

EDUCATIONAL RESOURCES FOR CHILDREN, INC.

COMPARATIVE FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

**EDUCATIONAL RESOURCES FOR CHILDREN, INC.
COMPARATIVE FINANCIAL STATEMENTS
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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Educational Resources for Children, Inc.
Enfield, CT

We have audited the accompanying statements of financial position of Educational Resources for Children, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statement of activities 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 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 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 of 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 financial statement presentation.

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 Educational Resources for Children, Inc. as of June 30, 2017 and 2016, 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.

Report on Summarized Comparative Information

We have previously audited the Educational Resources for Children, Inc.'s 2016 financial statements and, our report dated November 15, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative statement of activities presented herein for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Henry, Raymond & Thompson, LLC

Henry, Raymond & Thompson, LLC
South Windsor, Connecticut
November 3, 2017

EDUCATIONAL RESOURCES FOR CHILDREN, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

Assets	2017	2016
Current assets		
Cash and cash equivalents	\$ 60,520	\$ 68,206
Grants and accounts receivable, net	30,649	48,018
Prepaid expenses	9,816	22,301
Total current assets	<u>100,985</u>	<u>138,525</u>
Property & Equipment		
Furniture and office equipment	79,136	77,486
Leasehold improvements	1,560	1,560
Total Property & Equipment	<u>80,696</u>	<u>79,046</u>
Less accumulated depreciation and amortization	41,284	27,613
Net property and equipment	<u>39,412</u>	<u>51,433</u>
Other Assets		
Security deposits	4,498	4,498
	<u>4,498</u>	<u>4,498</u>
Total Assets	<u>\$ 144,895</u>	<u>\$ 194,456</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 15,104	\$ 12,347
Deferred revenue	37,372	74,604
Short-term portion of term loan	-	6,007
Total current liabilities	<u>52,476</u>	<u>92,958</u>
Total liabilities	<u>52,476</u>	<u>92,958</u>
Net Assets		
Unrestricted	71,534	(17,556)
Temporarily restricted	20,885	119,054
Permanently Restricted	-	-
Total net assets	<u>92,419</u>	<u>101,498</u>
Total Liabilities and Net Assets	<u>\$ 144,895</u>	<u>\$ 194,456</u>

The accompanying notes are an integral part of the basic financial statements

EDUCATIONAL RESOURCES FOR CHILDREN, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(With Summarized Financial Information for the Year Ended June 30, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2017	2016
Public support and revenue:					
Contributions	\$ 141,000	\$ -	\$ -	\$ 141,000	\$ 188,715
Grants	307,649	20,885	-	328,534	372,056
Program service fees	495,264	-	-	495,264	482,091
Events	15,893	-	-	15,893	10,565
Net assets released from restrictions	119,054	(119,054)	-	-	-
Total revenue	1,078,860	(98,169)	-	980,691	1,053,427
Expenses and losses:					
Wages	664,796			664,796	629,338
Program supplies and expense	57,038			57,038	89,284
Payroll taxes	59,120			59,120	58,333
Office expense	65,684			65,684	52,847
Rent	38,944			38,944	33,934
Insurance - medical	28,310			28,310	26,567
Professional services	26,914			26,914	21,632
Insurance	13,904			13,904	13,590
Subcontract services	5,634			5,634	10,108
Depreciation and amortization	13,671			13,671	6,202
Seminars	7,555			7,555	5,704
Advertising	2,861			2,861	2,258
Events	4,279			4,279	2,071
Bad debts	880			880	1,964
Interest	180			180.00	133
Total expense	989,770	-	-	989,770	953,965
Change in net assets	89,090	(98,169)	-	(9,079)	99,462
Net assets/(deficit) - beginning of the year	(17,556)	119,054	-	101,498	2,036
Net assets/(deficit) - end of the year	\$ 71,534	\$ 20,885	\$ -	\$ 92,419	\$ 101,498

The accompanying notes are an integral part of the basic financial statements

EDUCATIONAL RESOURCES FOR CHILDREN, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
(Decrease)/Increase in net assets	\$ (9,079)	\$ 99,462
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	13,671	6,202
(Increase) decrease in operating assets:		
Grants and Accounts receivable	17,369	(9,869)
Prepaid expenses	12,485	(1,321)
Security deposits	-	2,044
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	2,757	(19,456)
Deferred revenue	(37,232)	(2,858)
Net cash provided (used) by operating activities	<u>(29)</u>	<u>74,204</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(1,650)	(50,730)
Net cash used in investing activities	<u>(1,650)</u>	<u>(50,730)</u>
Cash Flows from Financing Activities:		
Net Repayments on line of credit	-	(20,000)
Proceeds from short-term loans	-	22,000
Payment on short-term loan	(6,007)	(15,993)
Net cash used in financing activities	<u>(6,007)</u>	<u>(13,993)</u>
Net increase (decrease) in cash and cash equivalents	(7,686)	9,481
Cash and Cash Equivalents - beginning of the year	<u>68,206</u>	<u>58,725</u>
Cash and Cash Equivalents - end of the year	<u>\$ 60,520</u>	<u>\$ 68,206</u>
Supplementary Cash-flow information		
Cash paid for income taxes	\$ -	\$ -
Cash paid for Interest expense	\$ 180	\$ 133

The accompanying notes are an integral part of the basic financial statements

EDUCATIONAL RESOURCES FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE I – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Educational Resources for Children, Inc.’s mission is to provide before and after school academic programs for area children in grades kindergarten through eighth and to improve academic achievement and support in-school learning by providing a safe and healthy environment to promote development.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions. All temporarily restricted contributions or grants received and utilized in the same year are classified as unrestricted.

