JACK AND JILL CHILDREN'S CENTER, INC.

Financial Statements

September 30, 2019 and 2018

Robbins and Moroney, P.A.
Certified Public Accountants

CONTENTS

Robbins and Moroney, P.A.
Certified Public Accountants

Accounting and Auditing
Taxation and Consulting

222 Southeast Tenth Street
Fort Lauderdale, Florida 33316

Telephone: (954) 467-3100
Facsimile: (954) 467-2080

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Jack and Jill Children's Center, Inc.

We have audited the accompanying financial statements of Jack and Jill Children's Center, Inc. (a non-profit organization), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jack and Jill Children's Center, Inc. as of September 30, 2019 and 2018, 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.

ROBBINS and MORONEY, P.A.
Certified Public Accountants

Robbins and Moroney, P.A.

Fort Lauderdale, Florida
January 14, 2020

JACK AND JILL CHILDREN'S CENTER, INC.
Statements of Financial Position
September 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and Cash Equivalents	$ 2,828,834	$ 2,022,110
Pledges, Grants and Other Receivables	1,054,879	361,437
Prepaid Expenses	92,458	86,161
Total Current Assets	3,976,171	2,469,708
Non-current Assets		
Pledges, Grants and Other Receivables	1,503,338	1,084,516
Property and Equipment	2,239,036	2,368,909
Construction in Progress	440,597	122,800
Beneficial Interest in Assets Held by Community Foundation	35,746	35,999
Other Assets	565	565
Total Non-current Assets	4,219,282	3,612,789
Total Assets	$ 8,195,453	$ 6,082,497
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	$ 64,871	$ 54,475
Accrued Expenses	264,082	254,654
Deposits	13,780	14,573
Total Current Liabilities	342,733	323,702
Commitments and Contingencies		
Net Assets		
Without Donor Restrictions	3,405,798	3,501,269
With Donor Restrictions	4,446,922	2,257,526
Total Net Assets	7,852,720	5,758,795
Total Liabilities and Net Assets	$ 8,195,453	$ 6,082,497

The accompanying notes are an integral part of these financial statements.

JACK AND JILL CHILDREN'S CENTER, INC.
Statements of Activities
For the Years Ended September 30, 2019 and 2018

Net Assets Without Donor Restrictions **Community Support and Revenue**	**2019**	**2018**
Community Support		
Government	$ 244,119	$ 195,518
Corporate and Private	1,238,211	1,043,982
Special Events	519,659	684,710
Less: Cost of Direct Benefit to Donors	(81,757)	(133,672)
Net Assets Released from Restrictions	730,396	511,389
Contributed Services and Materials	55,411	66,650
Total Community Support	2,706,039	2,368,577
Revenue		
Tuition	516,052	422,946
Grants and Contracts	800,298	821,202
Other	(11,161)	(14,654)
Investment Income	41,691	33,377
Total Revenue	1,346,880	1,262,871
Total Community Support and Revenue	4,052,919	3,631,448
Expenses		
Program Services	2,894,108	2,416,751
General and Administrative	513,361	526,858
Fundraising	703,392	599,733
Contributed Services and Materials	37,529	32,025
Total Expenses	4,148,390	3,575,367
Change in Net Assets Without Donor Restrictions	(95,471)	56,081
Net Assets With Donor Restrictions		
Contributed Income	2,920,045	1,934,828
Investment (Loss)	(253)	(1,635)
Net Assets Released from Restrictions	(730,396)	(511,389)
Net Assets With Donor Restrictions	2,189,396	1,421,804
Change in Net Assets	2,093,925	1,477,885
Net Assets, Beginning of Year	5,758,795	4,280,910
Net Assets, End of Year	$ 7,852,720	$ 5,758,795

The accompanying notes are an integral part of these financial statements.

