

**CHILDREN'S BEACH HOUSE, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2022  
WITH COMPARATIVE TOTALS FOR 2021**

**(WITH INDEPENDENT AUDITOR'S REPORT)**

INDEPENDENT AUDITOR'S REPORT

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

***Opinion***

We have audited the accompanying financial statements of Children's Beach House, Inc. (the "Organization"), a nonprofit organization, which comprise the statement of financial position as of September 30, 2022 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2022 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.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Report on Summarized Comparative Information***

We have previously audited the Organization's September 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 6, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

  
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Certified Public Accountants

April 24, 2023  
Wilmington, Delaware

**CHILDREN'S BEACH HOUSE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2022 WITH COMPARATIVE TOTALS FOR 2021**

	<u>2022</u>	<u>2021</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 416,024	\$ 358,368
Accounts receivable, net	40,090	4,537
Pledges receivable, net	118,556	64,040
Grants receivable	273,412	-
Prepaid expenses	31,778	27,321
Investments	7,456,479	9,698,583
Property and equipment - net of accumulated depreciation	4,080,074	3,861,327
Total Assets	<b><u>\$ 12,416,413</u></b>	<b><u>\$ 14,014,176</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 76,232	\$ 50,974
Accrued expenses	28,075	3,548
Deferred revenue	82,938	85,264
Notes payable	547,578	467,594
Other liabilities	500	500
Total Liabilities	<u>735,323</u>	<u>607,880</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Board designated	4,159,471	5,591,193
Undesignated	3,799,111	3,688,428
With donor restrictions	3,722,508	4,126,675
Total Net Assets	<u>11,681,090</u>	<u>13,406,296</u>
Total Liabilities and Net Assets	<b><u>\$ 12,416,413</u></b>	<b><u>\$ 14,014,176</u></b>

See accompanying notes

**CHILDREN'S BEACH HOUSE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**  
**WITH COMPARATIVE TOTALS FOR 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2022 Total</b>	<b>2021 Total</b>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Contributions	\$ 837,500	\$ 381,217	\$ 1,218,717	\$ 983,656
Grants	345,548	25,000	370,548	95,370
Paycheck Protection Program funds	-	-	-	245,570
Program revenues-other	48,855	-	48,855	17,080
CDC tuition, net of financial aid of \$20,225 in 2022 and \$35,302 in 2021	262,067	-	262,067	236,602
Special events, net of expenses of \$76,608 in 2022 and \$52,641 in 2021	201,228	-	201,228	175,208
Investment income (loss), net	(1,016,215)	(751,047)	(1,767,262)	1,383,519
Miscellaneous income	5,591	-	5,591	6,593
Program revenues - Greater Good Events	639,151	-	639,151	307,303
Net assets released from restrictions	59,337	(59,337)	-	-
Total revenues, gains, and other support	1,383,062	(404,167)	978,895	3,450,901
<b>EXPENSES</b>				
Program expenses:				
Youth Development Program	884,096	-	884,096	404,812
Educere Institute	196,372	-	196,372	222,049
Child Development Center	817,538	-	817,538	744,387
Greater Good Events	502,617	-	502,617	320,400
Total program expenses	2,400,623	-	2,400,623	1,691,648
Support services:				
Fundraising	191,461	-	191,461	309,336
Administrative and general	112,017	-	112,017	138,175
Total support services	303,478	-	303,478	447,511
Total expenses	2,704,101	-	2,704,101	2,139,159
<b>CHANGE IN NET ASSETS</b>	(1,321,039)	(404,167)	(1,725,206)	1,311,742
<b>NET ASSETS, BEGINNING OF YEAR</b>	9,279,621	4,126,675	13,406,296	12,094,554
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 7,958,582</b>	<b>\$ 3,722,508</b>	<b>\$ 11,681,090</b>	<b>\$ 13,406,296</b>

