
**UNIVERSITY CITY CHILDREN'S CENTER
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

UNIVERSITY CITY CHILDREN'S CENTER

DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
University City Children's Center and Subsidiary

Opinion

We have audited the consolidated financial statements of **University City Children's Center and Subsidiary (UCCC)**, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **University City Children's Center and Subsidiary** as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 UCCC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

As discussed in Note 10 to the consolidated financial statements, the 2021 consolidated financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **University City Children's Center and Subsidiary's** ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 UCCC'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about UCCC'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.

Kiefer Bonfanti & Co. LLP

St. Louis, Missouri
May 31, 2023

UNIVERSITY CITY CHILDREN'S CENTER AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets	December 31,	
	2022	2021
Current Assets		
Cash and cash equivalents	\$ 1,205,218	\$ 1,683,377
Receivable from United Way of Greater St. Louis, Inc.	142,921	139,301
Pledges and grants receivable	455,024	462,191
Accounts receivable, net of allowance \$34,754 in 2022 and \$35,201 in 2021, respectively	74,403	93,417
Other current assets	6,049	3,353
Total Current Assets	1,883,615	2,381,639
Pledges and Grants Receivable, Non-Current	37,039	327,407
Right-of-Use Asset - Operating, Net	37,033	-
Property and Equipment, Net	362,283	499,217
Total Assets	\$ 2,319,970	\$ 3,208,263
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 114,506	\$ 173,879
Accrued salaries	53,271	69,116
Accrued and withheld taxes	9,258	10,662
Deferred revenue	38,756	33,648
Current portion of long-term debt	3,696	3,596
Current portion of lease liability - operating	59,342	-
Total Current Liabilities	278,829	290,901
Other Liabilities		
Note payable	144,790	148,485
Lease liability - operating	5,018	-
Deferred rent liability	-	52,553
Total Other Liabilities	149,808	201,038
Total Liabilities	428,637	491,939
Net Assets		
Without donor restrictions	972,858	1,390,235
With donor restrictions	918,475	1,326,089
Total Net Assets	1,891,333	2,716,324
Total Liabilities and Net Assets	\$ 2,319,970	\$ 3,208,263

UNIVERSITY CITY CHILDREN'S CENTER AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

	Years Ended December 31,	
	2022	2021
Without Donor Restrictions		
Support and Revenue		
Program service fees - private	\$ 1,901,468	\$ 1,849,596
Program service fees - government programs	617,935	588,923
Less tuition assistance	(308,646)	(267,458)
Program service fees, net of tuition assistance	2,210,757	2,171,061
Contributions	314,417	870,273
Grants	25,748	32,288
Special events	198,350	78,862
Consulting fees	59,162	281,107
Other unrestricted revenue	1,642	2,263
Paycheck protection program loan forgiven	-	534,800
Support and Revenues Available	2,810,076	3,970,654
Net assets released from restrictions	828,402	584,049
Total Support and Revenue Without Donor Restrictions	3,638,478	4,554,703
Expenses		
Program services	3,401,739	3,468,571
Management and general	468,507	372,541
Fundraising	185,609	241,866
Total Expenses	4,055,855	4,082,978
Increase (Decrease) in Net Assets Without Donor Restrictions	(417,377)	471,725
With Donor Restrictions		
United Way of Greater St. Louis, Inc.	142,921	139,301
Other restricted contributions	277,867	1,331,838
Net assets released from restrictions	(828,402)	(584,049)
Increase (Decrease) in Net Assets With Donor Restrictions	(407,614)	887,090
Increase (Decrease) in Net Assets	(824,991)	1,358,815
Net Assets, Beginning of Year	2,716,324	1,357,509
Net Assets, End of Year	\$ 1,891,333	\$ 2,716,324

