

CHILDREN'S COMMUNITY SCHOOL, INC.

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
JUNE 30, 2015 AND 2014**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	3
FINANCIAL STATEMENTS:	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8-11



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Children's Community School, Inc.
Waterbury, Connecticut

I have audited the accompanying financial statements of Children's Community School, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows 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 the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

The Organization has not recorded revenue and expenses for in-kind goods and services. Accounting principles generally accepted in the United States of America require that such revenue and expenses be included in the statements of activities. The effects on the financial statements of the omission cannot be reasonably determined.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Community School, Inc. as of June 30, 2015 and 2014, and its changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Wojtowicz, LLC

December 17, 2015

CHILDREN'S COMMUNITY SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 667,328	\$ 652,944
Contracts receivable	49,337	46,682
Tuition receivable, net of allowance of \$9,000 in 2015 and 2014	16,619	15,535
Prepaid expenses	<u>6,778</u>	<u>6,751</u>
TOTAL CURRENT ASSETS	740,062	721,912
PROPERTY AND EQUIPMENT		
Leasehold improvements	253,336	242,854
Furniture and equipment	83,888	127,777
Vehicle	<u>9,000</u>	<u>9,000</u>
	346,224	379,631
Less: Accumulated depreciation	(264,227)	(320,633)
TOTAL PROPERTY AND EQUIPMENT	<u>81,997</u>	<u>58,998</u>
TOTAL ASSETS	<u>\$ 822,059</u>	<u>\$ 780,910</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 2,240	\$ 6,871
Accrued expenses	<u>56,622</u>	<u>64,519</u>
TOTAL CURRENT LIABILITIES	58,862	71,390
NET ASSETS		
Unrestricted net assets		
Undesignated	593,755	657,253
Designated by Board of Directors for:		
Capital improvements	20,000	--
Building fund	20,000	--
Capital campaign feasibility study	<u>20,000</u>	<u>--</u>
Total Unrestricted net assets	653,755	657,253
Temporarily restricted net assets	<u>109,442</u>	<u>52,267</u>
TOTAL NET ASSETS	<u>763,197</u>	<u>709,520</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 822,059</u>	<u>\$ 780,910</u>

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

CHILDREN'S COMMUNITY SCHOOL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE						
Government Grants and Contracts	\$ 497,349	\$ --	\$ 497,349	\$ 435,841	\$ --	\$ 435,841
Contributions	324,123	87,435	411,558	444,145	30,350	474,495
Special Events	168,903	--	168,903	204,650	--	204,650
Tuition and Other Fees	230,788	--	230,788	230,851	--	230,851
Loss on disposal of fixed assets	(5,104)	--	(5,104)	--	--	--
Realized gains on marketable equity securities	--	--	--	2,833	--	2,833
Total Public Support and Revenue	<u>1,216,059</u>	<u>87,435</u>	<u>1,303,494</u>	<u>1,318,320</u>	<u>30,350</u>	<u>1,348,670</u>
Net Assets Released from Restrictions:						
Restrictions Satisfied by Payments	<u>30,260</u>	<u>(30,260)</u>	<u>--</u>	<u>31,100</u>	<u>(31,100)</u>	<u>--</u>
TOTAL PUBLIC SUPPORT, REVENUE AND OTHER SUPPORT	<u>1,246,319</u>	<u>57,175</u>	<u>1,303,494</u>	<u>1,349,420</u>	<u>(750)</u>	<u>1,348,670</u>
EXPENSES						
Program Services						
Community School	993,941	--	993,941	1,048,352	--	1,048,352
Supporting Services						
General and Administrative	146,972	--	146,972	138,262	--	138,262
Fund-raising	<u>108,904</u>	<u>--</u>	<u>108,904</u>	<u>91,776</u>	<u>--</u>	<u>91,776</u>
TOTAL EXPENSES	<u>1,249,817</u>	<u>--</u>	<u>1,249,817</u>	<u>1,278,390</u>	<u>--</u>	<u>1,278,390</u>
INCREASE (DECREASE) IN NET ASSETS	(3,498)	57,175	53,677	71,030	(750)	70,280
NET ASSETS, BEGINNING OF YEAR	<u>657,253</u>	<u>52,267</u>	<u>709,520</u>	<u>586,223</u>	<u>53,017</u>	<u>639,240</u>
NET ASSETS, END OF YEAR	<u>\$ 653,755</u>	<u>\$ 109,442</u>	<u>\$ 763,197</u>	<u>\$ 657,253</u>	<u>\$ 52,267</u>	<u>\$ 709,520</u>

