

MALAIKA EARLY LEARNING CENTER, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2023 AND 2022



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**MALAIKA EARLY LEARNING CENTER, INC.
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	4
STATEMENTS OF ACTIVITIES	5
STATEMENTS OF FUNCTIONAL EXPENSES	7
STATEMENTS OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10
SUPPLEMENTARY INFORMATION	
PRIVATE SCHOOL CHOICE PROGRAM (PSCP) RESERVE BALANCE FOR STANDARD FINANCIAL AUDITS	19



INDEPENDENT AUDITORS' REPORT

Board of Directors
Malaika Early Learning Center, Inc.
Milwaukee, Wisconsin

Report on Financial Statements

Opinion

We have audited the accompanying financial statements of Malaika Early Learning Center, Inc. (the Center), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 Malaika Early Learning Center, Inc. as of June 30, 2023 and 2022, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Malaika Early Learning Center, Inc. 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.

Emphasis-of-Matter Regarding a Correction of an Error

As discussed in Note 13 to the financial statements, a certain error resulting in the overstatement of amounts previously reported for both revenue and assets as of June 30, 2022, were discovered during the current year. Accordingly, amounts reported for revenue and assets have been restated in the 2022 financial statements now presented to correct the error. Our opinion is not modified with respect to that matter and the error had no effect on the Private School Choice Programs Reserve Balance for Standard Financial Audits.

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 Malaika Early Learning Center, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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 financial statements.

In performing an audit in accordance with GAAS, we:

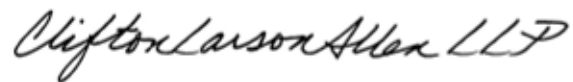
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 Malaika Early Learning Center, Inc.'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 Malaika Early Learning Center, Inc.'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.

Other Matter

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Private School Choice Programs (PSCP) Reserve Balance Schedule, as required by the Wisconsin Department of Public Instruction, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In addition, the balances have been subjected to auditing procedures required by Wis. Stats. 118.60 and 119.23 and Wis. Admin. Codes PI 35 and PI 48. In our opinion, the PSCP Reserve Balance Schedule is free of material misstatements and fairly presents the private school's eligible education expenses as required under Wis. Stats. 118.60 and 119.23 and Wis. Admin. Codes PI 35 and PI 48.



CliftonLarsonAllen LLP

Milwaukee, Wisconsin
October 11, 2023

MALAIKA EARLY LEARNING CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	(Restated) 2022
ASSETS		
Cash and Cash Equivalents	\$ 272,933	\$ 267,577
Accounts Receivable	46,272	37,413
Grants Receivable	-	50,000
Pledges Receivable	37,500	-
Prepaid Expenses and Other Assets	11,199	8,650
Finance Right-of-Use Asset	22,663	-
Property and Equipment, Net	2,601,008	2,806,514
Total Assets	\$ 2,991,575	\$ 3,170,154
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 10,550	\$ 4,500
Accrued Expenses and Other Liabilities	32,660	24,594
Deferred Revenue	-	3,245
Lease Liability - Finance	23,159	-
Capital Lease Obligation, Current Portion	-	30,560
Total Liabilities	66,369	62,899
NET ASSETS		
Without Donor Restrictions	2,697,273	2,998,918
With Donor Restrictions	227,933	108,337
Total Net Assets	2,925,206	3,107,255
Total Liabilities and Net Assets	\$ 2,991,575	\$ 3,170,154

See accompanying Notes to Financial Statements.

MALAIKA EARLY LEARNING CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions	\$ 161,094	\$ 219,856	\$ 380,950
Childcare Fees	21,595	-	21,595
Choice Revenue	582,051	-	582,051
Contributed Nonfinancial Assets	81,819	-	81,819
Other Government Assistance	933,475	-	933,475
Fundraising Events	100,489	-	100,489
Other Revenues	15,661	-	15,661
Net Assets Released from Restriction	100,260	(100,260)	-
Total Revenue, Support, and Gains	1,996,444	119,596	2,116,040
EXPENSES			
Program Services Expense:			
Choice Program	769,188	-	769,188
Childcare Program	625,440	-	625,440
Total Program Services Expenses	1,394,628	-	1,394,628
Supporting Services Expense:			
Management and General	893,720	-	893,720
Fundraising and Development	9,741	-	9,741
Total Supporting Services Expenses	903,461	-	903,461
Total Expenses	2,298,089	-	2,298,089
CHANGE IN NET ASSETS	(301,645)	119,596	(182,049)
Net Assets - Beginning of Year	2,998,918	108,337	3,107,255
NET ASSETS - END OF YEAR	\$ 2,697,273	\$ 227,933	\$ 2,925,206

See accompanying Notes to Financial Statements.

