# EDWARD STREET CHILD SERVICES, INC.

## FINANCIAL STATEMENTS

## AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

## JUNE 30, 2019 AND 2018

O'Connor Maloney
CERTIFIED PUBLIC ACCOUNTANTS

O'Connor Maloney
CERTIFIED PUBLIC ACCOUNTANTS

# INDEPENDENT ACCOUNTANTS' REVIEW REPORT

November 12, 2019

The Board of Directors
Edward Street Child Services, Inc.

We have reviewed the accompanying financial statements of Edward Street Child Services, 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

**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.

**Accountants' Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

**Accountants' Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

O'Connor, Maloney and Company

Certified Public Accountants

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# EDWARD STREET CHILD SERVICES, INC.
## STATEMENTS OF FINANCIAL POSITION
## JUNE 30, 2019 AND 2018

### ASSETS

| | 2019 | 2018 |
|---|---|---|
| **Current** | | |
| Cash | 62,050 | 27,425 |
| Contributions Receivable | 6,111 | 20,449 |
| Prepaid Expenses | 810 | 1,058 |
| Interest Receivable | 15,168 | 19,704 |
| Total | 84,139 | 68,636 |
| **Property and Equipment** | | |
| Computer Equipment | 24,428 | 18,915 |
| Less: Accumulated Depreciation | 17,213 | 14,736 |
| Net | 7,215 | 4,179 |
| **Investments** | 2,691,824 | 2,814,743 |
| **Total Assets** | 2,783,178 | 2,887,558 |

### LIABILITIES AND NET ASSETS

| | 2019 | 2018 |
|---|---|---|
| **Current** | | |
| Accounts Payable and Accrued Expenses | 13,592 | 7,884 |
| **Net Assets** | | |
| Without Donor Restrictions | 2,694,586 | 2,804,674 |
| With Donor Restrictions | 75,000 | 75,000 |
| Total | 2,769,586 | 2,879,674 |
| **Total Liabilities and Net Assets** | 2,783,178 | 2,887,558 |

See accompanying notes to financial statements and independent accountants' review report.

O'Connor Maloney
CERTIFIED PUBLIC ACCOUNTANTS

# EDWARD STREET CHILD SERVICES, INC.
## STATEMENTS OF ACTIVITIES
## FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

| | 2019 | 2018 |
|---|---|---|
| **Changes in Net Assets Without Donor Restrictions** | | |
| Support and Revenue: | | |
| Grants and Donations | 56,045 | 54,185 |
| Investment Return, Net | 232,545 | 150,790 |
| Net Assets Released from Restrictions | 75,000 | 95,892 |
| Total | 363,590 | 300,867 |
| Expenses: | | |
| Program Services | 351,178 | 312,800 |
| Management and General | 77,483 | 81,794 |
| Fundraising and Development | 45,017 | 40,015 |
| Total | 473,678 | 434,609 |
| Decrease in Net Assets Without Donor Restrictions | (110,088) | (133,742) |
| **Changes in Net Assets With Donor Restrictions** | | |
| Grants and Donations | 75,000 | 95,892 |
| Net Assets Released from Restrictions | (75,000) | (95,892) |
| Increase in Net Assets With Donor Restrictions | - | - |
| **Decrease in Net Assets** | (110,088) | (133,742) |
| **Net Assets, Beginning** | 2,879,674 | 3,013,416 |
| **Net Assets, Ending** | 2,769,586 | 2,879,674 |

See accompanying notes to financial statements
and independent accountants' review report.