JACK AND JILL CHILDREN'S CENTER, INC.
Statements of Cash Flows
For the Years Ended September 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities:		
Change in Net Assets	$ 2,093,925	$ 1,477,885
Adjustments to Reconcile Change in Net Asset to Net Cash Flows from Operating Activities:		
Depreciation	156,264	152,409
Bad Debt	500	764
Present Value Discount	40,920	154,537
Contributed Construction in Progress	(17,882)	(34,625)
Loss on Disposal of Asset		2,513
Increase in Beneficial Interest in Assets Held by Community Foundation	(1,527)	(145)
Changes in Assets and Liabilities:		
Increase in Pledges, Grants and Other Receivables	(1,153,684)	(1,353,531)
Increase in Prepaid Expenses	(6,297)	(7,402)
Decrease in Other Assets		705
Increase (Decrease) in Accounts Payable	10,396	(23,899)
Increase in Accrued Expenses	9,428	92,610
Decrease in Deposits	(793)	(3,603)
Net Cash Flows Provided by Operating Activities	1,131,250	458,218
Cash Flows from Investing Activities:		
Acquisition of Property and Equipment	(26,391)	(116,188)
Increase in Construction in Progress	(299,915)	(88,175)
Distributions from Beneficial Interest	1,780	1,780
Net Cash Flows Used in Investing Activities	(324,526)	(202,583)
Net Change in Cash and Cash Equivalents	806,724	255,635
Cash and Cash Equivalents, Beginning of the Year	2,022,110	1,766,475
Cash and Cash Equivalents, End of the Year	$ 2,828,834	$ 2,022,110

The accompanying notes are an integral part of these financial statements.

JACK AND JILL CHILDREN'S CENTER, INC.
Statements of Functional Expenses
For the Years Ended September 30, 2019 and 2018

	2019			
	Program Services	General and Administrative	Fundraising	Total
Salaries and Benefits	$ 1,962,001	$ 354,371	$ 620,463	$ 2,936,835
Professional Fees	148,821	63,175	2,915	214,911
Food	169,051			169,051
Depreciation	138,131	12,186	804	151,121
Rent	115,608			115,608
Repairs	98,845	8,721	575	108,141
Utilities	83,950	7,406	488	91,844
Program and Other Costs	67,050			67,050
Office	20,378	39,891	6,340	66,609
Promotion			59,797	59,797
Insurance	42,190	3,722	245	46,157
Technology	3,816	15,882		19,698
Family Strengthening Program	19,322			19,322
Fundraising Events			11,538	11,538
Kitchen Supplies	11,191			11,191
Family Emergency	7,993			7,993
Miscellaneous	3,282	4,052		7,334
Licenses, Fees and Dues	2,479	3,455	227	6,161
Bad Debts		500		500
	$ 2,894,108	$ 513,361	$ 703,392	$ 4,110,861

	2018			
	Program Services	General and Administrative	Fundraising	Total
Salaries and Benefits	$ 1,593,917	$ 399,902	$ 482,711	$ 2,476,530
Professional Fees	162,363	38,500	59,371	260,234
Depreciation	133,615	12,915	736	147,266
Food	130,175			130,175
Repairs	107,088	9,447	623	117,158
Utilities	80,126	7,069	466	87,661
Program and Other Costs	76,474			76,474
Office	17,138	46,377	4,850	68,365
Insurance	37,077	3,271	216	40,564
Promotion			33,545	33,545
Family Strengthening Program	19,887			19,887
Rent	18,585			18,585
Technology	12,507	3,127		15,634
Fundraising Events			13,634	13,634
Kitchen Supplies	10,228			10,228
Family Emergency	10,025			10,025
Miscellaneous	1,978	4,067	3,581	9,626
Licenses, Fees and Dues	5,568	1,419		6,987
Bad Debts		764		764
	$ 2,416,751	$ 526,858	$ 599,733	$ 3,543,342

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Nature of Activities: Jack and Jill Children's Center, Inc., (the "Center"), is a non-profit organization that works to break the cycle of poverty for children of high need working families through quality early childhood education and family strengthening programs.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

Date of Management's Review: In preparing the financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through January 14, 2020, the date that the financial statements were available to be issued.

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. We report 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. 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.

Cash Equivalents: For purposes of the statement of cash flows, the Center considers all cash in banks and investments with a maturity of three months or less when purchased to be cash equivalents.