MALAIKA EARLY LEARNING CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	(Restated)		Total
	Without Donor Restrictions	With Donor Restrictions	
REVENUE, SUPPORT, AND GAINS			
Contributions	\$ 146,517	\$ 107,110	\$ 253,627
Childcare Fees	29,689	-	29,689
Choice Revenue	574,350	-	574,350
Contributed Nonfinancial Assets	14,359	-	14,359
Other Government Assistance	970,212	-	970,212
Fundraising Events	102,080	-	102,080
Other Revenues	15,869	-	15,869
Net Assets Released from Restriction	15,000	(15,000)	-
Total Revenue, Support, and Gains	<u>1,868,076</u>	<u>92,110</u>	<u>1,960,186</u>
EXPENSES			
Program Services Expense:			
Choice Program	955,915	-	955,915
Childcare Program	438,545	-	438,545
Total Program Services Expenses	<u>1,394,460</u>	<u>-</u>	<u>1,394,460</u>
Supporting Services Expense:			
Management and General	574,459	-	574,459
Fundraising and Development	9,967	-	9,967
Total Supporting Services Expenses	<u>584,426</u>	<u>-</u>	<u>584,426</u>
Total Expenses	<u>1,978,886</u>	<u>-</u>	<u>1,978,886</u>
CHANGE IN NET ASSETS	(110,810)	92,110	(18,700)
Net Assets - Beginning of Year	<u>3,109,728</u>	<u>16,227</u>	<u>3,125,955</u>
NET ASSETS - END OF YEAR	<u>\$ 2,998,918</u>	<u>\$ 108,337</u>	<u>\$ 3,107,255</u>

See accompanying Notes to Financial Statements.

MALAIKA EARLY LEARNING CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services			Management and General	Fundraising and Development	Total
	Choice	Childcare	Total			
Salaries	\$ 452,962	\$ 447,212	\$ 900,174	\$ 475,371	\$ -	\$ 1,375,545
Payroll Taxes	36,205	35,378	71,583	36,240	-	107,823
Employee Benefits	12,647	6,593	19,240	32,762	-	52,002
Continuing Education	70	-	70	5,675	-	5,745
Professional Fees	-	-	-	105,353	-	105,353
Repair and Maintenance	7,813	-	7,813	64,743	-	72,556
Student Expenses	71,837	59,216	131,053	10,703	-	141,756
Office	-	-	-	12,505	-	12,505
Supplies	34,542	25,957	60,499	58,675	-	119,174
Utilities	-	-	-	25,733	-	25,733
Insurance	8,375	-	8,375	23,833	-	32,208
Occupancy	-	-	-	12,233	-	12,233
Transportation	9,943	-	9,943	750	-	10,693
Dues and Subscriptions	25	358	383	8,638	-	9,021
Advertising	2,550	-	2,550	4,302	-	6,852
Depreciation	132,219	50,726	182,945	-	-	182,945
Interest	-	-	-	130	-	130
Fundraising	-	-	-	-	9,741	9,741
Miscellaneous	-	-	-	16,074	-	16,074
Total Expenses by Function	<u>\$ 769,188</u>	<u>\$ 625,440</u>	<u>\$ 1,394,628</u>	<u>\$ 893,720</u>	<u>\$ 9,741</u>	<u>\$ 2,298,089</u>

See accompanying Notes to Financial Statements.

