



Charles Heaven & Co.
Certified Public Accountants

CHILDREN'S COMMUNITY SCHOOL, INC

JUNE 30, 2020

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Waterbury, Connecticut

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Children's Community School, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows and statement of functional expenses for the year 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 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the balance sheet of the Children's Community School, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Charles Henry, CPA

December 30, 2020

Children's Community School, Inc
Statement of Financial Position
June 30, 2020

2020

Assets:

Current Assets

Cash	\$ 628,763
Cash restricted for capital purchases	52,910
Contracts receivable	26,772
Tuition receivable, net of allowance of \$9,291	13,642
Prepaid Expenses	<u>3,100</u>
Total Current Assets	725,187

Beneficial interest in assets held by Community Foundation	853,100
Property and Equipment - net of accumulated depreciation of \$341,775	220,394
Investment- Certificate of Deposit	<u>60,688</u>

Total Assets **\$ 1,859,369**

Liabilities and Net Assets:

Current Liabilities

Accounts payable	\$ 16,745
Accrued expenses	56,350
SBA PPP Loan	<u>233,262</u>
Total Current Liabilities	306,357

Net Assets

Without Donor Restrictions	
Undesignated	1,210,846
Designated by Board of Directors for:	
Capital improvements	20,000
Building fund	20,000
Capital campaign feasibility study	<u>1,667</u>
Total net assets without Donor Restrictions	1,252,513
With Donor Restrictions	<u>300,499</u>
Total Net Assets	1,553,012

Total Liabilities and Net Assets **\$ 1,859,369**

See accompanying Notes to Financial Statements

Children's Community School, Inc
Statement of Activities
For the Year Ended June 30, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Government Contracts	\$ 407,740	\$ -	\$ 407,740
Contributions	1,168,645	52,854	1,221,499
Special Events	227,595	-	227,595
Tuition and Other Fees	158,638	-	158,638
Investment Income	3,328	-	3,328
Total Revenues and Other Support	<u>1,965,946</u>	<u>52,854</u>	<u>2,018,800</u>
Net Assets Released from Restrictions			-
Restrictions Satisfied by Payments Plus Time	<u>55,064</u>	<u>(55,064)</u>	<u>-</u>
Total Revenues and Other Support	<u>2,021,010</u>	<u>(2,210)</u>	<u>2,018,800</u>
Expenses			
Program Services:			
Community School	1,085,559	-	1,085,559
Supporting Services			
General and Administrative	169,459	-	169,459
Fundraising	123,246	-	123,246
Total Expenses	<u>1,378,264</u>	<u>-</u>	<u>1,378,264</u>
Change in Net Assets	642,746	(2,210)	640,536
Net Assets - beginning of year	<u>609,767</u>	<u>302,709</u>	<u>912,476</u>
Net Assets - end of year	<u>\$ 1,252,513</u>	<u>\$ 300,499</u>	<u>\$ 1,553,012</u>

See accompanying Notes to Financial Statements

Children's Community School, Inc
Statement of Cash Flows
For the Year Ended June 30, 2020

	<u>2020</u>
Cash Flows-Operating Activities	
Decrease in net assets from Statement of Activities	\$ 640,536
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	26,172
Bad debt expense	16,867
Changes in asset and liability accounts	
Increasing (decreasing) cash:	
Contracts receivable	28,204
Tuition receivable	(25,837)
Prepaid Expenses	(3,100)
CCF Advised Fund	
Accounts payable	4,087
Accrued expenses	16,031
Net Cash Provided by Operating Activities	<u>702,960</u>
Cash Flows-Investing Activities	
Proceeds from CD maturity	123,372
Purchase of property, plant and equipment	(21,497)
Beneficial interest in assets held by Community Foundation	(853,100)
Net Cash Used by Investing Activities	<u>(751,225)</u>
Cash Flows-Financing Activities	
Proceeds from loans	233,262
Net Cash Used by Financing Activities	<u>233,262</u>
Net Increase (Decrease) in Cash	184,997
Cash - Beginning of Year	<u>496,676</u>
Cash - End of Year	<u>\$ 681,673</u>
Supplemental disclosure:	
Interest paid during the year	<u>\$ -</u>

