

CHILDREN'S BEACH HOUSE, INC.

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED SEPTEMBER 30, 2021
WITH COMPARATIVE TOTALS FOR 2020**

(WITH INDEPENDENT AUDITOR'S REPORT)

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Children's Beach House, Inc.
Wilmington, Delaware

We have audited the accompanying financial statements of Children's Beach House, Inc., a nonprofit organization, which comprise the statement of financial position as of September 30, 2021 and the related statements of activities, 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.

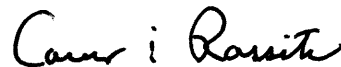
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Beach House, Inc. as of September 30, 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.

Report on Summarized Comparative Information

We have previously audited the Children's Beach House September 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 11, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants

May 6, 2022
Wilmington, Delaware

CHILDREN'S BEACH HOUSE, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2021 WITH COMPARATIVE TOTALS FOR 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 358,368	\$ 20,653
Accounts receivable, net	4,537	8,073
Pledges receivable, net	64,040	87,000
Prepaid expenses	27,321	28,098
Investments	9,698,583	8,363,881
Property and equipment - net of accumulated depreciation	3,861,327	3,100,227
Construction in progress	-	773,658
Total Assets	<u><u>\$ 14,014,176</u></u>	<u><u>\$ 12,381,590</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 50,974	\$ 241,988
Accrued expenses	3,548	4,922
Deferred revenue	85,264	12,325
Notes payable	467,594	27,301
Other liabilities	500	500
Total Liabilities	<u>607,880</u>	<u>287,036</u>
NET ASSETS		
Without donor restrictions		
Board designated	5,591,193	4,771,666
Undesignated	3,688,428	3,651,267
With donor restrictions	4,126,675	3,671,621
Total Net Assets	<u>13,406,296</u>	<u>12,094,554</u>
Total Liabilities and Net Assets	<u><u>\$ 14,014,176</u></u>	<u><u>\$ 12,381,590</u></u>

See accompanying notes

CHILDREN'S BEACH HOUSE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021
WITH COMPARATIVE TOTALS FOR 2020

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 966,607	\$ 17,049	\$ 983,656	\$ 2,832,393
Grants	95,370	-	95,370	61,941
Paycheck Protection Program funds	245,570	-	245,570	262,500
Program revenues	17,080	-	17,080	18,410
CDC tuition, net of financial aid of \$35,302 in 2021 and \$42,876 in 2020	236,602	-	236,602	128,807
Special events, net of expenses	175,208	-	175,208	41,938
Investment income, net	788,766	594,753	1,383,519	820,352
Miscellaneous income	6,593	-	6,593	10,351
Greater Good Events	307,303	-	307,303	48,458
Net assets released from restrictions	156,748	(156,748)	-	-
Total revenues, gains, and other support	2,995,847	455,054	3,450,901	4,225,150
EXPENSES				
Program expenses:				
Youth Development Program	404,812	-	404,812	743,125
Educere Institute	222,049	-	222,049	165,948
Child Development Center	744,387	-	744,387	580,200
Greater Good Events	320,400	-	320,400	-
Total program expenses	1,691,648	-	1,691,648	1,489,273
Support services:				
Fundraising	309,336	-	309,336	275,912
Administrative and general	138,175	-	138,175	81,781
Total support services	447,511	-	447,511	357,693
Total expenses	2,139,159	-	2,139,159	1,846,966
CHANGE IN NET ASSETS	856,688	455,054	1,311,742	2,378,184
NET ASSETS, BEGINNING OF YEAR	8,422,933	3,671,621	12,094,554	9,716,370
NET ASSETS, END OF YEAR	\$ 9,279,621	\$ 4,126,675	\$ 13,406,296	\$ 12,094,554