MALAIKA EARLY LEARNING CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services			Management and General	Fundraising and Development	Total
	Choice	Childcare	Total			
Salaries	\$ 516,826	\$ 244,168	\$ 760,994	\$ 475,902	\$ -	\$ 1,236,896
Payroll Taxes	39,624	19,215	58,839	36,071	-	94,910
Employee Benefits	6,679	12,467	19,146	34,950	-	54,096
Continuing Education	25	394	419	415	-	834
Professional Fees	19,436	7,558	26,994	-	-	26,994
Repair and Maintenance	75,581	26,240	101,821	-	-	101,821
Student Expenses	60,688	44,980	105,668	6,906	-	112,574
Office	4,405	1,713	6,118	-	-	6,118
Supplies	20,208	6,665	26,873	16,947	-	43,820
Utilities	23,056	8,966	32,022	-	-	32,022
Insurance	26,782	7,003	33,785	-	-	33,785
Occupancy	6,980	2,714	9,694	-	-	9,694
Transportation	8,635	-	8,635	-	-	8,635
Dues and Subscriptions	6,704	2,602	9,306	-	9,967	19,273
Advertising	-	-	-	3,268	-	3,268
Depreciation	132,905	50,990	183,895	-	-	183,895
Interest	28	11	39	-	-	39
Miscellaneous	7,353	2,859	10,212	-	-	10,212
Total Expenses by Function	<u>\$ 955,915</u>	<u>\$ 438,545</u>	<u>\$ 1,394,460</u>	<u>\$ 574,459</u>	<u>\$ 9,967</u>	<u>\$ 1,978,886</u>

See accompanying Notes to Financial Statements.

MALAIKA EARLY LEARNING CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	(AS Restated) 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (182,049)	\$ (18,700)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	174,946	183,895
Amortization of ROU Asset	7,999	-
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(8,859)	(19,921)
Grants Receivable	50,000	(50,000)
Pledges Receivable	(37,500)	
Prepaid Expenses and Other Assets	(2,549)	(279)
Accounts Payable	6,050	4,500
Accrued Expenses and Other Liabilities	8,066	6,369
Deferred Revenue	(3,245)	3,245
Net Cash Provided by Operating Activities	12,859	109,109
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	-	(73,062)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Finance Leases	(7,503)	-
Payments on Capital Lease Obligation	-	(9,402)
Net Cash Used by Financing Activities	(7,503)	(9,402)
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,356	26,645
Cash and Cash Equivalents - Beginning of Year	267,577	240,932
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 272,933	\$ 267,577
	2023	2022
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 130	\$ 39

See accompanying Notes to Financial Statements.

MALAIKA EARLY LEARNING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Malaika Early Learning Center, Inc. (the Center) operates an early learning center providing a high-quality learning experience for children ages six weeks through eight years for residents of the city of Milwaukee, Wisconsin. Childcare and early education services are paid by private pay families or from participants who are eligible in the State of Wisconsin Shares Child Care Subsidy Program or the Milwaukee Parental School Choice Program. The Center is support primarily through student tuition and donor contributions.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

The Center considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Receivables and Credit Policies

Private pay students are expected to prepay for services. The Center invoices the State of Wisconsin Shares Child Care Subsidy Program every two weeks for students participating in Wisconsin's Child Care Subsidy program. In addition, funding is received from the Wisconsin Department of Public Instruction Food and Nutrition Program. State Choice program payments represent revenues received from the state of Wisconsin, in lieu of tuition revenues, for certain qualified students in four- and five-year old kindergarten through third grade who reside within the city of Milwaukee. The Department of Public Instruction pays participating schools on a scheduled installment basis four times per year. The Center relies on funding from the state of Wisconsin for the majority of its students.

All receivables are unsecured and are primarily due from the state of Wisconsin. The Center considers these receivables to be fully collectible and no allowance for uncollectible receivables has been established for the years ended June 30, 2023 and 2022. If amounts become uncollectible, they will be charged to operations when that determination is made.

Grants Receivable

Conditional grants are not recognized in the financial statements until the conditions are met. Unconditional grants are expected to be collected within one year are recorded at net realizable value. Unconditional grants that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the grants are received. Amortization of the discounts is included in contribution revenue.

MALAIKA EARLY LEARNING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

The Center records property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-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 (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Center reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions.

Revenue and Revenue Recognition

Revenue is recognized when performance obligations are met. Day care fees, including childcare reimbursements received from the state of Wisconsin, transportation fees, Choice revenues and head start revenues are recognized over time as educational and day care services are provided. Student fees, primarily for registration, are nonrefundable and are recognized at a point in time when the signup occurs, and the payment is received. Contributions and grants, including unconditional promises to give and grants receivable, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are met. The Center holds one event during the year and receives payment from participants at the event. The payments are received are recognized upon completion of the event.