UNIVERSITY CITY CHILDREN'S CENTER AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	Years Ended December 31,							
	2022				2021			
	Program services	Mgmt and General	Fundraising	Total	Program services	Mgmt and General	Fundraising	Total
Salaries	\$ 1,913,903	286,357	79,147	\$ 2,279,407	\$ 2,014,955	242,733	104,347	\$ 2,362,035
Employee health and retirement benefits	208,806	16,473	6,133	231,412	266,514	9,918	10,001	286,433
Payroll taxes	145,947	21,202	5,860	173,009	146,554	19,676	7,957	174,187
Total salaries and related expenses	2,268,656	324,032	91,140	2,683,828	2,428,023	272,327	122,305	2,822,655
Professional fees and contract service payments	315,129	65,985	30,533	411,647	234,412	32,832	59,969	327,213
Supplies	243,751	25,603	745	270,099	246,534	16,548	1,420	264,502
Occupancy	192,525	15,799	4,529	212,853	175,623	14,027	4,032	193,682
Shared occupancy costs	17,349	(8,881)	(8,468)	-	17,497	(8,786)	(8,711)	-
Information technology	45,593	5,984	4,240	55,817	41,243	4,897	3,531	49,671
Special events	7,613	3,633	41,843	53,089	4,900	1,920	32,304	39,124
Bank & merchant card fees	44,379	374	1,656	46,409	38,928	2,210	2,453	43,591
Office expenses	15,355	9,806	10,131	35,292	18,901	8,754	14,649	42,304
Travel	18,077	7,155	2,796	28,028	11,960	1,617	3,112	16,689
Advertising and promotion	25,134	375	750	26,259	31,020	4,875	1,524	37,419
Insurance	18,527	1,229	731	20,487	17,160	1,369	669	19,198
Other	14,550	2,791	660	18,001	25,710	5,216	471	31,397
Interest	3,892	139	65	4,096	3,959	124	60	4,143
Professional development	2,084	242	150	2,476	3,813	391	-	4,204
Conferences, conventions, and meetings	1,393	-	-	1,393	1,320	-	-	1,320
Total Expenses Before Depreciation	3,234,007	454,266	181,501	3,869,774	3,301,003	358,321	237,788	3,897,112
Depreciation	167,732	14,241	4,108	186,081	167,568	14,220	4,078	185,866
Total Expenses	\$ 3,401,739	468,507	185,609	\$ 4,055,855	\$ 3,468,571	372,541	241,866	\$ 4,082,978
%of Total Expenses	83.9%	11.5%	4.6%	100.0%	85.0%	9.1%	5.9%	100.0%

*Professional development expenses paid by the Center to LUME were \$50,000 in 2022 and \$9,235 in 2021 and are eliminated in consolidation

UNIVERSITY CITY CHILDREN'S CENTER AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2022	2021
Cash Flows from Operating Activities		
(Increase) decrease in net assets	\$ (824,991)	\$ 1,358,815
Adjustments:		
Depreciation	186,081	185,866
(Increase) decrease in operating assets		
Receivable from United Way of Greater St. Louis, Inc.	(3,620)	(3,508)
Pledges and grants receivable	297,535	(748,137)
Accounts receivable	19,014	(32,381)
Other current assets	(2,696)	7,288
Right-of-use asset - operating, net	(37,033)	-
(Increase) decrease in operating liabilities		
Accounts payable and accrued expenses	(59,373)	93,293
Accrued salaries	(15,845)	9,565
Accrued and withheld taxes	(1,404)	4,905
Deferred revenue	5,108	(41,500)
Deferred rent liability	(52,553)	(25,225)
Lease liability - operating	64,360	-
Net Cash Provided (Used) by Operating Activities	(425,417)	808,981
Cash Flows from Investing Activities		
Purchase of property and equipment	(49,147)	(26,313)
Net Cash Used by Investing Activities	(49,147)	(26,313)
Cash Flows from Financing Activities		
Payments on note payable	(3,595)	(344)
Net Cash Used by Financing Activities	(3,595)	(344)
Net Increase (Decrease) in Cash and Cash Equivalents	(478,159)	782,324
Cash and cash equivalents, beginning of year	1,683,377	901,053
Cash and Cash Equivalents, End of Year	\$ 1,205,218	\$ 1,683,377

Supplemental Disclosure of Cash Flows

Interest paid	\$ 4,096	\$ 4,143
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

BUSINESS DESCRIPTION AND PRINCIPLES OF CONSOLIDATION

University City Children's Center is a not-for-profit organization whose two programs are its innovative early childhood education center (the Center) and LUME Institute, LLC (LUME). The accompanying financial statements consolidate the financial position, activities, functional expenses, and cash flows of the Center and LUME (collectively, UCCC). All intercompany transactions have been eliminated in the consolidation.