See accompanying notes

CHILDREN'S BEACH HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021
WITH COMPARATIVE TOTALS FOR 2020

	Youth Development Program	Educere Institute	Child Development Center	Greater Good Events	Fundraising	Administrative and General	2021 Total	2020 Total
Employee salaries	\$ 138,681	\$ 118,307	\$ 398,342	\$ 91,514	\$ 157,791	\$ 66,236	\$ 970,871	\$ 926,219
Employee benefits	27,833	23,744	76,173	18,367	31,668	17,067	194,852	237,128
Total salaries and employee benefits	166,514	142,051	474,515	109,881	189,459	83,303	1,165,723	1,163,347
Financial aid	-	-	35,302	-	-	-	35,302	42,876
Special events expenses	-	-	-	-	52,641	-	52,641	145,341
Professional services	38,010	13,482	44,751	13,482	18,356	6,743	134,824	70,246
Supplies	34,934	10,399	47,899	4,414	4,414	8,404	110,464	69,044
Telephone	6,300	2,520	8,820	2,520	2,520	2,521	25,201	23,322
Postage	1,099	439	1,538	439	439	440	4,394	2,081
Office rental	-	7,450	-	-	2,483	2,483	12,416	12,603
Facility rental	-	-	-	153,032	-	-	153,032	28,762
Utilities	10,274	1,712	11,987	3,425	3,425	3,424	34,247	39,404
Other occupancy expenses	22,018	3,670	25,687	7,339	7,339	7,339	73,392	76,442
Equipment rental and maintenance	2,865	2,149	4,297	1,432	2,149	1,432	14,324	22,928
Printing and publications	4,241	1,723	5,147	1,723	3,147	1,248	17,229	14,960
Insurance	17,629	4,865	19,228	4,788	4,874	4,874	56,258	56,517
Travel	1,448	714	1,448	251	482	482	4,825	28,407
Conferences and meetings	1,932	2,971	2,021	3,580	3,669	1,576	15,749	14,699
Assistance / incidentals	-	-	-	-	-	-	-	302
Contributions	-	-	-	-	250	-	250	250
Membership dues	379	284	379	284	474	96	1,896	4,978
Miscellaneous	25,810	7,232	25,311	3,616	7,232	3,616	72,817	25,971
Depreciation	71,359	20,388	71,359	10,194	20,388	10,194	203,882	192,703
Bad debt expense	-	-	-	-	38,236	-	38,236	-
Total expenses by function	404,812	222,049	779,689	320,400	361,977	138,175	2,227,102	2,035,183
Less expenses netted with revenues on the statement of activities and changes in net assets:								
Financial aid	-	-	(35,302)	-	-	-	(35,302)	(42,876)
Special event expenses	-	-	-	-	(52,641)	-	(52,641)	(145,341)
Total expenses included on the statement of activities and changes in net assets	<u>\$ 404,812</u>	<u>\$ 222,049</u>	<u>\$ 744,387</u>	<u>\$ 320,400</u>	<u>\$ 309,336</u>	<u>\$ 138,175</u>	<u>\$ 2,139,159</u>	<u>\$ 1,846,966</u>

See accompanying notes

CHILDREN'S BEACH HOUSE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
WITH COMPARATIVE TOTALS FOR 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions and programs	\$ 1,735,910	\$ 2,454,551
Cash received from special events	175,208	41,938
Cash received from interest and dividends	189,725	168,378
Miscellaneous income received	6,593	71,134
Cash paid to suppliers and employees	(1,931,737)	(1,679,938)
Interest expenses paid	<u>(12,756)</u>	<u>(3,395)</u>
Net cash provided by operating activities	<u>162,943</u>	<u>1,052,668</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(394,926)	(546,287)
Purchase of investments	(672,865)	(2,407,068)
Proceeds from sale of investments	<u>556,700</u>	<u>736,488</u>
Net cash used by investing activities	<u>(511,091)</u>	<u>(2,216,867)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowment	-	500,000
Proceeds from Paycheck Protection Program	245,570	262,500
Proceeds from notes payable	462,130	-
Repayment of notes payable	<u>(21,837)</u>	<u>(14,746)</u>
Net cash provided by financing activities	<u>685,863</u>	<u>747,754</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	337,715	(416,445)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>20,653</u>	<u>437,098</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 358,368</u></u>	<u><u>\$ 20,653</u></u>

See accompanying notes

CHILDREN'S BEACH HOUSE, INC.
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2021
WITH COMPARATIVE TOTALS FOR 2020

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 1,311,742	\$ 2,378,184
Adjustments to reconcile change in net assets to cash provided by operating activities		
Paycheck Protection Program funds	(245,570)	(262,500)
Depreciation	203,882	192,703
Net realized and unrealized gain on investments	(1,218,537)	(672,129)
Contributions restricted for endowment	-	(500,000)
(Increase) decrease in assets:		
Accounts receivable	3,536	-
Pledges receivable	22,960	(87,000)
Prepaid expenses	777	10,521
Increase (decrease) in liabilities:		
Accounts payable	12,588	(16,913)
Accrued expenses	(1,374)	(2,523)
Deferred revenue	72,939	12,325
	<u>(1,148,799)</u>	<u>(1,325,516)</u>
Net cash provided by operating activities	<u><u>\$ 162,943</u></u>	<u><u>\$ 1,052,668</u></u>

CHILDREN’S BEACH HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

Children’s Beach House, Inc. (the “Organization”) was founded by Lydia Chichester du Pont in Lewes, Delaware to provide means for care and recreation of children with special needs. Its goal is to help children with special needs reach their highest potential as functional members of their families and the community.