MALAIKA EARLY LEARNING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

Advertising costs are expensed as incurred and approximated \$6,852 and \$3,268 during the years ended June 30, 2023 and 2022, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Center is organized as a Wisconsin nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundations under IRC Sections 509(a)(1). The Center is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Center is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Center files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

Financial Instruments and Credit Risk

The Center manages deposit concentration risk by placing cash and cash equivalents with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Center has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and foundations supportive of our mission.

Accounting Standards Update

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

MALAIKA EARLY LEARNING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Standards Update (Continued)

The Center adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption.

The Center has elected to adopt the package of practical expedients available in the year of adoption. The Center has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Center's ROU assets.

Subsequent Events

The Center has evaluated subsequent events through October 11, 2023, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of June 30:

	2023	(As Restated) 2022
Cash and Cash Equivalents	\$ 272,933	\$ 267,577
Accounts Receivable, Due Within a Year	46,272	37,413
Grants Receivable, Due Within a Year	-	50,000
Less: Donor-Imposed Restrictions (Note 8)	(227,933)	(108,337)
Total	<u>\$ 91,272</u>	<u>\$ 246,653</u>

The Center also has a line of credit available to meet short-term needs. See Note 6 for terms.

NOTE 3 REVENUE, CONTRACT ASSETS AND CONTRACT LIABILITIES

The following table shows the Center's revenue disaggregated according to the timing of the transfer of services at June 30:

	2023	2022
Revenue Recognized at a Point in Time:		
DPI Food Program	<u>\$ 128,966</u>	<u>\$ 121,694</u>
Revenue Recognized Over Time:		
Childcare Fees	\$ 633,655	\$ 405,390
Head Start Fees	192,449	288,930
Transportation Fees	14,136	11,391
Other Miscellaneous	2,290	-
Choice Revenue	582,051	574,350
Total Revenue Recognized Over Time	<u>\$ 1,424,581</u>	<u>\$ 1,280,061</u>

MALAIKA EARLY LEARNING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 REVENUE, CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

Exchange transactions for the federal food program for students, W-2 payments for childcare, and Head Start and Early Head Start programs are included in the Other Government Assistance noted on the statements of activities.

Contract assets consisted of the following amounts at June 30:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
DPI Food Program	\$ 17,096	\$ 4,339	\$ 1,799
Child Care	10,518	62,800	-
Head Start	<u>18,658</u>	<u>13,904</u>	<u>15,111</u>
Total Contract Assets	<u>\$ 46,272</u>	<u>\$ 81,043</u>	<u>\$ 16,910</u>

Contract liabilities consisted of the following amounts at June 30:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Transportation Fees	<u>\$ -</u>	<u>\$ 3,245</u>	<u>\$ -</u>

NOTE 4 GRANTS AND PLEDGES RECEIVABLE

Grants receivable of \$- and \$50,000 are estimated to be collected as of June 30, 2023 and 2022, respectively.

Pledges receivable of \$37,500 and \$- are estimated to be collected as of June 30, 2023 and 2022, respectively.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2023</u>	<u>2022</u>
Land	\$ 455,980	\$ 455,980
Buildings	4,477,719	4,477,719
Equipment	76,007	119,414
Computers	19,791	19,791
Vehicles	<u>84,800</u>	<u>84,800</u>
Subtotal	5,114,297	5,157,704
Less: Accumulated Depreciation	<u>(2,513,289)</u>	<u>(2,351,190)</u>
Total Property and Equipment	<u>\$ 2,601,008</u>	<u>\$ 2,806,514</u>

MALAIKA EARLY LEARNING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 LINE OF CREDIT

The Center has a \$100,000 bank line of credit from Town Bank which provides funds to be used for working capital purposes. At June 30, 2023 and 2022, the Center had no amounts outstanding. Interest is payable monthly at Prime Rate plus 1% with a floor of 3.5% (9.25% and 5.75% at June 30, 2023 and 2022, respectively). The agreement matures on November 1, 2023.

NOTE 7 LEASES – ASC 842

The Center leases one copier through April 2026, with monthly payments of \$689. The assets and liabilities under financing leases are recorded at their fair value under long-term, noncancelable lease agreements.