See accompanying notes

**CHILDREN'S BEACH HOUSE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**  
**WITH COMPARATIVE TOTALS FOR 2021**

	Youth Development Program	Educere Institute	Child Development Center	Greater Good Events	Fundraising	Administrative and General	2022 Total	2021 Total
Employee salaries	\$ 414,522	\$ 109,696	\$ 435,620	\$ 236,697	\$ 121,256	\$ 58,444	\$ 1,376,235	\$ 970,871
Employee benefits	77,838	16,331	81,798	32,470	22,769	10,974	242,180	194,852
Total salaries and employee benefits	492,360	126,027	517,418	269,167	144,025	69,418	1,618,415	1,165,723
Financial aid	-	-	20,225	-	-	-	20,225	35,302
Special events expenses	-	-	-	-	76,608	-	76,608	52,641
Advertising	3,463	495	2,969	495	1,979	495	9,896	-
Professional services	54,847	5,622	37,955	5,622	10,224	6,459	120,729	132,065
Supplies	39,795	5,866	40,524	1,439	534	534	88,692	100,113
Telephone	9,619	1,068	7,479	1,068	1,068	1,068	21,370	25,201
Postage	3,158	351	2,456	351	351	351	7,018	4,394
Office rental	1,375	6,875	1,375	687	1,375	2,062	13,749	12,416
Greater Good Events	570	63	444	186,998	63	63	188,201	153,032
Utilities	15,838	1,886	13,199	3,017	1,886	1,886	37,712	34,247
Other occupancy expenses	31,407	3,739	26,172	5,982	3,739	3,739	74,778	73,392
Equipment rental and maintenance	5,208	744	5,209	744	1,488	1,488	14,881	14,324
Printing and publications	19,317	2,715	13,889	3,993	11,664	2,715	54,293	17,229
Insurance	32,631	4,063	17,462	3,919	2,118	2,543	62,736	59,163
Travel	25,512	1,345	1,628	466	466	503	29,920	4,825
Conferences and meetings	11,620	1,027	6,718	1,027	3,874	1,027	25,293	16,103
Assistance / incidentals	13,384	-	-	-	-	-	13,384	-
Contributions	2,200	275	1,375	275	1,375	-	5,500	250
Membership dues	1,788	224	1,565	224	447	224	4,472	1,896
Miscellaneous	2,095	299	1,795	299	898	598	5,984	33,931
Depreciation	94,356	26,958	94,354	13,479	26,958	13,479	269,584	203,882
Capital expenses	23,553	6,730	23,552	3,365	6,730	3,365	67,295	35,981
Bad debt (recovery) expense	-	-	-	-	(29,801)	-	(29,801)	38,236
Total expenses by function	884,096	196,372	837,763	502,617	268,069	112,017	2,800,934	2,214,346
Less expenses netted with revenues on the statement of activities and changes in net assets:								
Financial aid	-	-	(20,225)	-	-	-	(20,225)	(35,302)
Special event expenses	-	-	-	-	(76,608)	-	(76,608)	(52,641)
Total expenses included on the statement of activities and changes in net assets	<u>\$ 884,096</u>	<u>\$ 196,372</u>	<u>\$ 817,538</u>	<u>\$ 502,617</u>	<u>\$ 191,461</u>	<u>\$ 112,017</u>	<u>\$ 2,704,101</u>	<u>\$ 2,126,403</u>

See accompanying notes

**CHILDREN'S BEACH HOUSE, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**  
**WITH COMPARATIVE TOTALS FOR 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions and programs	\$ 2,022,316	\$ 1,735,910
Cash received from special events, net	201,228	175,208
Cash received from interest and dividends	208,241	189,725
Miscellaneous income received	5,591	6,593
Cash paid to suppliers and employees	(2,437,001)	(1,931,737)
Interest expenses paid	<u>(5,888)</u>	<u>(12,756)</u>
Net cash provided (used) by operating activities	<u>(5,513)</u>	<u>162,943</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(343,200)	(394,926)
Purchase of investments	(194,214)	(672,865)
Proceeds from sale of investments	<u>490,815</u>	<u>556,700</u>
Net cash used by investing activities	<u>(46,599)</u>	<u>(511,091)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for endowment	151,215	-
Proceeds from Paycheck Protection Program	-	245,570
Proceeds from notes payable	-	462,130
Repayment of notes payable	<u>(41,447)</u>	<u>(21,837)</u>
Net cash provided by financing activities	<u>109,768</u>	<u>685,863</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	57,656	337,715
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>358,368</u>	<u>20,653</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 416,024</u></u>	<u><u>\$ 358,368</u></u>
<b>SCHEDULE OF NON-CASH INVESTING ACTIVITIES</b>		
Vehicles purchased through issuance of notes payable	<u><u>\$ 121,431</u></u>	<u><u>\$ -</u></u>