During the year ended September 30, 2020, the Organization formed a nonprofit limited liability company, CB House, LLC (the "LLC"). The LLC was formed to operate a catering company in which participants in the Organization's programs are the individuals who staff the company. The LLC is wholly owned by the Organization.

Programs

The Organization provides the following major programs:

Youth Development Program – The Youth Development Program serves children age 7 to 18 and seeks to strengthen the time-tested supports that reduce risks and foster resilience in children and youth. The program directs a great deal of time and energy to cultivate and safeguard relationships within the family.

Margaret H. Rollins Child Development Center – The Margaret H. Rollins Child Development Center provides high quality preschool education and wrap around services in a best practices approach to support children with speech and language delays and/or hearing abilities.

Educere Institute (formerly known as the Delaware Center for Youth Development) - The Educere Institute supports asset-based community development by offering professional development to nonprofits, community organizations, schools, and business to help individuals, especially those with differences, to thrive in their communities. The Educere Institute serves as a thought partner to help organizations to examine and improve decision-making, experiment with new ways of thinking and being, and to commit to action steps to promote access to resources that increase fairness and equity for all.

CHILDREN'S BEACH HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

General

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of balances and transactions into two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions. Net assets without donor restriction may be designated for specific purposes by action of the Board of Directors.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from net assets with donor restrictions to net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law.

CHILDREN'S BEACH HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition

Facility Rental and Events

Facility rentals are recognized when the event is held. All amounts received prior to the event date are deferred to the applicable period. Changes in event deposits are as follows as of September 30, 2021:

Event deposits, beginning of year	\$ 12,325
Revenue recognized that was included in event deposits at the beginning of the year	(12,325)
Increase in deferred events due to cash received during the year	<u>85,264</u>
Event deposits, end of the year	<u><u>\$ 85,264</u></u>

Tuition

Tuition and related financial assistance are recorded during the period in which the related services are rendered. Tuition is recorded net of tuition reimbursements - financial aid and purchase of care discounts.

Enhanced and Supplemental Funding

Due to the outbreak of COVID-19, the State of Delaware established Enhanced Reimbursement and Supplemental Funding Programs whereby licensed providers were eligible to receive additional funding based on their open or closed status and whether they continue to pay staff. The Organization received funding through these programs paid through the Delaware Department of Education. These specialized funding programs ended March 31, 2021 and totaled \$31,633 for the year ended September 30, 2021. The amount is included in CDC tuition on the statement of activities.

Contributions

Contributions received are recorded as support within net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Conditional promises to give are not recognized until the conditions are met. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is provided, if necessary, based on management's judgment including such factors as prior collection history, types of contributions and nature of fundraising activity. No allowance for uncollectible contributions has been recorded as management believes that all contributions receivable is fully collectible.

CHILDREN'S BEACH HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition (Continued)

Contributions (Continued)

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues within net asset without donor restrictions. All other donor restricted contributions are reported as increases within net assets with donor restrictions depending on the nature of the restrictions.

Release of Restrictions on Net Assets for Acquisition of Property and Equipment

Contributions of land, buildings and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues within net assets without donor restrictions. Contributions of cash or other assets to be used to acquire land, buildings or equipment are reported as revenues within net assets with donor restrictions. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less, except for such investments held within managed investment portfolios.

Accounts Receivable

Accounts receivable are stated at net realizable value. The allowance for uncollectible accounts is periodically reviewed by management and an allowance for doubtful accounts is established at the discretion of the Organization's management. No allowance for doubtful accounts receivable has been recorded as management believes that all accounts receivable is fully collectible.

Investments

Investments are stated at fair value. Investments acquired by gift are recorded at the fair market value on the date the gift was received. Realized and unrealized gains are included as revenue in the statement of activities. Investment transactions are recognized on the settlement date.