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

**CHILDREN'S COMMUNITY SCHOOL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>				<u>2014</u>			
	<u>Program Services</u>	<u>Supporting Services</u>			<u>Program Services</u>	<u>Supporting Services</u>		
	<u>Community School</u>	<u>Administrative</u>	<u>Fund- Raising</u>	<u>Total</u>	<u>Community School</u>	<u>Administrative</u>	<u>Fund- Raising</u>	<u>Total</u>
EXPENSES								
Salaries and wages	\$ 623,795	\$ 80,094	\$ 45,000	\$ 748,889	\$ 669,761	\$ 64,929	\$ 37,656	\$ 772,346
Payroll taxes	62,840	8,059	4,533	75,432	68,828	6,763	3,979	79,570
Employee benefits	33,533	6,449	3,009	42,991	29,596	5,691	2,656	37,943
Occupancy	88,041	10,054	350	98,445	109,302	12,390	316	122,008
Professional fees	--	15,338	10,160	25,498	--	6,730	--	6,730
Supplies, printing and postage	18,099	14,601	45,852	78,552	11,611	33,370	47,169	92,150
Insurance	35,388	11,796	--	47,184	21,356	7,118	--	28,474
Bad debt expense	20,001	--	--	20,001	18,886	--	--	18,886
Depreciation expense	5,228	581	--	5,809	11,440	1,271	--	12,711
Program expenses	<u>107,016</u>	<u>--</u>	<u>--</u>	<u>107,016</u>	<u>107,572</u>	<u>--</u>	<u>--</u>	<u>107,572</u>
TOTAL EXPENSES	<u>\$ 993,941</u>	<u>\$ 146,972</u>	<u>\$ 108,904</u>	<u>\$ 1,249,817</u>	<u>\$ 1,048,352</u>	<u>\$ 138,262</u>	<u>\$ 91,776</u>	<u>\$ 1,278,390</u>

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

CHILDREN'S COMMUNITY SCHOOL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 53,677	\$ 70,280
Adjustments to reconcile increase in net assets to net cash provided by operations:		
Depreciation and amortization	5,809	12,712
Contribution of marketable equity securities	(4,774)	(5,048)
Loss on disposal of equipment	5,104	--
Realized and unrealized gains on investments	--	(2,833)
(Increase) Decrease in:		
Contracts receivable	(2,655)	7,107
Tuition receivable	(1,084)	(1,691)
Prepaid expenses	(27)	13,038
Increase (Decrease) in:		
Accounts payable	(4,631)	(4,747)
Accrued expenses	(7,897)	28,335
Net Cash Provided By Operating Activities	<u>43,522</u>	<u>117,153</u>
 Cash Flows From Investing Activities		
Sales of marketable securities	4,774	59,569
Purchase of Property and Equipment	(33,912)	(2,834)
Net Cash Provided (Used) by Investing Activities	<u>(29,138)</u>	<u>56,735</u>
 Increase in Cash and Cash Equivalents	14,384	173,888
 Cash and Cash Equivalents, Beginning of Year	<u>652,944</u>	<u>479,056</u>
 Cash and Cash Equivalents, End of Year	<u>\$ 667,328</u>	<u>\$ 652,944</u>
 Supplemental Disclosure of Cash Flow information:		
Cash paid during the year for interest	\$ <u> --</u>	\$ <u> --</u>
 Non-Cash Investing Activities:		
Contribution of marketable equity securities	\$ <u> 4,774</u>	\$ <u> 5,048</u>
Net book value of equipment disposed	\$ <u> 5,104</u>	\$ <u> --</u>

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

CHILDREN'S COMMUNITY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Children's Community School, Inc. (the Organization) is a nonprofit organization located in Waterbury, Connecticut whose purpose is to offer educational services to children in the community from economically, socially or environmentally disadvantaged homes that are in need of extra support to be able to attend to the tasks involved in learning. Children's Community School, Inc. provides an environment of support and supportive services for those children and their families. The Organization receives contributions, government contracts and grants and tuition and fees from students in providing services to students and their families.

Basis of Accounting: The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. They have been prepared to present balances and transactions according to the existence or absence of donor imposed restrictions.

To accomplish this, net assets and transactions have been classified in three classes: unrestricted, temporarily restricted and permanently restricted.

Unrestricted Net Assets: Net assets consisting of resources that are not subject to donor-imposed restrictions and are used for general operating purposes.

Temporarily Restricted Net Assets: Net assets consisting of resources restricted by donors either for a particular purpose or stipulated time. When a donor restriction expires, that is, when the stipulated purpose restriction is accomplished or time expires, the temporarily restricted net assets are reclassified or released to unrestricted net assets. Contributions received with donor imposed restrictions that are met in the same year in which the contribution is received are reported as unrestricted net assets in the year of receipt.

Permanently Restricted Net Assets: Net assets consisting of resources restricted by donors in perpetuity. Income from the assets held is available for either general or specific purposes, in accordance with donor stipulations. The Organization has no permanently restricted net assets.