See accompanying notes

**CHILDREN'S BEACH HOUSE, INC.**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**  
**WITH COMPARATIVE TOTALS FOR 2021**

	<u>2022</u>	<u>2021</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,725,206)	\$ 1,311,742
<b>Adjustments to reconcile change in net assets to cash provided (used) by operating activities</b>		
Paycheck Protection Program funds	-	(245,570)
Depreciation	269,584	203,882
Unrealized and realized (gain) loss	1,945,503	(1,218,537)
Contributions restricted for endowment	(151,215)	-
(Increase) decrease in assets:		
Accounts receivable	(35,553)	3,536
Pledges receivable	(54,516)	22,960
Grants receivable	(273,412)	-
Prepaid expenses	(4,457)	777
Increase (decrease) in liabilities:		
Accounts payable - operating	1,558	12,588
Accrued expenses	24,527	(1,374)
Deferred revenue	(2,326)	72,939
	<u>1,719,693</u>	<u>(1,148,799)</u>
Net cash provided (used) by operating activities	<u><u>\$ (5,513)</u></u>	<u><u>\$ 162,943</u></u>

See accompanying notes



**CHILDREN’S BEACH HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Background**

Children’s Beach House, Inc. (the “Organization”) is an 85-year-old, statewide child, family, and community development program that focuses on strengths and empowerment through building a sense of safety, a sense of belonging, and supportive networks of caring adults and peers. Its goal is to improve the lives of children, youth, families, and communities by helping them to identify, understand and utilize their own strengths, talents, and resources.

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 social enterprise catering company “Greater Good Events” taking advantage of the existing facility to generate much-needed funds and create a pathway for life success for future graduates.

**Programs**

The Organization provides the following major programs:

**Youth Development Program** – The Youth Development Program serves children from 7 – 18 years of age and includes family and community engagement components as well as residential camping programs designed to foster peer relationships, establish mentor relationships with staff, and encourage personal exploration and understanding. The Program serves children from across the state of Delaware who receive services at school for speech, hearing, language and/or other communicative disorders through an Individualized Education Plan and are also receiving free or reduced lunch in school.

**Margaret H. Rollins Child Development Center** – The Margaret H. Rollins Child Development Center supports three- and four-year-old early learners in a language-rich environment to prepare for success in kindergarten and elementary school. The Child Development Center serves preschoolers from Sussex County, some of whom have fewer resources and some children with communicative delays or disabilities.

**Educere Institute (formerly known as the Delaware Center for Youth Development)** - The Educere Institute supported 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 program terminated effective September 30, 2022.

**CHILDREN'S BEACH HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**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, 2022**

**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, 2022:

Event deposits, beginning of year	\$ 85,264
Revenue recognized that was included in event deposits at the beginning of the year	(85,264)
Cash received during the year for future events	<u>82,938</u>
Event deposits, end of the year	<u><u>\$ 82,938</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.

*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. 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. A valuation allowance of \$18,000 and \$36,000 was recorded as of September 30, 2022 and 2021, respectively.

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.

A conditional grant, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend on are met. Grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Conditional grants are further described in Note 16.

**CHILDREN'S BEACH HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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).

**CHILDREN’S BEACH HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Hierarchy (Continued)**

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, accounts payable, and accrued expenses approximate fair value of those instruments due to their short maturities.

**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, 2022 and 2021. The Organization’s annual information returns for the years ended September 30, 2021, 2020 and 2019 may be subject to review by the internal revenue service.

**CHILDREN'S BEACH HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2022 and 2021 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.

**Advertising Costs**

Advertising costs are charged to expense as incurred. Advertising costs incurred during 2022 and 2021 were \$9,896, and \$0, respectively.

**Functional Expenses**

The cost of providing the various programs and activities have been summarized on a functional basis in the statement of activities, 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.

**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, 2021, from which the summarized information was derived.

**CHILDREN'S BEACH HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

Management has evaluated subsequent events through April 24, 2023, the date the financial statements were drafted and available to be issued.

In October 2022, the Organization applied for payroll tax credits under the Employee Retention Credit provisions of the CARES Act. The Organization received \$283,532 in revenue during April 2023.