Investment income and gains generated in the endowment accounts are reported as increases to the unrestricted balances, unless specifically restricted by the donor, in the reporting period in which the income and gains are recognized. Investment income recognized in the Organization's current operations can be generated from invested cash balances, dividends, realized and unrealized gains on investments, and pass-through income from limited partnership interests.

CHILDREN’S BEACH HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Hierarchy

FASB ASC 820-10 establishes a fair value hierarchy and specifies that a valuation technique used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs. The objective of a fair value measurement is to determine 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 (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Property and Equipment

Property and equipment are stated at cost. Cost is the purchase price at date of acquisition, if purchased, or the fair value at date of donation, if acquired by gift. Depreciation is computed over the estimated useful lives of property and equipment by the straight-line method.

The annual depreciation rates are based on the following ranges of useful lives:

Automobiles	5 years
Buildings and improvements	5 – 40 years
Furniture, fixtures, and equipment	3 – 10 years

The Organization’s policy is to capitalize long-lived assets with costs over \$5,000.

Fair Value of Financial Instruments

The fair value of investments is based on quoted market price. The recorded amounts for cash and cash equivalents, accounts receivable, and accounts payable approximate fair value of those instruments due to their short maturities.

CHILDREN'S BEACH HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is classified as a publicly supported charity under Section 509(a)(2) of the Internal Revenue Code. Accordingly, the Organization is exempt from income tax, except on unrelated business income.

The Organization's policy is to expense all interest and penalties, if any, as incurred. No amounts of interest or penalties were recognized by the Organization during the years ended September 30, 2021 and 2020. The Organization's annual information returns for the years ended September 30, 2020, 2019 and 2018 may be subject to review by the internal revenue service.

Donated Services

The Organization recognizes donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No amounts were recognized in the financial statements during the years ended September 30, 2021 and 2020 for donated services.

Compensated Absences

Employees of the Organization are entitled to paid vacation and paid sick days depending on job classification, length of service, and other factors. It is not practicable for the Organization to estimate the amount of compensation for future absences; accordingly, no liability for compensated absences has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

Functional Expenses

The cost of providing the various programs and activities have been summarized on a functional basis in the statement of activities and changes in net assets, and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Specifically, salaries and related expenses have been allocated based on management's estimates of time spent in various functions. Rent expenses, depreciation, utilities, insurance, and repairs and maintenance expenses have been allocated based on estimates of square footage utilized. Various other expenses have been allocated based on management's best estimates as to their usage.

CHILDREN'S BEACH HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior Year Financial Statements

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2020, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through May 6, 2022, the date the financial statements were drafted and available to be issued.

The Organization received a grant of \$112,500 from the State of Delaware in October 2021. The funds will be recognized as revenue during the year ending September 30, 2022.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Organization receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Organization receives support without donor restrictions; such support has historically represented approximately 65% of annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Organization considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Organization's fiscal year.

CHILDREN’S BEACH HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2 – LIQUIDITY AND AVAILABILITY (CONTINUED)

The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term commitments and obligations under endowments with donor restrictions and board designated endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

The table below presents financial assets which could be available for general expenditures within one year at September 30, 2021:

Cash and cash equivalents	\$ 358,368
Accounts receivable	4,537
Pledges receivable due within one year	79,540
Estimated Endowment fund draw	<u>250,000</u>
	<u>\$ 692,445</u>

CHILDREN'S BEACH HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 3 – INVESTMENTS

Investments owned by the Organization were as follows at September 30:

Classification	Description	2021		
		Original Cost	Fair Value	Unrealized Appreciation
Endowment funds - General				
	Bonds and fixed income mutual funds:	\$ 1,596,538	\$ 1,632,057	\$ 35,519
	Equities and equity mutual funds:	1,808,106	2,749,184	941,078
	Total endowment funds - General	3,404,644	4,381,241	976,597
Endowment funds - Ma-Ran				
	Bonds and fixed income mutual funds:	1,467,410	1,500,053	32,643
	Equities and equity mutual funds:	1,645,763	2,527,148	881,385
	Total endowment funds - Ma-Ran	3,113,173	4,027,201	914,028
Endowment funds - Capital				
	Bonds and fixed income mutual funds:	470,495	476,407	5,912
	Equities and equity mutual funds:	568,468	813,734	245,266
	Total endowment funds - Capital	1,038,963	1,290,141	251,178
	Total Investments	\$ 7,556,780	\$ 9,698,583	\$ 2,141,803

