center. The term of the lease is for 40 years. Compensation for the land lease is the construction of a childcare facility at this location.

TCC entered into a lease with Union Public Schools for the Briarglen Center. The lease expires in 2027. There is no rent paid under the lease from TCC to Union Public Schools. Compensation is continued operation of an early childhood education facility at this location.

Note 9: Rental Income/Deferred Rental Income

The majority of facilities discussed in Note 8 are currently subleased to CAP Tulsa. Total rental income recorded during the years ended December 31, 2020 and 2019 was \$1,129,188 and \$1,106,470. As per the operating agreements, guaranteed annual rental payments due to TCC are as follows:

2021	\$	86,470
2022		86,470
2023		86,470
2024		86,470
2025		86,470
Thereafter		43,235
<hr/>		
Total	\$	475,585

CAP Tulsa used grant funds which were authorized to be used to aid in the construction of the McClure property. This construction was capitalized by TCC and set up as a deferred rental income. Deferred rental income is amortized as rental income over the anticipated respective life of the lease.

Tulsa Children's Coalition, Inc.

Notes to Financial Statements

Note 9: Rental Income/Deferred Rental Income (Continued)

Deferred rental income activity during the years ended December 31 are as follows:

	2020	2019
Deferred rental income, beginning	\$ 405,121	\$ 424,069
Amortization of deferred rental income	(26,154)	(26,154)
Rent paid in advance	7,206	7,206
Total deferred rental income, ending	386,173	405,121
Current portion of deferred rental income	(26,154)	(26,154)
Long-term deferred rental income	\$ 360,019	\$ 378,967

Note 10: Deferred Capital Assessment Fee

In 2011, CAP Tulsa paid TCC \$2,500,000 under a capital maintenance agreement whereby TCC will perform on-going facility and capital improvements for each childcare facility that TCC leases to CAP Tulsa. TCC is to use the funds for projects that contribute to the improvement of the childcare facility grounds or major repairs or renovations to improve the existing facilities. The funds are recorded and tracked in a separate account designated for maintenance and improvements on TCC's general ledger. All maintenance and improvements previously required prior approval from CAP Tulsa before utilizing these funds. CAP Tulsa has approved the release of the funds based on a facility needs plan. The deferred capital assessment fee as of December 31, 2020 and 2019 was \$486,789 and \$582,521.

Note 11: Net Assets With Donor Restrictions

The net assets with donor restrictions represents the amount of grant funds from the city of Tulsa for a portion of the construction and renovation expenses of the McClure, Frost, Disney, ECDC Reed Centers and Eugene Field. The grant agreements stipulate that the sites are to be used for low-income early childhood purposes for at least five years after completion. \$89,637 of net assets were released from restriction during the year ended December 31, 2020 after the five-year period expired for improvements at McClure. No net assets were released from restriction during the year ended December 31, 2019.

Note 12: Related Party

CAP Tulsa is one of TCC's tenants and also has a management and accounting contract with TCC under which CAP Tulsa provides management and accounting service to TCC since TCC has no employees. TCC paid \$108,000 to CAP Tulsa for these services during 2020 and 2019. TCC had accounts payable to CAP Tulsa at December 31, 2020 and 2019, of \$180 and \$0.

TCC has two notes payable to CAP Tulsa. The total outstanding balance of these notes at December 31, 2020 and 2019 was \$5,231,462 and \$4,000,000. See Note 6.

Rental income received from CAP Tulsa in 2020 and 2019, were \$1,023,770 and \$1,001,053.

Tulsa Children's Coalition, Inc.

Notes to Financial Statements

Note 13: Commitments

TCC has entered into contracts for improvements at two centers. These contracts were ongoing at December 31, 2020, and TCC had contract commitments of approximately \$51,000.

Note 14: Change in Accounting Policy

During the year ended December 31, 2020, TCC elected to change its accounting policy related to its notes payable. The notes payable were issued with interest rates at below the market rate.

The economic benefit related to the interest rates at below the market rate has been recognized as an unconditional contribution from the note holders. A discount on notes payable has been recognized and is equal to the value of the charitable contribution. The discount on notes payable is recognized as interest expense over the terms of each note payable using an imputed interest rate of 3.75%.

The effect of this change on the 2019 statements of financial position and activities is as follows:

Statement of Financial Position

December 31, 2019	Prior to Restatement	Restatement	After Restatement
Current liabilities:			
Accrued interest payable	686	(686)	0
Long-term liabilities:			
Notes payable, net	4,319,186	(858,770)	3,460,416
Accrued interest payable	9,346	(9,346)	0
Total liabilities	4,329,218	(868,802)	3,460,416
Net assets without donor restrictions	30,167,811	868,802	31,036,613

Statement of Activities

Year Ended December 31, 2019	Prior to Restatement	Restatement	After Restatement
Program activities expenses:			
Interest expense	6,330	128,735	135,065

Tulsa Children's Coalition, Inc.

Notes to Financial Statements

Note 15: Business Conditions

The COVID-19 pandemic, whose effects first became known in January 2020, is having an impact on commerce and financial markets around the world. TCC is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of COVID-19. The extent of the impact of COVID-19 on TCC's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on TCC's customers and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact TCC's future financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the future effects of this pandemic.