In November 2022, the Organization entered into an agreement with the State of Delaware Department of Health and Social Services to provide tutoring, mentoring, and support for after school and weekend activities to 100 low-income children attending public schools in Milton, Delaware from November 2022 through August 2023 for an amount not to exceed \$115,179.

The Organization received \$800,000 in grants subsequent to year-end through the date the financial statements were drafted and available to be issued.

**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. 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.

**CHILDREN'S BEACH HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 – LIQUIDITY AND AVAILABILITY (CONTINUED)**

The table below presents financial assets which could be available for general expenditures within one year at September 30, 2022:

Cash and cash equivalents	\$ 416,024
Accounts receivable	40,090
Pledges receivable due within one year	136,556
Investments	7,456,479
Less: net assets with donor restrictions	<u>(3,722,508)</u>
	<u><u>\$ 4,326,641</u></u>

**NOTE 3 – INVESTMENTS**

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

Classification	Description	2022		
		Original Cost	Fair Value	Unrealized Appreciation
Endowment funds - General				
	Bonds and fixed income mutual funds:	\$ 1,637,854	\$ 1,382,164	\$ (255,690)
	Equities and equity mutual funds:	1,820,743	2,121,480	300,737
	Total endowment funds - General	3,458,597	3,503,644	45,047
Endowment funds - Ma-Ran				
	Bonds and fixed income mutual funds:	1,499,874	1,270,371	(229,503)
	Equities and equity mutual funds:	1,654,234	1,945,624	291,390
	Total endowment funds - Ma-Ran	3,154,108	3,215,995	61,887
Endowment funds - Capital				
	Bonds and fixed income mutual funds:	376,848	315,676	(61,172)
	Equities and equity mutual funds:	387,197	421,164	33,967
	Total endowment funds - Capital	764,045	736,840	(27,205)
	Total Investments	\$ 7,376,750	\$ 7,456,479	\$ 79,729



**CHILDREN'S BEACH HOUSE, INC.**  
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**NOTE 3 – INVESTMENTS (CONTINUED)**

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

**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:

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>2022</b>	<b>Fair Value</b>			
Bonds and fixed income mutual funds	\$ 2,968,211	\$ 2,968,211	\$ -	\$ -
Equities and equity mutual funds	4,488,268	4,488,268	-	-
Total	<u>\$ 7,456,479</u>	<u>\$ 7,456,479</u>	<u>\$ -</u>	<u>\$ -</u>
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>2021</b>	<b>Fair Value</b>			
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.**  
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**NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)**

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:

	<u>2022</u>	<u>2021</u>
Fine art	\$ 1,635	\$ 1,635
Automobiles	492,087	212,439
Building and improvements	6,897,449	6,688,766
Furniture, fixtures, and equipment	248,423	248,423
	<u>7,639,594</u>	<u>7,151,263</u>
Less accumulated depreciation	<u>3,559,520</u>	<u>3,289,936</u>
	<u><u>\$ 4,080,074</u></u>	<u><u>\$ 3,861,327</u></u>

Depreciation expense was \$269,584 and \$203,882 for the years ended September 30, 2022 and 2021, respectively.

**NOTE 6 – RETIREMENT PLANS**

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 \$20,603 and \$18,498 for the years ended September 30, 2022 and 2021, respectively.

**CHILDREN'S BEACH HOUSE, INC.**  
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**NOTE 7 – NET ASSETS**

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

<b>Net Assets Without Donor Restrictions:</b>	<b>2022</b>	<b>2021</b>
Capital Fund	\$ 379,790	\$ 864,265
Ma-Ran	329,658	412,811
Operating Funds	3,418,268	4,274,408
Lingo Memorial Fund - Operating	31,755	39,709
Total board designated	4,159,471	5,591,193
 Total undesignated	 3,799,111	 3,688,428
 <b>Total Net Assets Without Donor Restrictions</b>	 <b>\$ 7,958,582</b>	 <b>\$ 9,279,621</b>
 <b>Net Assets With Donor Restrictions:</b>	 <b>2022</b>	 <b>2021</b>
Endowment:		
Subject to Expenditure for Specified Purpose:		
Ashley Nicole Furio Fund - Ma-Ran	\$ 1,246	\$ 21,409
Ma-Ran	120,737	828,627
Building endowment fund	124,484	193,310
Dobbs Grange Memorial Fund	(12,515)	-
Galloway Memorial Fund	(990)	-
	232,962	1,043,346
 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
	3,064,345	3,064,345
 Total Endowment	 3,297,307	 4,107,691
 Non-Endowment:		
Subject to Expenditure for Specified Purpose:		
Ashley Nicole Furio	11,322	11,322
Ma-Ran	171,714	500
YDP Expansion to Milton, DE	10,000	-
Building and Capital Improvements	200,000	-
General Operations	32,165	7,162
 Total Non-Endowment	 425,201	 18,984
 <b>Total Net Assets With Donor Restrictions</b>	 <b>\$ 3,722,508</b>	 <b>\$ 4,126,675</b>