CHILDREN'S BEACH HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 3 – INVESTMENTS (CONTINUED)

Classification	Description	2020		
		Original Cost	Fair Value	Unrealized Appreciation
Endowment funds - General				
	Bonds and fixed income mutual funds:	\$ 1,352,274	\$ 1,428,161	\$ 75,887
	Equities and equity mutual funds:	1,941,231	2,354,263	413,032
	Total endowment funds - General	3,293,505	3,782,424	488,919
Endowment funds - Ma-Ran				
	Bonds and fixed income mutual funds:	1,213,598	1,289,254	75,656
	Equities and equity mutual funds:	1,783,099	2,187,549	404,450
	Total endowment funds - Ma-Ran	2,996,697	3,476,803	480,106
Endowment funds - Capital				
	Bonds and fixed income mutual funds:	399,692	419,284	19,592
	Equities and equity mutual funds:	602,584	685,370	82,786
	Total endowment funds - Capital	1,002,276	1,104,654	102,378
	Total Investments	\$ 7,292,478	\$ 8,363,881	\$ 1,071,403

NOTE 4 – FAIR VALUE MEASUREMENTS

The Organization has determined the fair value of certain assets through application of FASB ASC 820-10. Fair values of assets measured on a recurring basis were as follows at September 30:

2021	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bonds and fixed income mutual funds	\$ 3,608,517	\$ 3,608,517	\$ -	\$ -
Equities and equity mutual funds	6,090,066	6,090,066	-	-
Total	<u>\$ 9,698,583</u>	<u>\$ 9,698,583</u>	<u>\$ -</u>	<u>\$ -</u>

CHILDREN'S BEACH HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

2020	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bonds and fixed income mutual funds	\$ 3,136,699	\$ 3,136,699	\$ -	\$ -
Equities and equity mutual funds	5,227,182	5,227,182	-	-
Total	<u>\$ 8,363,881</u>	<u>\$ 8,363,881</u>	<u>\$ -</u>	<u>\$ -</u>

As required by FASB ASC 820-10, investments are classified within the level of the lowest significant input considered in determining fair value. In evaluating the level at which the Organization's investments have been classified, management has assessed factors including, but not limited to, price transparency, subscription activity, redemption activity and the existence or absence of certain restrictions.

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices for equity securities and net asset values of mutual funds within active markets. Financial assets valued using Level 2 inputs are based on quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly. Financial assets valued using Level 3 inputs are based on unobservable inputs and assumptions and pricing models taking into account such factors as relevant credit information, perceived market movement and sector.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30:

	2021	2020
Fine art	\$ 1,635	\$ 1,635
Automobiles	212,439	212,439
Building and improvements	6,688,766	5,747,948
Furniture, fixtures, and equipment	248,423	224,259
	<u>7,151,263</u>	<u>6,186,281</u>
Less accumulated depreciation	<u>3,289,936</u>	<u>3,086,054</u>
	<u>\$ 3,861,327</u>	<u>\$ 3,100,227</u>

Depreciation expense was \$203,882 and \$192,703 for the years ended September 30, 2021 and 2020, respectively.

CHILDREN'S BEACH HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 6 – RETIREMENT PLANS

401(k) Plan

On January 1, 2007, the Organization established a 401(k) defined contribution plan which covers substantially all eligible employees who wish to participate. Participants who elect to participate in the Plan are provided with an employer match. A portion of the employer match is discretionary and is made at the direction of the Board. Contributions made to participants' accounts by the Organization under this Plan totaled \$18,498 and \$22,414 for the years ended September 30, 2021 and 2020, respectively.

NOTE 7 – NET ASSETS

Net assets with and without donor restrictions consisted of the following at September 30:

Net Assets Without Donor Restrictions:	2021	2020
Capital Fund	\$ 864,265	\$ 740,008
Ma-Ran	412,811	316,660
Operating Funds	4,274,408	3,680,316
Lingo Memorial Fund - Operating	39,709	34,682
Total board designated	5,591,193	4,771,666
 Total undesignated	 3,688,428	 3,651,267
 Total Net Assets Without Donor Restrictions	 \$ 9,279,621	 \$ 8,422,933

CHILDREN'S BEACH HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7 – NET ASSETS (CONTINUED)