The Center provides innovative, quality care and education to a racially, culturally, developmentally, and socio-economically diverse population of children between the ages of six weeks and six years in a nurturing environment that provides supportive services to families. The Center serves children from over 30 zip codes in the St. Louis metropolitan area and is supported through private and government program service fees, contributions, and grants from private foundations, state government agencies, and the United Way of Greater St. Louis, Inc.

LUME seeks to transform the way families, educators, and communities inspire young children to learn, grow and thrive. LUME provides professional development for current and aspiring early childhood educators, and hosts workshops and other events to help parents and other participants support the growth and development of children.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

UCCC uses the accrual method of accounting.

Financial Statement Presentation

UCCC reports its information regarding financial position and activities according to the following net asset classifications:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of UCCC. These net assets may be used at the discretion of UCCC's management and board of directors.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of UCCC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There were no donor restrictions perpetual in nature at December 31, 2022 and 2021.

Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, UCCC considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Notes to Consolidated Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable arise in the normal course of operations. UCCC actively pursues past due accounts and provides an allowance for doubtful accounts based on historical experience and management's analysis of the current status of existing receivables. UCCC considers any accounts receivable older than 30 days to be past due, and charges off accounts receivable when all collection efforts have been unsuccessful, and management believes there is no chance for collection. Accounts receivable older than 90 days at December 31, 2022 and 2021 amounted to \$21,470 and \$29,412, respectively. Bad debt expense for the years ended December 31, 2022 and 2021 was \$8,200 and \$26,050, respectively.

Property and Equipment

Property and equipment are stated at cost, or fair market value if donated, less accumulated depreciation and amortization computed on the straight-line method over estimated useful lives of 3 to 20 years.

Contributions

Contributions that are not specifically restricted by the donor are considered to be available for use at the discretion of UCCC's management and board of directors. Contributions that are received with donor-imposed restrictions that limit the use of the donated assets are initially recorded in net assets with donor restrictions. When the restrictions are satisfied, the donated assets are recorded as net assets released from restrictions on the statement of activities and are reclassified to net assets without donor restrictions on the statement of financial position. If the restriction is satisfied in the same period in which the contribution is received, UCCC may report the contribution as unrestricted. Unconditional promises to make contributions are accrued at estimated fair value at the date each promise is received and are included in net assets with donor restrictions.

Revenue and Revenue Recognition

UCCC receives revenue from tuition, consulting services, contributions, and ticket sales from special events. UCCC recognizes revenue from tuition and consulting fees during the period in which the related services are provided. Payments received in advance of the period in which services are provided, including deposits, are deferred to the applicable period. Tuition assistance is recorded as a reduction from posted tuition rates in the period that the related tuition revenue is recognized.

UCCC recognizes contributions when cash, securities or other assets, unconditional promises to give, or a notification of a beneficial interest is received. Conditional promises to give, 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 have been met. There were no conditional promises to give for the years ended December 31, 2022 and 2021.

UCCC recognizes revenue from ticket sales during the period in which the special event takes place.

Functional Expenses

The costs of programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the expenses by function. Certain costs are classified as program or supporting services based on the nature of the expense. Other costs have been allocated among the programs and supporting services as determined by management on an equitable basis.

Notes to Consolidated Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses (continued)

Expenses are classified as follows:

Expense	Method of Allocation
Salaries and related expenses	Direct costs, time and effort
Professional fees & contract service payments	Direct costs
Supplies	Direct costs, headcount
Occupancy	Square footage
Information technology	Headcount
Special events	Direct costs
Bank & merchant card fees	Direct costs
Office expenses	Direct costs, headcount
Travel	Direct costs
Advertising & promotion	Direct costs
Insurance	Direct costs, square footage, time and effort
Other	Direct costs, square footage, time and effort
Interest	Square footage
Travel	Direct costs
Professional development	Direct costs
Conferences, conventions, and meetings	Direct costs

Donated Services

During the years ended December 31, 2022 and 2021, UCCC did not recognize any amount for donated services, as the criteria for recognition was not met. UCCC pays for most services requiring specific expertise. In addition, many individuals volunteer their time and perform a variety of tasks that assist UCCC with specific programs, campaign solicitations, and various committee assignments.