# EDWARD STREET CHILD SERVICES, INC.
## STATEMENTS OF FUNCTIONAL EXPENSES
### FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Program Services | Management and General | Fundraising | Total | Program Services | Management and General | Fundraising | Total |
| **Expenses** | | | | | | | | |
| Salaries | 212,707 | 36,384 | 30,786 | 279,877 | 192,678 | 32,958 | 27,888 | 253,524 |
| Payroll Taxes | 16,442 | 2,812 | 2,380 | 21,634 | 15,231 | 2,605 | 2,205 | 20,041 |
| Insurance | 34,768 | 5,948 | 5,032 | 45,748 | 31,749 | 5,431 | 4,595 | 41,775 |
| Program Expenses | 41,903 | | | 41,903 | 46,670 | | | 46,670 |
| Depreciation | | 2,477 | | 2,477 | | 2,283 | | 2,283 |
| Legal and Accounting | | 12,117 | | 12,117 | | 12,240 | | 12,240 |
| Consulting Expenses | 15,976 | | 3,375 | 19,351 | | 5,713 | | 5,713 |
| Rent | 14,680 | 2,511 | 2,125 | 19,316 | 11,740 | 2,009 | 1,699 | 15,448 |
| Telephone | 2,309 | 395 | 334 | 3,038 | 2,178 | 372 | 315 | 2,865 |
| Office Expenses | 4,369 | 7,377 | 550 | 12,296 | 4,252 | 11,240 | 3,071 | 18,563 |
| Conferences and Travel | 6,359 | 6,595 | 297 | 13,251 | 7,732 | 5,369 | 242 | 13,343 |
| Dues and Subscriptions | 714 | 704 | | 1,418 | 570 | 1,074 | | 1,644 |
| Utilities | 951 | 163 | 138 | 1,252 | | 500 | | 500 |
| **Total** | 351,178 | 77,483 | 45,017 | 473,678 | 312,800 | 81,794 | 40,015 | 434,609 |

See accompanying notes to financial statements and independent accountants' review report.

# EDWARD STREET CHILD SERVICES, INC.
## STATEMENTS OF CASH FLOWS
## FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

| | 2019 | 2018 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Decrease in Net Assets | (110,088) | (133,742) |
| Adjustments to Reconcile Decrease in Net Assets to Net Cash Used in Operating Activities: | | |
| Depreciation | 2,477 | 2,283 |
| Net Realized and Unrealized Gain on Investments | (157,247) | (72,525) |
| (Increase) Decrease in Contributions Receivable | 14,338 | (19,764) |
| (Increase) Decrease in Prepaid Expenses | 248 | (717) |
| (Increase) Decrease in Interest Receivable | 4,536 | (6,505) |
| Increase in Accounts Payable and Accrued Expenses | 5,708 | 2,510 |
| Total Adjustments | (129,940) | (94,718) |
| Net Cash Used in Operating Activities | (240,028) | (228,460) |
| **Cash Flows from Investing Activities** | | |
| Capital Expenditures | (5,513) | (2,018) |
| Proceeds from Sale of Investments | 1,676,470 | 1,077,408 |
| Purchase of Investments | (1,396,304) | (863,168) |
| Net Cash Provided by Investing Activities | 274,653 | 212,222 |
| **Net Increase (Decrease) in Cash** | 34,625 | (16,238) |
| **Cash, Beginning** | 27,425 | 43,663 |
| **Cash, Ending** | 62,050 | 27,425 |

See accompanying notes to financial statements
and independent accountants' review report.

# EDWARD STREET CHILD SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

## JUNE 30, 2019 AND 2018

**(See Independent Accountants' Review Report)**

### Note 1. Organization

Edward Street Child Services, Inc. (the Organization) is a non-profit organization located in Worcester, Massachusetts and is exempt from income taxes under Internal Revenue Code Section 501(c)(3). It serves to promote the growth of children and strengthening of families by improving the delivery of early learning services.

### Note 2. Summary of Significant Accounting Policies

The Organization prepares its financial statements on the accrual method of accounting.

During 2019, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* This ASU modified the current guidance over several criteria, of which the following affected the Organization's financial statements:

> Net assets are segregated into two categories, "with donor restrictions" and "without donor restrictions", as opposed to the previous requirement of three classes of net assets.
>
> Qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the statement of financial position date.

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

> **Net assets with donor restrictions** – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or passage of time.
>
> **Net assets without donor restrictions** – Net assets not subject to donor-imposed stipulations.

At June 30, 2019 and 2018 net assets with donor restrictions are to be used for a Master Teacher grant and an Early Childhood Matters grant from the Greater Worcester Community Foundation.

EDWARD STREET CHILD SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(See Independent Accountants' Review Report)

## Note 2. Summary of Significant Accounting Policies (cont.)

Grants and other contributions are reported as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization records certain types of in-kind support, including professional services, as contribution revenue. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying financial statements as in-kind support are offset by equal amounts included in expenses or, if capitalized, property and equipment.

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support and revenue and expenses. Actual results could vary from the estimates that were used.