Net Assets With Donor Restrictions:	2021	2020
Endowment:		
Subject to Expenditure for Specified Purpose:		
Ashley Nicole Furio Fund - Ma-Ran	\$ 21,409	\$ 8,829
Ma-Ran	828,627	386,960
Building endowment fund	193,310	132,081
	<u>1,043,346</u>	<u>527,870</u>
Perpetual in Nature:		
Ashley Nicole Furio Fund - Ma-Ran	78,690	78,690
Ma-Ran	2,685,663	2,685,663
Building endowment fund	232,565	232,565
Dobbs Grange Memorial Fund	62,484	62,484
Galloway Memorial Fund	4,943	4,943
	<u>3,064,345</u>	<u>3,064,345</u>
Total Endowment	<u>4,107,691</u>	<u>3,592,215</u>
Non-Endowment:		
Subject to Expenditure for Specified Purpose:		
Ashley Nicole Furio	11,322	2,935
Ma-Ran	500	-
General Operations	7,162	51,471
Capital Campaign	-	25,000
	<u>18,984</u>	<u>79,406</u>
Total Non-Endowment	<u>18,984</u>	<u>79,406</u>
Total Net Assets With Donor Restrictions	<u><u>\$ 4,126,675</u></u>	<u><u>\$ 3,671,621</u></u>

CHILDREN'S BEACH HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7 – NET ASSETS (CONTINUED)

Net assets were released from net assets with donor restrictions subject to specified purpose for the following purposes during the years ended September 30:

	<u>2021</u>	<u>2020</u>
Ashley Nicole Furio Fund - MA-RAN	\$ 1,888	\$ 3,191
Capital Campaign	26,000	296,099
Dobbs Grange Memorial Fund	10,294	7,381
Galloway Memorial Fund	814	584
General Operations	51,471	23,951
Human Resources Plan	-	90,000
MA-RAN Endowment	66,281	93,809
Plein Air	-	47,798
	<u>\$ 156,748</u>	<u>\$ 562,813</u>

NOTE 8 – ENDOWMENT ASSETS

The Organization's endowment consists of funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions, including funds designated by the Board of Trustees to function as endowments. The Board of Trustees of the Organization has interpreted Delaware's enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA) and the guidance issued by the Financial Accounting Standards Board as requiring the preservation of the fair value of the original gift as of the date of gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies the following as net assets with donor restrictions in perpetuity:

1. the original value of gifts donated to the perpetual endowment;
2. the original value of subsequent gifts to the perpetual endowment; and
3. accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

CHILDREN'S BEACH HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 – ENDOWMENT ASSETS (CONTINUED)

The remaining portion of any donor-restricted endowment funds that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions subject to specified purpose until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. the duration and preservation of the fund;
2. the Organization's mission and purpose supported by the donor-restricted endowment fund;
3. general economic conditions;
4. the possible effect of inflation and deflation;
5. the expected total return from income and the appreciation of investments;
6. the Organization's other resources; and
7. the investment policies of the Organization.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to maintain the level of financial support currently provided while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an annualized geometric real rate-of-return between 1.5% and 2.5%. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a strategic asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization's annual operating and capital needs are financed partly through distributions from the Endowment. The annual Endowment target spending rate is a primary lever for balancing the Organization's current financial needs with those envisioned for the future.

In determining the annual Endowment distribution, the Organization considers all relevant factors including the economic climate, current budget needs, and the expected revenue from non-endowment sources. Importantly, it is understood that a consistently higher spending draw may necessitate a more aggressive and riskier investment stance. Because of this, when setting spending policy, an evaluation of the risk and return characteristics of the financial markets are taken into consideration.

CHILDREN'S BEACH HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 – ENDOWMENT ASSETS (CONTINUED)

In the event the Organization's budgetary needs cannot be met by the targeted spending policy, at its discretion, the Investment Committee may recommend an appropriate course of action to the Finance Committee and/or Board of Trustees.