Income Tax Status

UCCC is exempt from income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

Financial accounting standards for uncertain tax positions prohibit financial statement recognition of the impact of a tax position if the position is not "more likely than not" to be sustained on audit, based on the technical merits of the position. The Federal Forms 990 of UCCC are subject to examination by the Internal Revenue Service, generally for three years after they have been filed. As of May 31, 2023, no returns have been selected for examination.

Subsequent Events

Management has evaluated subsequent events through May 31, 2023, the date which the financial statements were available to be issued, for possible recognition or disclosure.

UNIVERSITY CITY CHILDREN'S CENTER AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

NOTE 2 LIQUIDITY AND AVAILABILITY

UCCC's goal is generally to maintain a level of liquidity sufficient to withstand variations in its major sources of revenue, measured by two standard deviations during the preceding five years, and to pay the cost of a major capital expense.

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,205,218	\$ 1,683,377
Receivable from United Way of Greater St. Louis, Inc.	142,921	139,301
Pledges and grants receivable	492,063	789,598
Accounts receivable	74,403	93,417
Total financial assets	1,914,605	2,705,693
Less amounts not available to be used within one year:		
Net assets with donor restrictions	918,475	1,326,089
Less net assets with time and purpose restrictions to be met in less than one year	(743,824)	(757,919)
Total amounts not available to be used within one year	174,651	568,170
Financial assets available to meet general expenditures over the next twelve months	\$ 1,739,954	\$ 2,137,523

NOTE 3 PROPERTY AND EQUIPMENT

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 3,131,576	\$ 3,131,576
Playground equipment	78,869	78,869
Classroom equipment	20,078	20,078
Office and kitchen equipment	102,464	90,802
Garden project	45,704	45,704
Construction in progress	37,485	-
Property and equipment, at cost	3,416,176	3,367,029
Less accumulated depreciation	(3,053,893)	(2,867,812)
Property and Equipment, Net	\$ 362,283	\$ 499,217

For the years ended December 31, 2022 and 2021, depreciation expense amounted to \$186,081 and \$185,866, respectively.

NOTE 4 NOTE PAYABLE

In May 2020, UCCC received an Economic Injury Disaster Loan from the U.S. Small Business Administration in the amount of \$150,000 which matures on May 28, 2050. Security for the loan includes all personal property of UCCC. The interest rate on the loan is 2.75%. The loan is payable in monthly installments of \$641 beginning in May 2021.

UNIVERSITY CITY CHILDREN'S CENTER AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

NOTE 4 NOTE PAYABLE (CONTINUED)

Interest from the date of the loan to the date of the first payment accrued to the principal balance of the loan. The Note payable on the Consolidated Statements of Financial Position includes accrued interest of \$4,135 on the loan prior to the first payment.

The following is a schedule of future principal payments:

Years Ending December 31,	
2023	3,696
2024	3,797
2025	3,902
2026	4,010
2027	4,120
Thereafter	128,961
<hr/>	
Total Future Principal Payments	\$ 148,486

NOTE 5 PAYCHECK PROTECTON PROGRAM LOAN

In April 2020, UCCC applied for and was granted a \$526,900 loan under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA). The loan was uncollateralized and fully guaranteed by the Federal government. The loan accrued interest at 1%, but payments were not required until the final amount of the loan was determined by the SBA. In accordance with Accounting Standards Update (ASU) No. 958-605, UCCC accounted for the PPP loan as a refundable advance and recognized the contribution as the conditions of the release had been substantially met. UCCC applied for and was approved for loan forgiveness in 2021. On February 21, 2021, UCCC applied for and was granted a second PPP loan in the amount of \$534,800. UCCC applied for loan forgiveness for the second PPP loan and was approved for forgiveness on November 9, 2021.

NOTE 6 OPERATING LEASE

UCCC leases its building from Washington University (landlord). Under the terms of the lease, the children of graduate students and employees of the landlord have a priority right to enroll a certain number of children at the Center, and the landlord has representation on the governing board of UCCC.

The term of the lease is for a period of 20 years ending on January 31, 2024. The lease may be extended for an indefinite number of renewal periods of 10 years each.

Base rent per the lease agreement was \$1 per square foot per year through January 2019 and increased to \$2 per square foot per year thereafter. The base rent is in the process of being renegotiated.

