

CHILDREN'S COMMUNITY SCHOOL, INC.

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018**

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We 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, 2019 and 2018, 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, 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.

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 our 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, 2019 and 2018, 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.

Wojtowitz, LLC

November 21, 2019

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 470,237	\$ 640,573
Cash restricted for capital purchases	26,439	--
Certificates of deposit	184,059	--
Contracts receivable	54,976	55,573
Tuition receivable, net of allowance of \$6,500 in 2019 and 2018	<u>4,672</u>	<u>10,301</u>
TOTAL CURRENT ASSETS	740,383	706,447
PROPERTY AND EQUIPMENT		
Leasehold improvements	376,876	287,897
Furniture and equipment	158,068	134,857
Vehicle	<u>13,011</u>	<u>--</u>
	547,955	422,754
Less: Accumulated depreciation	(322,886)	(299,080)
TOTAL PROPERTY AND EQUIPMENT	<u>225,069</u>	<u>123,674</u>
TOTAL ASSETS	<u>\$ 965,452</u>	<u>\$ 830,121</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 12,657	\$ 4,443
Accrued expenses	<u>40,319</u>	<u>52,887</u>
TOTAL CURRENT LIABILITIES	<u>52,976</u>	<u>57,330</u>
TOTAL LIABILITIES	52,976	57,330
NET ASSETS		
Net assets without donor restrictions		
Undesignated	568,100	548,876
Designated by Board of Directors for:		
Capital improvements	20,000	20,000
Building fund	20,000	20,000
Capital campaign feasibility study	<u>1,667</u>	<u>1,667</u>
Total net assets without restrictions	609,767	590,543
Net assets with donor restrictions	<u>302,709</u>	<u>182,248</u>
TOTAL NET ASSETS	<u>912,476</u>	<u>772,791</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 965,452</u>	<u>\$ 830,121</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, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE						
Government Contracts	\$ 552,918	\$ --	\$ 552,918	\$ 552,211	\$ --	\$ 552,211
Contributions	282,665	223,031	505,696	233,398	154,054	387,452
Special Events	249,414	52,585	301,999	256,501	--	256,501
Tuition and Other Fees	206,736	--	206,736	206,551	--	206,551
Investment income	<u>1,793</u>	<u>--</u>	<u>1,793</u>	<u>1,075</u>	<u>--</u>	<u>1,075</u>
Total Public Support and Revenue	1,293,526	275,616	1,569,142	1,249,736	154,054	1,403,790
Net Assets Released from Restrictions:						
Restrictions Satisfied by Payments	<u>155,155</u>	<u>(155,155)</u>	<u>--</u>	<u>141,226</u>	<u>(141,226)</u>	<u>--</u>
TOTAL PUBLIC SUPPORT, REVENUE AND OTHER SUPPORT	1,448,681	120,461	1,569,142	1,390,962	12,828	1,403,790
EXPENSES						
Program Services						
Community School	1,154,287	--	1,154,287	1,138,381	--	1,138,381
Supporting Services						
General and Administrative	139,786	--	139,786	142,051	--	142,051
Fund-raising	<u>135,384</u>	<u>--</u>	<u>135,384</u>	<u>125,973</u>	<u>--</u>	<u>125,973</u>
TOTAL EXPENSES	<u>1,429,457</u>	<u>--</u>	<u>1,429,457</u>	<u>1,406,405</u>	<u>--</u>	<u>1,406,405</u>
INCREASE (DECREASE) IN NET ASSETS	19,224	120,461	139,685	(15,443)	12,828	(2,615)
NET ASSETS, BEGINNING OF YEAR	<u>590,543</u>	<u>182,248</u>	<u>772,791</u>	<u>605,986</u>	<u>169,420</u>	<u>775,406</u>
NET ASSETS, END OF YEAR	<u>\$ 609,767</u>	<u>\$ 302,709</u>	<u>\$ 912,476</u>	<u>\$ 590,543</u>	<u>\$ 182,248</u>	<u>\$ 772,791</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, 2019 AND 2018**