Endowment net asset composition by type of fund was as follows at September 30:

2021	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 4,107,691	\$ 4,107,691
Board-designated endowment funds	5,590,892	-	5,590,892
	<u>\$ 5,590,892</u>	<u>\$ 4,107,691</u>	<u>\$ 9,698,583</u>
2020	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 3,592,215	\$ 3,592,215
Board-designated endowment funds	4,771,666	-	4,771,666
	<u>\$ 4,771,666</u>	<u>\$ 3,592,215</u>	<u>\$ 8,363,881</u>

Changes in endowment net assets for the years ended September 30 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, September 30, 2019	\$ 3,247,163	\$ 2,774,009	\$ 6,021,172
Investment return, net	396,878	423,171	820,049
Contributions	1,221,660	500,000	1,721,660
Appropriation of assets for expenditure	<u>(94,035)</u>	<u>(104,965)</u>	<u>(199,000)</u>
Endowment net assets, September 30, 2020	\$ 4,771,666	\$ 3,592,215	\$ 8,363,881
Investment return, net	788,681	594,753	1,383,434
Contributions	101,268	-	101,268
Appropriation of assets for expenditure	<u>(70,723)</u>	<u>(79,277)</u>	<u>(150,000)</u>
Endowment net assets, September 30, 2021	<u>\$ 5,590,892</u>	<u>\$ 4,107,691</u>	<u>\$ 9,698,583</u>

CHILDREN'S BEACH HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 – ENDOWMENT ASSETS (CONTINUED)

Amounts classified within net assets with donor restrictions (endowment assets only) as of September 30 were as follows:

	<u>2021</u>	<u>2020</u>
Endowment		
Subject to Expenditure for Specified Purpose:		
Ashley Nicole Furio Fund - Ma-Ran	\$ 21,409	\$ 8,829
MA-RAN endowment fund	828,627	386,960
Building endowment fund	193,310	132,081
	<u>1,043,346</u>	<u>527,870</u>
Perpetual in Nature:		
Ashley Nicole Furio Fund - Ma-Ran	78,690	78,690
Building endowment fund	232,565	232,565
MA-RAN endowment fund	2,685,663	2,685,663
Dobbs Grange Memorial Fund	62,484	62,484
Galloway Memorial Fund	4,943	4,943
	<u>3,064,345</u>	<u>3,064,345</u>
Total Endowment	<u>\$ 4,107,691</u>	<u>\$ 3,592,215</u>

NOTE 9 - CONTRIBUTIONS RECEIVABLE

Contributions receivable represent unconditional promises to give (pledges) made by individuals and are recorded at net realizable value. Pledges receivable as of September 30, 2021 and 2020 were \$64,040 and \$87,000, respectively.

The Organization established the Children's Beach House Beacon Society which is a group of donors who have made a gift of at least \$1,000 with a pledge of making the same gift in each of the next two years. Pledges receivable are scheduled to be received according to the following as of September 30:

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 79,540	\$ 43,500
One to five years	20,500	43,500
	<u>100,040</u>	<u>87,000</u>
Less: allowance	<u>(36,000)</u>	<u>-</u>
	<u>\$ 64,040</u>	<u>\$ 87,000</u>

CHILDREN'S BEACH HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 10 – CONCENTRATIONS

The Organization received revenues from one and two foundations in the amount of \$625,000 and \$2,125,000 during the years ended September 30, 2021 and 2020, respectively. Funds were provided for operations and the endowment fund. These funds represented 63.5% and 74.5% of total contributions for the years ended September 30, 2021 and 2020, respectively.

NOTE 11 – BEQUESTS

During 2011, a donor named the Organization as one of seven residual beneficiaries of a life estate. The donor passed away in August 2020 and funds were received in the amount of \$104,237 for the year ended September 30, 2021.

NOTE 12 – COMMITMENTS

The Organization has a lease with the Commissioner of Lewes for land at \$100 per year. The lease term is from November 14, 1955 to November 13, 2054. This lease is far below market value. No reliable estimate of fair market value is available.

The Organization leases office space at \$1,076 per month under an agreement which expires in April 2022. Rent expense for the years ended September 30, 2021 and 2020 was \$12,416 and \$12,603, respectively. The Organization also leases office equipment under fixed payment terms. Minimum expected future rent expense for all operating leases are as follows for the years ending September 30:

2022	\$	26,617
2023		27,154
2024		24,936
2025		13,849
2026		13,849
Thereafter		10,620
	\$	<u>117,025</u>

During the year ended September 30, 2020, the Organization entered a contract with Atlantic Refrigeration and Air Conditioning, Inc. for HVAC work. Under the terms of the contract, the Organization committed to pay \$639,500 as work is completed. The work was completed and paid in full during the year ended September 30, 2021.

CHILDREN'S BEACH HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 13 – CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Organization to significant concentrations of credit risk, are principally cash and investments.