Fair Value of Financial Instruments: Cash equivalents, prepaid expenses, accounts payable, accrued expenses, and deposits are reflected in the financial statements at cost which approximates fair value because of their short-term nature.

Property and Equipment: Donated property and equipment are recorded at fair market value at the date of donation. Purchased property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and minor repairs are charged to expense when incurred. Additions and major renewals are capitalized. The cost and accumulated depreciation of assets sold or retired is removed from the respective accounts and any gain or loss is reflected in income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

Income Taxes: As a non-profit corporation under Internal Revenue Code Section 501(c)(3), the Center is exempt from income tax on income related to its exempt function. Therefore, no provision for income taxes has been made in the accompanying financial statements.

The Center has not incurred any interest or penalties on its income tax returns.

The Center's tax returns are subject to possible examination by the taxing authorities. For Federal income tax purposes, the tax returns remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

Pledges and Grants: Unconditional pledges and grants are recognized as support in the period the commitment is received. Conditional pledges and grants are recognized as support once the conditions are substantially met. Pledges and grants that are expected to be received within one year are recorded at the expected net realizable value when received. Pledges and grants that are expected to be collected in future years are recorded at the present value of estimated future cash flows, discounted using fair value rates. Pledges and grants receivables are written off when deemed uncollectible.

Contributed Services and Materials: Contributions of 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, are recorded at their fair value in the period received. A substantial number of volunteers have donated significant time to the Center's program services and fundraising activities that do not meet the criteria for recognition, and accordingly, are not recognized in the accompanying statements of activities. Contributed materials are also recorded at their fair value in the period received.

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

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.

New Accounting Pronouncement: During the year ended September 30, 2019, the Center adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of No-for-Profit Entities*. The update amends the reporting model for not-for-profit organizations and enhances their required disclosures. The major changes include, but are not limited to: (a) requiring the presentation of two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions," (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the presentation of an analysis of expenses by function and nature, (d) requiring the disclosure of information regarding liquidity and availability of resources, and (e) presenting investment return net of external and direct internal investment expenses. The Center has adjusted the presentation of its statements accordingly. The ASU has been applied retrospectively to the prior period.

2. LIQUIDITY AND RESERVES

The Center has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The following table reflects the Center's financial assets as of September 30, reduced by amounts not available for general expenditures within one year.

	2019
Financial Assets at Year End:	
Cash and Cash Equivalents	$ 2,828,834
Pledges, Grants and Other Receivables	2,558,217
Beneficial Interest in Assets Held by Community Foundation	35,746
Total Financial Assets at September 30, 2019	5,422,797
Less Amounts Not Available to be Used Within One Year:	
Net Assets with Donor Restrictions	4,446,922
Less Net Assets with Purpose Restrictions to be Met in Less than One Year	(255,149)
	4,191,773
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 1,231,024

3. CAPITAL CAMPAIGN

During the year ended September 30, 2018, the Center's Board of Directors launched a capital campaign to raise the funds to expand the Center's current facility to allow the Center to provide elementary education through the fifth grade. Commencing in August 2018, the Center provides elementary education through the second grade in a leased facility (see Note 11).

The Center recorded approximately $2.5 million and $1.8 million in net assets with donor restrictions during the years ended September 30, 2019 and 2018, respectively, of which $410,994 and $189,859, respectively, was released from restrictions to cover the amount of construction in progress, consisting of soft costs related to the preliminary architectural plans and other construction related costs, and indirect costs, including salaries and other costs incurred and allocated to the capital campaign.

The Center has approximately $2.3 million and $1.4 million in pledges receivable recorded at September 30, 2019 and 2018, respectively, in connection with the capital campaign, which will be collected over a period of five years (See Note 5).

The Center has entered into a construction contract with a related party for the construction of the elementary school with the goal of opening the new facility in December 2020. The total contract price is approximately $6.7 million, which represents the contractors expected costs plus 10%. At September 30, 2019 and 2018, $440,597 and $122,800 had been spent on the project and is reflected in the accompanying statements of financial position as "construction in progress".