**CHILDREN'S BEACH HOUSE, INC.**  
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**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>2022</u>	<u>2021</u>
Ashley Nicole Furio Fund - MA-RAN	\$ 1,616	\$ 1,888
Capital Campaign	-	26,000
Dobbs Grange Memorial Fund	927	10,294
Galloway Memorial Fund	73	814
General Operations	-	51,471
MA-RAN Endowment	56,721	66,281
	<u>\$ 59,337</u>	<u>\$ 156,748</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.**  
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**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.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by laws (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The Organization had two funds underwater in the amount of \$13,505 as of September 30, 2022. There were no underwater endowments as of September 30, 2021.

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. Board-designated funds are designated for capital and certain operating expenditures, and Ma-Ran related items.

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 3.0% and 3.5%. 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.

**CHILDREN'S BEACH HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8 – ENDOWMENT ASSETS (CONTINUED)**

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.

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:

<b>2022</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 3,297,307	\$ 3,297,307
Board-designated endowment funds	4,159,172	-	4,159,172
	<u>\$ 4,159,172</u>	<u>\$ 3,297,307</u>	<u>\$ 7,456,479</u>
<b>2021</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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>

**CHILDREN'S BEACH HOUSE, INC.**  
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**NOTE 8 – ENDOWMENT ASSETS (CONTINUED)**

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

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
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	\$ 5,590,892	\$ 4,107,691	\$ 9,698,583
Investment return, net	(1,016,257)	(751,047)	(1,767,304)
Contributions	-	-	-
Appropriation of assets for expenditure	<u>(415,463)</u>	<u>(59,337)</u>	<u>(474,800)</u>
Endowment net assets, September 30, 2022	<u><u>\$ 4,159,172</u></u>	<u><u>\$ 3,297,307</u></u>	<u><u>\$ 7,456,479</u></u>

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

	<b><u>2022</u></b>	<b><u>2021</u></b>
Endowment		
Subject to Expenditure for Specified Purpose:		
Ashley Nicole Furio Fund - Ma-Ran	\$ 1,246	\$ 21,409
MA-RAN endowment fund	120,737	828,627
Building endowment fund	124,484	193,310
Dobbs Grange Memorial Fund	(12,515)	-
Galloway Memorial Fund	<u>(990)</u>	<u>-</u>
	<u>232,962</u>	<u>1,043,346</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	<u>4,943</u>	<u>4,943</u>
	<u>3,064,345</u>	<u>3,064,345</u>
Total Endowment	<u><u>\$ 3,297,307</u></u>	<u><u>\$ 4,107,691</u></u>

**CHILDREN'S BEACH HOUSE, INC.**  
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**NOTE 9 - PLEDGES RECEIVABLE**

Pledges receivable represent unconditional promises to give (pledges) made by individuals and are recorded at net realizable value. Pledges receivable as of September 30, 2022 and 2021 were \$118,556 and \$100,040, 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>2022</u>	<u>2021</u>
Less than one year	\$ 136,556	\$ 79,540
One to five years	-	20,500
	<u>136,556</u>	<u>100,040</u>
Less: allowance	<u>(18,000)</u>	<u>(36,000)</u>
	<u><u>\$ 118,556</u></u>	<u><u>\$ 64,040</u></u>

**NOTE 10 – CONCENTRATIONS**

The Organization received revenues from one foundation in the amount of \$625,000 during the years ended September 30, 2022 and 2021. Funds were provided for operations. These funds represented 50.9% and 63.5% of total contributions for the years ended September 30, 2022 and 2021, respectively.