See accompanying Notes to Financial Statements

Children's Community School, Inc
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Progam		Supporting Seviles		Total
	Services	Community	Management	Fundrasing	
	School	and General			
Expenses					
Salaries and wages	\$ 670,920	\$ 98,210	\$ 59,252	\$ 828,382	
Payroll taxes	59,197	8,880	5,920	73,997	
Employee Benefits	24,891	4,787	2,234	31,912	
Occupancy	120,096	13,709	469	134,274	
Professional fees	3,240	8,010	9,061	20,311	
Supplies, prinitng and postage	58,458	11,570	46,310	116,338	
Insurance	14,427	4,809	-	19,236	
Bad debt expense	-	16,867	-	16,867	
Depreciation expense	23,555	2,617	-	26,172	
Pupil Services and Other Costs	110,775	-	-	110,775	
	<u>\$ 1,085,559</u>	<u>\$ 169,459</u>	<u>\$ 123,246</u>	<u>\$ 1,378,264</u>	

See accompanying Notes to Financial Statements

**CHILDREN'S COMMUNITY SCHOOL, INC.
NOTES TO THE 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, grants, and tuition and fees from students in providing services to students and their families.

Basis of Accounting:

The financial statements of Children's Community School, Inc. have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, and accordingly, recognizes revenue when earned and expenses when incurred, and reflect all significant receivables, prepaid expenses, payables, and other assets and liabilities.

Basis of Presentation:

The financial statements of the Organization have been prepared in accordance with the Financial Accounting Standards Board's Codification (ASC) 958-205, as updated by the Financial Accounting Standards Board's Accounting Standard No. 2016-14 update ("ASU"). This standard requires net assets to be classified, for accounting and reporting purposes as follows:

Net Asset Classification – The statement of financial position and statement of activities report net assets into two groups: (1) Net Assets without Donor Restrictions (2) Net Assets with Donor Restrictions.

Donor restricted contributions whose restrictions are met in the same reporting period are reported as support within net assets without donor restrictions. Similarly, gains and investment income that are limited to specific uses by donor restrictions are reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the gains and income are recognized. Contributions with donor-imposed restrictions not met in the same year are reported as revenue in the With Donor Restricted net asset class, and a reclassification to without donor restricted net assets is made to reflect the expiration of such restrictions.

Contributions Receivable:

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Unconditional promises to give are recorded at net realizable value if expected to be collected within one year, and at net present value if expected to be collected beyond one year.

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

Note "1" – Organization and Summary of Significant Accounting Policies (continued):

Cash and Cash Equivalents:

For financial statement purposes, the Organization considers all highly liquid investments, if any, purchased with and 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 it is not available for operating purposes.

Fair Value of Financial Instruments:

Financial Accounting Standards Board ASC 820-70, "Fair Value Measurements", defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820-10, are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels, Level 1, 2 and 3. In accordance with FASB Accounting Standards Codification 820-10, the Library measures the fair value of its assets and liabilities under the three-level hierarchy as follows

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active market; quoted prices for identical or similar instruments in markets that are not active; and model – derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Significant inputs to the valuation model are unobservable.

The inputs or methodology used in valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The Children's Community School considers a CD (Certificate of Deposit) having a maturity period in excess of 90 days as a level one investment. 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 THE FINANCIAL STATEMENTS**

Note "1" – Organization and Summary of Significant Accounting Policies (continued):

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 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.

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 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.

Beneficial Interest in Assets held by Community Fund:

In accordance with the Nonprofit Agency Advised Fund Agreement, the Children's Community School, Inc. transferred monies to the Connecticut Community Foundation. The Advised Fund is to be held and administered by the Connecticut Community Foundation as a nonpermanent advised fund in order to provide resources to support the activities and mission of the Children's Community School, Inc. The Children's Community School, Inc. explicitly grants variance power to the Connecticut Community Foundation. As such the Foundation is authorized to modify any restrictions or condition on the distribution of funds for any specific charitable purposes or to a specified organization.