At September 30, 2019 and 2018, net assets with donor restrictions recorded in connection with the capital campaign total approximately $3.7 million and $1.7 million. Collected amounts totaling $2.2 million and $644,000 at September 30, 2019 and 2018, respectively, are potentially payable back to the donors should the donor-restrictions not be met.

3. CAPITAL CAMPAIGN (continued)

For the year ended September 30, 2019, the Center incurred a decrease in net assets without donor restrictions of approximately $95,000. As a result of the Center undergoing a capital campaign and incurring certain construction costs, which are recorded in construction in progress at September 30, 2019, and certain indirect expenses, which are recorded in the statement of activities for the year then ended, the Center released certain net assets from restrictions. If the activity related to the capital campaign had not been reflected in the Center's statement of activities for the year ended September 30, 2019, assuming operating expenses remained consistent, the Center would have incurred a decrease in net assets without donor restrictions, on a proforma basis, approximately $406,000. The Center's Leadership Team and Board of Directors are reviewing certain operating costs and pursuing additional sources of funding related to the Center's non capital campaign related activities to mitigate the amount of what would have been this proforma decrease in net assets without donor restrictions for the year ended September 30, 2020.

4. BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The Center maintains an endowment fund account at the Community Foundation of Broward, Inc. (the "Foundation"). These amounts are recorded as assets on the statements of financial position at market value. Distributions are based on the Foundation's stated "income return percentage" for the period, multiplied by the weighted average market value of the fund. The original gift value was $38,675. The aggregate balance in the statements of financial position at September 30, 2019 and 2018 is $35,746 and $35,999, respectively, and is recorded as the "Beneficial Interest in Assets Held by Community Foundation." These amounts, net of deficiencies of $2,929 and $2,676 at September 30, 2019 and 2018, respectively, are included in net assets with donor restrictions.

5. PLEDGES, GRANTS, AND OTHER RECEIVABLES

Pledges, grants and other receivables at September 30 consisted of:

	2019	2018
Pledges – Capital Campaign	$ 2,337,927	$ 1,356,000
Pledges – Other	41,217	77,561
Grants	350,278	136,459
Other	32,402	38,120
	2,761,824	1,608,140
Less: Allowance for Doubtful Accounts	(8,150)	(7,650)
Less: Present Value Discount	(195,457)	(154,537)
	2,558,217	1,445,953
Less: Non-Current Portion	(1,503,338)	(1,084,516)
Current Portion	$ 1,054,879	$ 361,437

Pledges, grants and other receivables at September 30, 2019, were scheduled to be collected as follows:

Year Ending September 30, 2020	$ 1,258,486
2021	435,338
2022	629,000
2023	408,500
2024	30,500
	$ 2,761,824

6. PROPERTY AND EQUIPMENT

Property and equipment at September 30 consisted of the following:

	2019	2018
Land	$ 909,444	$ 909,444
Equipment	499,275	479,874
Building and Improvements	2,385,038	2,385,038
Furniture and Fixtures	201,305	194,315
	3,995,062	3,968,671
Less: Accumulated Depreciation	(1,756,026)	(1,599,762)
Net Book Value	$ 2,239,036	$ 2,368,909

7. RETIREMENT PLAN

The Center sponsors a 403(b) retirement plan ("the Plan"). Employees with one or more years of full-time service are eligible. The Center contributes 2% of all eligible employees' salaries to the Plan. The Center matches employee contributions to the Plan up to an additional 3% of salaries.

Plan expense for the years ended September 30, 2019 and 2018 was $64,092 and $46,227, respectively.

8. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are available for the following purposes or periods at September 30:

	2019	2018
Program Services	$ 399,998	$ 237,879
General and Administrative	4,087	4,258
Future Periods	95,368	122,981
Capital Campaign	3,711,054	1,655,740
Beneficial Interest in Assets Held by Community Foundation	35,746	35,999
Land	200,669	200,669
	$ 4,446,922	$ 2,257,526

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows for the years ended September 30:

	2019	2018
Program Services	$ 162,940	$ 72,831
General and Administrative	171	170
Passage of Time	156,291	248,529
Capital Campaign	410,994	189,859
	$ 730,396	$ 511,389

9. CONTRIBUTED SERVICES AND MATERIALS

The value of contributed services and materials included in the financial statements is as follows for the years ended September 30:

	2019	2018
Revenue		
Gifts	$ 6,360	$ 1,850
Food, Beverage and Events	18,797	20,675
Supplies and Landscaping	5,000	9,500
Professional Services	25,254	34,625
	$ 55,411	$ 66,650

	2019	2018
Expenses		
Program Services	$ 6,360	$ 5,650
General and Administrative	15,847	9,500
Special Events	15,322	16,875
	$ 37,529	$ 32,025

For the year ended September 30, 2019 and 2018, $17,882 and $34,625, respectively, of professional services were capitalized and included in construction in progress on the statements of financial position.

10. INVESTMENT INCOME

Investment income for the years ended September 30 is summarized as follows:

	2019	2018
Without Donor Restrictions:		
Income from Other Endowments	$ 27,146	$ 28,458
Interest and Dividends	14,545	4,919
	41,691	33,377
With Donor Restrictions		
Change in Value of Beneficial Interest	(253)	(1,635)
	$ 41,438	$ 31,742

11. LEASE

Effective August 3, 2018 (the "Effective Date"), the Center entered into a two-year lease agreement with a local non-profit institution to provide additional space for an elementary school (Kindergarten through Second grades) operated by the Center. The lease may be cancelled with 180 days notice by either party. Rent is payable monthly in the amount of $9,602 for the first year and increases 2% in the second year. Rent expense for the year ended September 30, 2019 and 2018 was $115,608 and 18,585, respectively.

Future commitments under the lease are as follows:

Year ended September 30, 2020	$ 98,572

12. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Center to concentrations of credit risk consist principally of cash equivalents and unsecured receivables. The Center's ability to collect these receivables is dependent upon economic conditions and the financial condition of its customers. The Center has not experienced significant losses related to receivables. Management believes no additional credit risk is inherent in the Center's receivables.

The Center maintains cash accounts which, at times, may exceed insured limits. At September 30, 2019 and 2018, the Center had demand deposits in financial institutions which exceeded the depositor's insurance provided by the applicable guarantee agency. The Center has not experienced any losses from maintaining cash accounts in excess of insured limits. Management believes that it is not exposed to any significant credit risk on its cash accounts.

13. ENDOWMENT FUNDS

Donors and the Center maintain funds at the Foundation. The Foundation invests the principal for the funds. Distributions to the Center are made based on the Foundation's stated "income return percentage" for the period, multiplied by the weighted average market value of the funds. These funds are the property of the Foundation, and are owned by it in its normal capacity. These funds are designated by other resource providers for the benefit of the Center, and are not included in the Center's assets or net assets. Following are the funds opened at the Foundation:

Marilyn Mayhill Scholarship Fund: On July 21, 1997, a donor entered into an agreement with the Foundation to establish a scholarship fund for children from low-income families attending the Center. At September 30, 2019 and 2018, the market value of this fund was approximately $84,000 and $85,000, respectively. Distributions were made to the Center in the amount of $4,260 for 2019 and $4,260 for 2018.

Thomas L. Monz Memorial Fund: On June 30, 1997, a donor entered into an agreement with the Foundation to establish a fund to pay for medical expenses of children attending the Center. At September 30, 2019 and 2018, the market value of this fund was approximately $6,500 for both periods. Distributions were made to the Center in the amount of $314 for both 2019 and 2018.

Jack and Jill Children's Center Endowment Fund: On February 6, 2002, the Center entered into an agreement with the Foundation to establish a fund for general operations. At September 30, 2019 and 2018, the market value of this fund was approximately $543,000 and $545,000, respectively. Distributions were made to the Center in the amount of $27,146 for 2019 and $26,823 for 2018.