**NOTE 11 – 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 \$1,146 per month for the year ended September 30, 2022 under an agreement which expired in April 2022. A new lease agreement was entered into during the year ended September 30, 2022. The lease is effective for the period May 1, 2022 through April 30, 2027 with a monthly rent of \$1,146 per month, subject to adjustment as set forth in the lease. Effective January 1, 2023, monthly rent for the lease is \$1,180. Rent expense for the years ended September 30, 2022 and 2021 was \$13,749 and \$12,416, respectively. The Organization also leases office equipment under fixed payment terms.



**CHILDREN'S BEACH HOUSE, INC.**  
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**NOTE 11 – COMMITMENTS (CONTINUED)**

Minimum expected future rent expense for all operating leases are as follows for the years ending September 30:

2023	\$	27,462
2024		23,130
2025		14,260
2026		14,260
2027		11,060
Thereafter		-
	\$	<u>90,172</u>

**NOTE 12 – 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 13 – 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:

	<b>2022</b>		
<b>Event</b>	<b>Revenues</b>	<b>Expenses</b>	<b>Net</b>
Winter White	\$ 65,363	\$ (24,035)	\$ 41,328
Beach party	88,439	(20,401)	68,038
Golf classic	76,036	(23,888)	52,148
Plein Air	1,937	(2,462)	(525)
ANF 5K	25,395	(4,631)	20,764
Other	20,666	(1,191)	19,475
Total	<u>\$ 277,836</u>	<u>\$ (76,608)</u>	<u>\$ 201,228</u>

**CHILDREN'S BEACH HOUSE, INC.**  
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**NOTE 13 – SPECIAL EVENTS (CONTINUED)**

<b>2021</b>			
<b>Event</b>	<b>Revenues</b>	<b>Expenses</b>	<b>Net</b>
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>

**NOTE 14 – LONG-TERM DEBT**

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

	<u><b>2022</b></u>	<u><b>2021</b></u>
Note payable, DE Sustainable Energy Utility, Inc., \$2,228 monthly payment with 1.50% interest rate. Matures in July 2041.	\$ 438,809	\$ 458,476
Note payable, bank, \$907 monthly payment with 4.49% interest rate. Matures in January 2029. Secured by personal property.	56,866	-
Note payable, bank, \$1,062 monthly payment with 4.89% interest rate. Matures in May 2027. Secured by personal property.	51,903	-
Note payable, bank, \$564 monthly payment with 5.94% interest rate. Matures in April 2022. Secured by personal property.	-	3,401
Note payable, bank, \$721 monthly payment with 5.94% interest rate. Matures in April 2022. Secured by personal property.	-	4,356
Note payable, bank, \$227 monthly payment with 5.99% interest rate. Matures in April 2022. Secured by personal property.	-	1,361
Total long-term debt	<u>\$ 547,578</u>	<u>\$ 467,594</u>

**CHILDREN’S BEACH HOUSE, INC.**  
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**NOTE 14 – LONG-TERM DEBT (CONTINUED)**

Interest expense was \$5,888 and \$12,756 for the years ended September 30, 2022 and 2021, respectively.

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

2023	\$	39,075
2024		40,284
2025		41,544
2026		42,851
2027		38,761
Thereafter		345,063
		<u>\$ 547,578</u>

**NOTE 15 – 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, 2022 and 2021, the Foundation contributed \$625,000.

**NOTE 16 – CONTINGENT PLEDGES AND GRANTS**

The Organization received a pledge to match up to \$2,000,000 in pledges to form the R. Randall Rollins Endowment Fund in support of the Margaret H. Rollins Child Development Center. Of the \$2,000,000, contributions totaling \$85,607 had been recognized as applying to the match and that amount has been recognized as a donor-restricted revenue and pledges receivable at September 30, 2022. The Organization expects to receive the full \$2,000,000 match prior to its expiration in 2025.

The Organization was also approved for \$570,000 in conditional funding through the American Rescue Plan Act specifically for its expansion into Milton, Delaware. As of September 30, 2022, \$73,412 in applicable expenses had been incurred / earned but not received and that amount has been recognized as donor-restricted revenue and as grants receivable.

Additionally, a second irrevocable grant for \$200,000 for the Milton, Delaware expansion was committed to by the State of Delaware and that amount has been recognized as donor-restricted revenue and as a grant receivable at September 30, 2022.

**CHILDREN'S BEACH HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 17 – RISKS AND UNCERTAINTIES**

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities and current economic conditions, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position