Cash and Cash Equivalents: For financial statements purposes, the Organization considers all highly liquid investments, if any, purchased with an original maturity of three months or less to be cash equivalents. The Organization also considers its investments in money market funds to be cash equivalents.

Contracts and Accounts Receivable: Contracts and accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grants and accounts receivable.

Marketable Equity Securities: Investments in equity securities with readily determinable fair values are measured at market value in the statement of financial position. The fair values for equity securities are based on quoted market prices. Securities donated to the Organization are recorded as contributions at their fair value at the date of donation.

CHILDREN'S COMMUNITY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Gains and losses on dispositions of investments are accounted for on a specific identification basis. Net realized and unrealized gains and losses are included in the statement of activities.

Property and Equipment: Property and equipment are recorded at cost except in the cases of donated property which is recorded at fair market value at the time of donation. The Organization capitalizes purchases of items with a cost of \$1,000 or more that have a useful life of more than one year.

The Organization depreciates furniture and equipment using the straight-line method with lives of 3 to 7 years and leasehold improvements using the straight-line method over the lesser of the remaining lease term or the useful life of the improvement.

Government Grants and Contracts: The Organization receives various grants and contracts to fund its programs. These amounts are classified as exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred.

Income Taxes: The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and had been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America. As of June 30, 2014, the Organization does not believe that it has taken any positions that would require the recording of any taxes.

The Organization's income tax returns are subject to examination by the respective taxing authorities generally for three years after the date the tax returns were filed. The tax returns for fiscal years ended June 30, 2014, 2013 and 2012 remain open for examination.

Program Services: The Organization provides the following services as part of its Community School Program to qualifying people in the Waterbury area:

1. Children's Community School: Education of students in grades Pre-Kindergarten to Grade 5.
2. Before & After School Programs: Provide additional support and educational services to the Organization's students, including a mentoring program for graduates.
3. Summer Program: educational and enrichment curriculum designed to prevent the academic "summer slide".
4. Nutrition Program: Provides meals to eligible low-income students.

Donated Services: The School receives donated services from unpaid volunteers who assist in fund-raising, special projects and program services. No amounts have been recognized in the statement of activities because the criteria for recognition under generally accepted accounting principles have not been satisfied.

CHILDREN'S COMMUNITY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Use of 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.

Expense Allocations: The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated by various statistical bases.

Reclassifications: Certain items in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

NOTE 2: TEMPORARILY RESTRICTED NET ASSETS

The total amount recorded as Temporarily Restricted Net Assets at June 30, 2015 and 2014 is restricted for various Educational Programs.

NOTE 3: COMMITMENTS AND CONTINGENCIES

Grant Programs: The Organization participates in several State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Company has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at year end may be impaired.

In the opinion of the Organization, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Operating Lease Commitments: The Organization leases its facility under an operating lease covering the period through July 2018. The lease also includes two, five year renewal options. Under the terms of this lease, the Organization, in lieu of monthly rental payments, is responsible for all of the utilities, heat, maintenance and minor improvements to the facility. The lease may be terminated by the Organization upon the occurrence of certain conditions; one being the requirement to perform major improvements in order to continue to operate the facility. The total occupancy costs incurred by the Organization under the lease agreement were \$72,867 for 2015 and \$89,483 2014.

The Organization leases office equipment under an operating lease expiring June 2017. Rental expense was \$4,020 for 2015 and 2014.

The following is a schedule of future minimum rental payments required under the above non-cancelable operating leases at June 30:

2016	\$ 4,020
2017	<u>4,020</u>
Total	<u>\$ 8,040</u>

CHILDREN'S COMMUNITY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3: COMMITMENTS AND CONTINGENCIES (continued)

Property Liens: The Organization received funds from the State Department of Social Services for costs associated with fire code compliance improvements. The State requires a lien on the property for ten years with 10% of the lien released for each year the property remains in service. As of June 30, 2015, the Organization has fulfilled its obligation and all liens have been released.

Title I Funding: The City of Waterbury has supplied the Organization with computers, software and smart boards purchased with the City's Title I Grant monies. The items are for the use of the Organization but the ownership of these items remain with the City.

NOTE 4: CONCENTRATION OF CREDIT RISK

The Organization maintains its cash accounts with a bank. The Federal Deposit Insurance Corporation (FDIC) insures the aggregate cash balances of all accounts up to \$250,000 per bank. The Organization's cash balances exceeded the balance insured by the FDIC at year end by \$136,800.

The Organization maintains accounts at investment brokerage firms containing money market funds. Balances are insured against the investment firm failure up to \$500,000, with a limit on cash balances of \$250,000, by the Securities Investor Protection Corporation (SIPC). The Organization's accounts did not exceed these limits.

NOTE 5: SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 17, 2015 the date on which the financial statements were available to be issued, and concluded that there were no items requiring adjustment to or disclosure in these financial statements.