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of the gift, and are depreciated on a straight-line basis over the estimated useful lives of the assets.

Investments stated at fair value and accordingly, changes in unrealized gains or losses are recognized in the period in which the changes occur. Investments are initially recorded on the trade date at the cost to purchase each investment, and donated investments are initially valued at fair value at the date of receipt.

The Organization is exempt from income tax under Section 501(3) of the Internal Revenue Code. Management does not believe the Organization's financial statements contain any uncertain tax positions. Generally, the Organization's tax returns remain subject to examination for a period of three years.

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

Certain reclassifications have been made to the 2018 financial statements to conform them to the 2019 presentation.

# EDWARD STREET CHILD SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

## JUNE 30, 2019 AND 2018

**(See Independent Accountants' Review Report)**

### Note 3. Investments

Investments are recorded at fair value determined from quoted market prices at each measurement date. Unrealized gains and losses are allocated to temporarily restricted and unrestricted net assets. Fair value is defined as the price that would be received to sell an asset (i.e. the "exit price") in an orderly transaction between market participants.

In determining fair value, the Organization uses various valuation approaches. U.S. generally accepted accounting principles establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in the markets that are not active or for which all significant inputs are observable, either directly or indirectly. The Organization held no Level 2 investments at June 30, 2019 and 2018.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The Organization held no Level 3 investments at June 30, 2019 and 2018.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

All investments are valued under Level 1 hierarchy of fair value measurement.

**EDWARD STREET CHILD SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

**(See Independent Accountants' Review Report)**

**Note 3. Investments (cont.)**

The following is a summary of cost and fair values of investments at June 30, 2019:

| | Cost | Fair Value |
|---|---|---|
| Cash Funds | 81,000 | 81,000 |
| Exchange Traded Products | 69,556 | 73,260 |
| Corporate Debt Securities | 979,532 | 1,004,984 |
| Equity Securities | 1,056,015 | 1,463,884 |
| Other | 50,238 | 68,696 |
| **Total** | 2,236,341 | 2,691,824 |

The following is a summary of cost and fair values of investments at June 30, 2018:

| | Cost | Fair Value |
|---|---|---|
| Cash Funds | 74,240 | 74,240 |
| Exchange Traded Products | 69,556 | 65,258 |
| Corporate Debt Securities | 1,074,436 | 1,060,219 |
| Equity Securities | 1,003,891 | 1,561,683 |
| Other | 54,381 | 53,343 |
| **Total** | 2,276,504 | 2,814,743 |

The following is a summary of the components of investment return:

| | 2019 | 2018 |
|---|---|---|
| Interest and Dividend Income | 97,879 | 105,053 |
| Realized Gain on Investments | 270,289 | 57,891 |
| Unrealized Gain on Investments | (113,042) | 14,634 |
| | 255,126 | 177,578 |
| Less: Investment Expense | 22,581 | 26,788 |
| **Net** | 232,545 | 150,790 |

**Note 4. Operating Lease**

The Organization leases its operating facilities under a non-cancelable operating lease agreement that expires in December 2022.

EDWARD STREET CHILD SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(See Independent Accountants' Review Report)

**Note 4. Operating Lease (cont.)**

Following are the minimum future rental payments required under the lease for each of the next four years:

Year Ending June 30:

| | |
|---|---|
| 2020 | 19,670 |
| 2021 | 20,063 |
| 2022 | 20,464 |
| 2023 | 10,333 |
| **Total** | 70,530 |

Rent expense incurred under non-cancelable operating leases totaled $19,316 in 2019 and $15,488 in 2018.

**Note 5. Operating Liquidity**

Financial assets available for use by the Organization within one year from the statement of financial position date are as follows:

| | 2019 | 2018 |
|---|---|---|
| Cash | 62,050 | 915,795 |
| Receivables | 21,279 | 40,153 |
| Investments | 2,691,824 | 2,814,743 |
| | 2,775,153 | 3,770,691 |
| Less: Amount Subject to Donor Restrictions | 75,000 | 75,000 |
| Financial assets available to meet cash needs for general expenditures within one year | 2,700,153 | 3,695,691 |

**Note 6. Date Through Which Subsequent Events Have Been Evaluated**

The Organization has evaluated all material subsequent events from the end of the fiscal year through November 12, 2019, the date the financial statements were available to be issued.