Quantitative information concerning the Center's leases for the year ended June 30, 2023:

Finance lease cost:

Amortization of right-of-use assets	\$ 7,999
Interest on lease liabilities	765
Total lease cost	<u>\$ 8,764</u>

Operating Cash Flows from Finance Leases	\$ 765
Financing Cash Flows from Finance Leases	\$ 7,503
Right-of-Use Assets Obtained in Exchange for Finance Lease Liabilities	\$ 30,662
Weighted Average Remaining Lease Term	2.8
Weighted Average Discount Rate	2.88%

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 8,268
2025	8,268
2026	7,579
Undiscounted Cash Flows	24,115
(Less) Imputed Interest	(956)
Total Present Value	<u>\$ 23,159</u>

Short-Term Lease Liabilities	\$ 7,722
Long-Term Lease Liabilities	15,437
Total	<u>\$ 23,159</u>

NOTE 8 LEASES – ASC 840

The Center elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

MALAIKA EARLY LEARNING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 8 LEASES – ASC 840 (CONTINUED)

Capital Lease

During 2021, the Center entered into a capital lease agreement for copiers with monthly minimum payments of \$689. The assets and liabilities under capital leases are recorded at the lower of the present value of minimum lease payments or fair value of the asset. The capitalized cost of the leased property is \$43,407. Assets are amortized over their estimated useful life. Amortization expense on capital leases is included in depreciation expense. Accumulated amortization was \$8,681 as of June 30, 2022. Future commitments on this lease are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 8,268
2024	8,268
2025	8,268
2026	5,756
Total Minimum Lease Payments	30,560
Less: Current Portion	(8,268)
Capital Lease Obligation, Less: Current Portion	<u>\$ 22,292</u>

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at June 30:

	<u>2023</u>	<u>2022</u>
Subject to Expenditure for Specified Purpose:		
Air Quality Project	\$ 1,018	\$ 1,018
Virtual Learning	209	209
Family Engagement Programing	10,000	10,000
Great by 8-Renew and Restore Program	6,744	72,004
Building Expansion	145,189	25,000
Website	106	106
Building Upgrade	50,000	-
High School Partnership	14,667	-
Total	<u>\$ 227,933</u>	<u>\$ 108,337</u>

NOTE 10 DONATED SERVICES AND ASSETS

The Center received the following contributions of nonfinancial assets for the year ended June 30:

	<u>2023</u>	<u>2022</u>
Technology Equipment	\$ 6,300	\$ 5,114
Supplies	75,519	9,245
Total	<u>\$ 81,819</u>	<u>\$ 14,359</u>

MALAIKA EARLY LEARNING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 10 DONATED SERVICES AND ASSETS (CONTINUED)

Technology equipment is recognized as in-kind contribution revenue and utilized in educational programs. The Center valued this equipment at current market rates for similar equipment.

Supplies are recognized as in-kind contribution revenue and utilized in educational programs. The Center valued these supplies at current market rates for similar items.

NOTE 11 FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include professional fees, repair and maintenance, office expenses, utilities, insurance, occupancy, dues and subscriptions, depreciation, interest, and miscellaneous, which are allocated on a square footage basis.

NOTE 12 GOVERNMENT COVID FUNDING

Between March of 2020 and 2021, Congress passed three stimulus bills. These bills included the following funding of which the Center took advantage of:

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) included Elementary and Secondary Emergency Education Relief Fund (ESSER) funds to local educational agencies (LEAs) in Wisconsin. These funds provide emergency financial assistance to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools. Each LEA must designate a portion of the ESSER funds in the CARES Act, to address the needs of private school students, as well as their families and teachers, resulting from the COVID-19 pandemic. This funding supports what is known as "equitable participation." The Center received services and benefits from the LEA through ESSER. The expenses and revenues associated with this program are not reflected in the financial statements or PSCP Reserve Balance Schedule.