UNIVERSITY CITY CHILDREN'S CENTER AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

NOTE 6 OPERATING LEASE (CONTINUED)

Effective January 1, 2022, the Company adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, Leases (Topic 842). The Company has elected the package of practical expedient permitted in ASC Topic 842. Accordingly, the Company accounted for its operating leases under the new guidance without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the capital leases would be different in accordance with ASC Topic 842, (c) whether the amortized initial direct costs before transition adjustments (as of December 31, 2021) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Company recognized on January 1, 2022, a lease liability for operating leases of \$121,794, which represents the present value of the remaining base lease payments of \$125,788, discounted using the Company's incremental borrowing rate of 3.25%, and a right-of-use asset of \$69,241. For the year December 31, 2022, base lease payments were \$60,378.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as follows:

Years Ending December 31,	
2023	60,378
2024	5,032
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Total Future Payments	\$ 65,410

Rent expense on the straight-line basis was \$35,153 for the years ended December 31, 2022 and 2021.

NOTE 7 EMPLOYEE BENEFIT PLAN

UCCC sponsors a defined contribution retirement plan which covers all employees who have at least 90 days of service and are age twenty-one or older. The plan allows for discretionary employer matching contributions in amounts determined by the Board of Directors on an annual basis. UCCC accrued \$16,668 and \$18,757 as contributions to the Plan for the years ended December 31, 2022 and 2021, respectively.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

	December 31,	
	2022	2021
Contributions Restricted for Purpose		
Program restrictions	\$ 420,741	\$ 817,966
Family organization	-	4,763
Emergency funding	-	143,902
Adventure playground and garden	-	-
Contributions Restricted for Time		
United Way of Greater St. Louis, Inc.	142,921	139,301
Multi-year pledges	354,813	220,157
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Total	\$ 918,475	\$ 1,326,089

UNIVERSITY CITY CHILDREN'S CENTER AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

NOTE 9 CONCENTRATIONS OF CREDIT AND MARKET RISK

Financial instruments that potentially subject UCCC to credit and market risk consist principally of cash, cash equivalents and receivables.

UCCC places all cash and cash equivalents with major financial institutions and, by policy, attempts to limit the amount of credit exposure at any one financial institution. UCCC's cash deposits in financial institutions are insured by FDIC insurance, which is subject to certain limitations and conditions. At December 31, 2022 and 2021, cash balances exceeded FDIC limits by approximately \$866,000 and \$1,082,000, respectively. UCCC has not experienced any losses in such accounts.

Concentrations of credit risk with respect to receivables are limited due to the nature of these receivables. UCCC also receives donations of marketable securities that are subject to market risk. Market risk is the possibility that changes in market price may make a financial instrument less valuable. Market risk on donated securities is limited by UCCC's policy to promptly sell the securities.

NOTE 10 PRIOR PERIOD ADJUSTMENTS

UCCC has restated its previously issued 2021 consolidated financial statements for matters related to the following previously reported items: suspense items included in cash, revenue incorrectly reported as accounts receivable, property & equipment purchases not properly capitalized, and unrecorded accrued expenses. The accompanying financial statements for 2021 have been restated to reflect the corrections.

The effect of UCCC's previously issued financial statements is summarized as follows:

	<u>Previously Reported</u>	<u>Increase (Decrease)</u>	<u>Restated</u>
Current Assets	\$ 2,413,643	(32,004)	\$ 2,381,639
Other Assets	804,900	21,724	826,624
Total Assets	3,218,543	(10,280)	3,208,263
Current Liabilities	257,643	33,258	290,901
Total Liabilities	458,681	33,258	491,939
Net Assets	2,759,862	(43,538)	2,716,324
Total Liabilities and Net Assets	\$ 3,218,543	(10,280)	\$ 3,208,263
Program service fees	\$ 610,779	(21,856)	\$ 588,923
Contributions	868,773	1,500	870,273
Grants	34,931	(2,643)	32,288
Special events	77,362	1,500	78,862
Consulting fees	287,557	(6,450)	281,107
Other unrestricted revenue	537,221	(158)	537,063
Program services expenses	3,463,776	4,795	3,468,571
Management and general expense	353,339	19,202	372,541
Fundraising expenses	\$ 250,434	(8,568)	\$ 241,866