Cash deposits are maintained in financial institutions within the Organization's operating area. These financial institutions are monitored by management to minimize its credit risk. Although these deposits exceed the amount insured from time to time, management believes the risk of loss is remote.

NOTE 14 – SPECIAL EVENTS

The Organization holds special events during the year that help support its programs. Special events were as follows for the year ended September 30:

2021			
Event	Revenues	Expenses	Net
Winter White	\$ 63,435	\$ (13,049)	\$ 50,386
Beach party	64,182	(17,121)	47,061
Golf classic	65,981	(12,612)	53,369
Plein Air	1,000	(1,025)	(25)
ANF 5K	6,192	(1,475)	4,717
Other	27,059	(7,359)	19,700
Total	<u>\$ 227,849</u>	<u>\$ (52,641)</u>	<u>\$ 175,208</u>

2020			
Event	Revenues	Expenses	Net
Winter White	\$ 85,230	\$ (38,332)	\$ 46,898
Beach party	4,100	(1,733)	2,367
Golf classic	3,500	-	3,500
Plein Air	68,377	(76,225)	(7,848)
ANF 5K	19,350	(11,365)	7,985
Other	6,722	(17,686)	(10,964)
Total	<u>\$ 187,279</u>	<u>\$ (145,341)</u>	<u>\$ 41,938</u>

CHILDREN'S BEACH HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 15 – LONG-TERM DEBT

Long-term debt as of September 30 was as follows:

	<u>2021</u>	<u>2020</u>
Note payable, DE Sustainable Energy Utility, Inc., \$2,228 monthly payment with 1.50% interest rate. Matures in July 2041.	\$ 458,476	\$ -
Note payable, bank, \$564 monthly payment with 5.94% interest rate. Matures in April 2022. Secured by personal property.	3,401	10,180
Note payable, bank, \$721 monthly payment with 5.94% interest rate. Matures in April 2022. Secured by personal property.	4,356	13,028
Note payable, bank, \$227 monthly payment with 5.99% interest rate. Matures in April 2022. Secured by personal property.	<u>1,361</u>	<u>4,093</u>
Total long-term debt	<u>\$ 467,594</u>	<u>\$ 27,301</u>

Interest expense was \$12,756 and \$3,395 for the years ended September 30, 2021 and 2020, respectively.

Future maturities of long-term debt are as follows for the years ending September 30:

2022	\$ 29,118
2023	20,302
2024	20,608
2025	20,920
2026	21,235
Thereafter	<u>355,411</u>
	<u>\$ 467,594</u>

CHILDREN'S BEACH HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 16 - PAYCHECK PROTECTION PROGRAM

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020. The Organization applied and was approved for a loan under the Paycheck Protection Program ("PPP") provision of the CARES Act. The proceeds of this loan in the amount of \$262,500 were received on April 24, 2020.

Under the provisions of the PPP, the loan may be forgiven in whole or in part by expending the funds for qualifying expenses which include payroll (with certain qualifications) and other expenses. Management concluded that sufficient qualifying expenses had been incurred to qualify for full forgiveness by September 30, 2020 and the full amount of the loan was recognized as revenue for that year. The forgiveness was approved on February 11, 2021.

The CARES Act was amended by the Consolidated Appropriations Act ("CAA") on December 28, 2020. Among other provisions, the CAA allowed for a "Second Draw" of the PPP under substantially similar terms.

During the year ended September 30, 2021, the Organization received a Second Draw PPP loan in the amount of \$245,570. Management estimates that qualifying expenses of the amount of the loan were paid and that terms of forgiveness have been substantially met. Therefore, management has recorded revenue of \$245,570 for the year ended September 30, 2021. The Organization has not applied for forgiveness as of September 30, 2021, but foresees no significant barriers to receiving forgiveness.

NOTE 17 – RELATED PARTY TRANSACTIONS

The Chichester du Pont Foundation (the "Foundation") is related to the founder of the Organization and is a major source of funding for general operating support. The Organization has two of its Board members in common with the Foundation. During the years ended September 30, 2021 and 2020, the Foundation contributed \$625,000.

NOTE 18 – RISKS AND UNCERTAINTIES

The Coronavirus (COVID-19) pandemic, whose effects first became known in January 2020, is having a broad impact on commerce and financial markets around the world. The United States and global markets experienced fluctuations in value resulting from uncertainty caused by the pandemic. The Organization is closely monitoring its portfolio and its liquidity and is actively working to minimize the impact of these fluctuations. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in income and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.