	<u>2019</u>				<u>2018</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	\$ 706,877	\$ 84,678	\$ 50,647	\$ 842,202	\$ 689,660	\$ 78,045	\$ 49,172	\$ 816,877
Payroll taxes	66,805	8,003	4,786	79,594	62,924	7,121	4,486	74,531
Employee benefits	22,581	4,343	2,027	28,951	29,067	5,590	2,609	37,266
Occupancy	140,142	15,960	501	156,603	123,270	13,963	342	137,575
Professional fees	3,240	7,260	4,738	15,238	6,473	7,719	12,464	26,656
Supplies, printing and postage	35,557	13,318	72,685	121,560	27,065	22,069	56,900	106,034
Insurance	11,529	3,843	--	15,372	17,171	5,724	--	22,895
Bad debt expense	16,735	--	--	16,735	15,272	--	--	15,272
Depreciation expense	21,425	2,381	--	23,806	16,381	1,820	--	18,201
Program expenses	129,396	--	--	129,396	151,098	--	--	151,098
TOTAL EXPENSES	<u>\$ 1,154,287</u>	<u>\$139,786</u>	<u>\$ 135,384</u>	<u>\$1,429,457</u>	<u>\$ 1,138,381</u>	<u>\$142,051</u>	<u>\$ 125,973</u>	<u>\$1,406,405</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 139,685	\$(2,615)
Adjustments to reconcile decrease in net assets to net cash provided by operations:		
Depreciation	23,806	18,201
Bad debt expense	16,735	15,272
(Increase) Decrease in:		
Contracts receivable	597	(2,902)
Tuition receivable	(11,106)	(17,017)
Increase (Decrease) in:		
Accounts payable	8,214	(2,915)
Accrued expenses	(12,568)	4,552
Net Cash Provided (Used) By Operating Activities	<u>165,363</u>	<u>12,648</u>
 Cash Flows From Investing Activities		
Purchase of certificates of deposit	(184,059)	16,004
Purchase of Property and Equipment	(125,201)	(40,140)
Net Cash Used by Investing Activities	<u>(309,260)</u>	<u>(24,136)</u>
 Decrease in Cash	 (143,897)	 (11,488)
 Cash, Beginning of Year	 <u>640,573</u>	 <u>652,061</u>
 Cash, End of Year	 <u>\$ 496,676</u>	 <u>\$ 640,573</u>
 Supplemental Disclosure of Cash Flow information:		
Cash paid during the year for interest	\$ <u> --</u>	\$ <u> --</u>
 Non-Cash Investing Activities:		
Disposal of Vehicle		
Cost of Vehicle	\$ --	\$ 9,000
Accumulated Depreciation	(--)	(9,000)
Net Book Value	<u>\$ --</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 lower socio-economic 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.

New Accounting Pronouncement: In 2016, the Financial Accounting Standards Board issued an Accounting Standards Update (ASU) which changed the presentation of certain items in the Organization's financial statements. The update, effective for the Organization's 2019 financial statements, made changes to the reporting of the net asset classifications, made changes to the type of information provided about expenses and investment return making it more consistent with that of other nonprofit organizations and required new information about an organization's liquidity and available resources. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

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 of America (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature. Those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are long-lasting in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The restrictions on the Organization's net assets are temporary restrictions.

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.

Cash Restricted for Capital Purchases: Cash restricted for capital purchases has been restricted by donors and is not available for operating purposes.

Certificates of Deposit: Certificates of deposit are recorded at their original invested amount plus any accrued interest earned which approximates their fair market value.

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

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

Contracts and Tuition Receivable: Contracts and tuition 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 contracts and tuition receivable.

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 5 to 10 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, 2019, 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, 2019, 2018 and 2017 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 all students.

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

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

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.

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.

The expenses allocated and the basis for allocation include the following:

Expense	Allocation Method
Salaries	Time and effort
Payroll taxes	Percentage of payroll
Depreciation	Usage of fixed asset
Office supplies	Function benefited
Professional fees	Function benefited
Occupancy	Square footage
Telephone	Usage
Utilities	Square footage

Subsequent Events: Management has evaluated subsequent events through November 21, 2019 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.

NOTE 2: TEMPORARILY RESTRICTED NET ASSETS

The amount recorded as Temporarily Restricted Net Assets is restricted for the following purposes at June 30:

	<u>2019</u>	<u>2018</u>
Educational Programs	\$195,741	\$123,180
Classroom Technology	47,915	29,233
Curriculum Development	53,812	29,835
Capital Improvements	<u>5,241</u>	<u>--</u>
Total	<u>\$302,709</u>	<u>\$182,248</u>

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

NOTE 3: AVAILABILITY OF ASSETS AND LIQUIDITY

The following represents the Organization's financial assets available within one year of the balance sheet date for general expenditure at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets		
Cash	\$ 470,237	\$ 640,573
Tuition receivable, net	4,672	10,301
Contracts receivable	<u>54,976</u>	<u>55,573</u>
Total Financial Assets	529,885	706,447
Amounts restricted as to use:		
Donor imposed restrictions	302,709	182,248
Designated by Board for specific purposes	<u>41,667</u>	<u>41,667</u>
	<u>344,376</u>	<u>223,915</u>
Financial Assets Available to Meet General Expenditures over the Next Year	<u>\$ 185,509</u>	<u>\$ 482,532</u>

As part of the Organization's liquidity management plan, its policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Cash in excess of daily requirements is invested in in short term investments and money market funds.

A portion of the Organization's support is restricted by its donors' and are to be used in a particular manner. As a result, the Organization is required to maintain sufficient resources to meet the responsibilities to its donors.

NOTE 4: COMMITMENTS AND CONTINGENCIES

Grant Programs: The Organization participates in several Federal and State 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 June 2023. The lease includes a five-year renewal option. 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 \$88,883 for 2019 and \$85,206 for 2018.

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

NOTE 4: COMMITMENTS AND CONTINGENCIES (continued)

The Organization leases office equipment under an operating lease expiring November 2021. Rental expense, including maintenance fees, was \$4,897 for 2019 and \$3,974 for 2018.

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

2020	\$ 3,966
2021	3,966
2022	<u>1,650</u>
Total	<u>\$ 9,582</u>

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 5: CONCENTRATION OF CREDIT RISK

The Organization maintains its cash accounts with three banks. 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 at one bank exceeded the balance insured by the FDIC at year end by approximately \$140,000. The Organization does not feel there is any risk of loss associated with the cash balances.