Income Taxes:

The Organization is exempt from state 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 purposes is subject to taxation as unrelated business income. In addition, the Organization's qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has 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, 2020, the Organization does not believe that it has taken any positions that would require the recording of any taxes.

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

Note "1" – Organization and Summary of Significant Accounting Policies (continued):

Income Tax (continued):

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, 2020, 2019, 2018 remain open for examination.

Program Services:

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

1. Children's Community School: Education of students in grades Pre-Kindergarten to Grade 6.
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.

Donated Services:

The Organization receives donated services from unpaid volunteers who assist in fundraising, 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 results.

Functional Expense Allocation:

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:

<u>Expense</u>	<u>Allocation Method</u>
Salaries	Time and effort
Payroll taxes	Percentage of payroll
Depreciation	Usage of fixed assets
Office Supplies	Function benefited
Professional Fees	Function benefited
Occupancy	Square footage
Telephone	Usage
Utilities	Square footage

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

Note "2" – Land, Building and Equipment:

Land, building and equipment consisted of the following at June 30, 2020:

	2020
Leasehold improvements	\$ 383,851
Furniture and equipment	155,666
Vehicle	<u>22,652</u>
Total Fixed assets	562,169
<u>Less: Accumulated depreciation</u>	<u>(341,775)</u>
Net Property and Equipment	<u>\$ 220,394</u>

The Children's Community School, Inc. capitalizes as plant, property and equipment all cost over \$1,000 with utility over one year. Depreciation expense for the year 2020 was \$ 26,172.

Note "3" Net Assets with Donor Restrictions:

At June 30, 2020 net assets with donor restrictions is comprised of the following time/purpose restrictions:

Educational Programs	\$ 190,401
Classroom Technology	52,910
Curriculum Development	39,363
Capital Improvements	2,825
Time Restricted	<u>15,000</u>
Total	<u>\$ 300,499</u>

Note "4" – 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, 2020:

Financial assets	
Cash	\$ 628,763
Tuition receivable, net	13,642
Contracts Recievable	<u>26,772</u>
Total Financial Assets	<u>669,177</u>
Amounts restricted as to use:	
Donor Imposes Restrictions	300,499
Designated by Board for specific purposes	<u>41,667</u>
	<u>342,166</u>
Financial Assets Available to meet general expenditures over the next year	<u>\$ 327,011</u>

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

Note "4" – Availability of Assets and Liquidity (continued):

The Children's Community School, Inc. has a goal to maintain financial assets, which consist of cash and short-term investments on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$229,710. The Children's Community School, Inc. does not intend to spend from its beneficial interest in assets held by Community Foundation and investments other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation. Although, these investments could be made available, if necessary.

Note "5"- 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 Organization 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 the year 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 \$101,941.

The Organization leases office equipment under an operating lease expiring November 2021. Rental expense for the year ended June 30, 2020 was \$3,966.

The following is a schedule of future minimum rental payments required under the above non-cancelable operating lease at June 30, 2020:

2021	\$ 3,966
2022	<u>1,650</u>
Total	<u>\$ 5,616</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. These items are for use of the Organization but the ownership of these items remain with the City.

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

Note "6" – Paycheck Protection Program Loan Proceeds:

On May 11, 2020, the Children's Community School, Inc received loan proceeds in the amount of \$233,262 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of the loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twelve-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with deferral of payments for the first six months. On November 18, 2020 the Children's Community School, Inc., was notified by ION Bank that the paycheck protection program has forgiven the SBA PPP Loan of \$233,262. This amount will be recognized as revenue in the 2020-2021 year.

Note "7" – Concentration of Credit Risk:

The Organization maintains 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 \$170,468. The Organization does not feel there is any risk of loss associated with the cash balances.

Note "8" – Subsequent Events – Date of Management Evaluation:

Management has evaluated subsequent events through December 30, 2020, which is the date the financial statements were available to be issued. As a result of the COVID-19 Coronavirus, economic uncertainties and state-mandated shutdowns have arisen which may negatively impact business. Various financial impacts could occur, though such potential impact is unknown and not measurable at this time