14. FAIR VALUE MEASUREMENTS

Accounting Standards Codification 820 ("ASC 820"), Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

14. FAIR VALUE MEASUREMENTS (continued)

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis:

Beneficial Interest in Foundation: The prorated value of the beneficial interest in the Foundation's investments is determined by the investment fund manager of the organization holding the assets. The composition of the assets held by the Foundation are invested pursuant to its governing instruments and valued accordingly.

Present Value of Pledges Receivable: The value of the pledges receivable is estimated at the present value of expected cash inflows based on the pledge payments schedule adjusted by a discount rate of 4%.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Center's assets at fair value as of September 30, 2019 and 2018:

	Total	Level 1	Level 2	Level 3
September 30, 2019				
Assets				
Beneficial Interest in				
Community Foundation	$ 35,746	$	$	$ 35,746
Pledges Receivable	2,183,687			2,183,687
Total Assets at Fair Value	$ 2,219,433	$	$	$ 2,219,433

14. FAIR VALUE MEASUREMENTS (continued)

September 30, 2018	Total	Level 1	Level 2	Level 3
Assets				
Beneficial Interest in				
Community Foundation	$ 35,999	$	$	$ 35,999
Pledges Receivable	1,279,024			1,279,024
Total Assets at Fair Value	$ 1,315,023	$	$	$ 1,315,023

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Center's Level 3 assets for the years ended September 30, 2019 and 2018:

	Level 3 Assets		
	Pledges Receivable	Beneficial Interest in Community Foundation	Total
Balance, September 30, 2017	$ 32,761	$ 37,634	$ 70,395
New Pledges	1,622,515		1,622,515
Pledge Payments Received	(221,715)		(221,715)
Change in Present Value of Pledges Receivable	(154,537)		(154,537)
Investment Income		145	145
Distributions		(1,780)	(1,780)
Balance, September 30, 2018	$ 1,279,024	$ 35,999	$ 1,315,023
New Pledges	1,725,112		1,725,112
Pledge Payments Received	(779,529)		(779,529)
Change in Present Value of Pledges Receivable	(40,920)		(40,920)
Investment Income		1,527	1,527
Distributions		(1,780)	(1,780)
Balance, September 30, 2019	$ 2,183,687	$ 35,746	$ 2,219,433

The change in present value of pledges receivable of $(40,920) and $(154,537) is included in the change in net assets with donor restrictions for the years ended September 30, 2019 and 2018, respectively.

15. SUBSEQUENT EVENTS

Subsequent to year end, the Center plans on entering into borrowing arrangements with a financial institution for a term loan in the amount of $6.5 million to finance the construction of the new elementary school (Note 3) (the "Construction Loan") and also a revolving line of credit in the amount of $3.0 million to provide the Center with financing for startup costs incurred related to the elementary school (the "Credit Line").

15. SUBSEQUENT EVENTS (continued)

Advances on the Construction Loan are payable in monthly installments of interest only for a 24-month period at a rate of Prime minus 1%, with the outstanding balance then payable over 72 equal monthly principal payments plus interest. The Construction Loan is secured by an assignment of pledges and a priority lien on all corporate assets and contains several restrictive covenants and reporting requirements.

Advances on the Credit Line are payable in monthly installments of interest only at a rate of Prime minus 1% with any outstanding balance due at maturity in November 2024. The Credit Line is cross collateralized and has cross default provisions with the Construction Loan and contains certain reporting requirements.

In July 2019, the Center entered into a $2.5 million forgivable loan agreement ("CRA Loan") with the Fort Lauderdale Community Redevelopment Agency, which is anticipated to close concurrently with the Center's other borrowings and to which it will be subordinate. The CRA Loan will finance a portion of the construction of the new elementary school. The Center will be able to draw $1.0 million of the CRA Loan by September 2020 with the remaining balance available to be drawn in equal annual draws of $500,000 annually commencing in October 2021. The CRA Loan will be forgiven on a pro rata basis to the extent that certain total job creation requirements are met by the Center, which will be evaluated nine years after the opening of the new elementary school. To the extent that the Center doesn't meet additional employment and enrollment requirements established by the CRA Loan, the Center could incur certain penalties.