The Emergency Assistance for Non-Public Schools (EANS) program was established in the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSA Act) to provide services or assistance to eligible non-public schools to address educational disruptions caused by COVID-19. The American Rescue Plan (ARP) Act continued the program with some changes. The Center was reimbursed for certain expenses through the EANS program. The following chart provides information on these reimbursed expenses:

MALAIKA EARLY LEARNING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 12 GOVERNMENT COVID FUNDING (CONTINUED)

<u>School Year</u>	<u>Amount Reimbursed</u>	<u>Amount Related to K-12th Grade Educational Programming</u>	<u>Amount of Reimbursement Used for Fixed Assets</u>	<u>Included in Financial Statements</u>	<u>Reserve Balance Schedule</u>
2022-23	\$ 78,990	\$ 75,519	\$ 3,471	Expense included in the financial statements	N/A
<u>School Year</u>	<u>Amount Reimbursed</u>	<u>Amount Related to K-12th Grade Educational Programming</u>	<u>Amount of Reimbursement Used for Fixed Assets</u>	<u>Included in Financial Statements</u>	<u>Reserve Balance Schedule</u>
2021-22	\$ 24,588	\$ 9,245	\$ 15,343	Expense included in the financial statements	N/A

Additionally, the Center did receive services and assistance directly from a Cooperative Educational Service Agency (CESA) or contracted by a CESA. The expenses and revenues associated with these direct services are reflected in the financial statements and PSCP Reserve Balance Schedule.

NOTE 13 PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2023, it was determined that the Statement of Financial Position and Statement of Activities were overstated as of June 30, 2022. Both contributions and accounts receivable as of June 30, 2022 were overstated by \$43,630. The effect of this restatement on the financial statements as of and for the year ended June 30, 2022 was to decrease both contributions and accounts receivable by \$43,630. The adjustment decreased previously reported net assets by \$43,630.

Malaika Early Learning Center - Milwaukee

Private School Choice Programs (PSCP) Reserve Balance for Standard Financial Audits

Year Ending June 30, 2023

NET ELIGIBLE EDUCATION EXPENSES FOR ALL PUPILS		
Line	A Line Description	B Amount
1	Expenses on Statement of Activities	\$ 2,298,089
2	Ineligible Depreciation Expense	-
3	Contributed Expenses Other Than Fixed Assets	81,819
4	Bad Debt Expense	-
5	Scholarship Awards & Other Financial Support for Pupils	-
6	Daycare/Preschool Expenses	625,477
7	School District Partnership Expenses	-
8	Church Expenses	-
9	Eligible Education Expenses Primarily for SNSP Pupils	-
10	Eligible Education Expenses on SNSP Statements of Actual Cost	-
11	Other Non-Eligible Expenses	232,024
12	Less: Total Non-Eligible Expenses	\$ 939,320
13	Add: Eligible Education Expense for Land	-
14	Eligible Education Expenses	\$ 1,358,769
15	Government Assistance Excluding Forgiven PPP Loans	128,966
16	Fundraising Revenue	9,741
17	Insurance Proceeds	-
18	Less: Total Offsetting Revenue	\$ 138,707
19	Adjustments to Prior Year Net Eligible Education Expenses	-
20	Net Eligible Education Expenses for All Pupils	\$ 1,220,062
PERCENTAGE OF PUPILS PARTICIPATING IN PSCP		
21	PSCP Pupil Average Full-Time Equivalent <i>3rd Friday Sept & 2nd Friday Jan Average FTE</i>	69.30
22	All Pupil Average Full-Time Equivalent <i>3rd Friday Sept & 2nd Friday Jan Average FTE</i>	69.30
23	Percentage of Pupils Participating in PSCP	100.00%
PSCP RESERVE BALANCE		
24	2022-23 PSCP Revenue	582,051
25	2022 Summer School PSCP Revenue	-
26	Total 2022-23 PSCP Revenue	\$ 582,051
27	Less: Net Eligible Education Expenses for PSCP Pupils <i>Line 20 times Line 23</i>	1,220,062
28	Add: June 30, 2022 PSCP Reserve Balance	(2,826,800)
29	Less: Repayment of June 30, 2022 PSCP Reserve Balance	-
30	June 30, 2023 PSCP Reserve Balance	\$ (3,464,811)
31	Plan for PSCP Reserve Required	Not Required
REQUIRED CASH AND INVESTMENT BALANCE		
32	June 30, 2023 PSCP Reserve Balance Line 30	(3,464,811)
33	June 30, 2023 SNSP Reserve Balance	-
34	Less: Remaining Depreciation on Fixed Assets	2,167,455
35	Less: Land Purchases that have not Been Included as Eligible	-
36	Required Cash and Investment Balance	\$ -



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