Contributed Goods, Services and Facilities

During the years ended June 30, 2017 and 2016, the value of contributed goods, services and facilities meeting the requirements for recognition in the financial statements was \$26,093 and \$29,041 as follows:

Type	Amount		Contributor
	2017	2016	
Rent	\$ 13,973	\$ 13,973	Enfield Board of Education
Program Supplies	12,120	15,068	Various contributors
Totals	<u>\$ 26,093</u>	<u>\$ 29,041</u>	

EDUCATIONAL RESOURCES FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purpose of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts and Grants Receivable

Accounts receivable are stated at the amount that management expects to collect from outstanding balances. Accounts are considered past due upon being outstanding for 30 days or more. Management provides for probable uncollectible amounts through an allowance for doubtful accounts an adjustment to bad debt expense based on its assessment of the status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts or grants receivable. Based on the Organizations collection experience, the allowance for doubtful accounts at June 30, 2017 and 2016 was \$0.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$500. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Depreciation is computed using the straight-line method with asset lives ranging from five to thirty years. Depreciation expense for the years ended June 30, 2017 and 2016 was \$13,671 and \$6,202, respectively.

Deferred Revenue

Deferred revenue relates principally to the Organizations collection of fees for the summer program, which begins after the fiscal year end. Revenue is recognized in the period the services are provided.

Reclassifications

Certain amounts in the prior year are reclassified to conform to current year presentation, when necessary.

Advertising Costs

During the fiscal years ending 2017 and 2016, the Organization incurred advertising costs in the amounts of \$2,861 and \$2,258, respectfully. Advertising costs are primarily advertising employment opportunities. The Organization's policy is to expense advertising costs as incurred.

EDUCATIONAL RESOURCES FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Financial Statement Presentation

Under Generally Accepted Accounting Standards, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted grants that fulfilled the restrictions and were expended in the fiscal year are reported as unrestricted income. As permitted by the statement, the Organization does not use fund accounting. In addition, the Organization is required to present a statement of cash flows.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Organization has concluded that there are no uncertain tax positions that would require recognition in the financial statements. If the Organization were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties would be reported as income taxes. The Organization's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based on ongoing analysis of tax laws, regulations and interpretations thereof as well as other factors. Generally, federal, state and local authorities may examine the Organization's tax returns for three years from the date of filing. Consequently, income tax returns for years prior to 2013 are no longer subject to examination by taxing authorities.

Fair Value of Financial Instruments

The carrying amounts reflected in the statement of financial position for cash and cash equivalents, accounts and grant receivables, prepaid expenses, accounts payable, accrued expenses, line of credit and deferred revenue approximate fair value due to their short-term maturities. Any long-term debt obligations are carried at historical cost.

NOTE II – LINE OF CREDIT

The Organization had a line of credit with HEDCO, Inc. through October 30, 2016 with an available credit line of \$30,000. Interest was due monthly on the prior months balance at an annual rate of four percent (4%). The outstanding balance on the Line of Credit as of June 30, 2017 and 2016 was \$0 and \$20,000, respectfully.

NOTE III – TERM LOAN

The Organization entered into an 18-month term loan agreement with HEDCO, Inc. as of August 1, 2015 in the amount of \$22,000 in order to provide for additional operating funds. The note called for fifteen equal monthly payments in the amount of \$1,500 which included interest calculated at 4% per annum. The outstanding balance on the note as of June 30, 2017 and 2016 was \$0 and \$6,007, respectfully.

EDUCATIONAL RESOURCES FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE IV – CONCENTRATIONS

During the fiscal years 2017 and 2016, the Organization received approximately 33% and 27% of its total support and revenues from various government grants and funding. Additionally, during the fiscal years 2017 and 2016, the Organization received approximately 7% and 6% of its support from the United Way.

As of June 30, 2017 and 2016, the Organization's balance of cash and cash equivalents at a financial banking institution did not exceed the federally insured limit of \$250,000. These balances fluctuate greatly during the year and can exceed this \$250,000 limit at any time. Management monitors regularly the financial condition of the banking institution, along with their balances in cash and cash equivalents, and tries to keep this potential risk to a minimum.

NOTE V – NET ASSETS

Temporarily restricted net assets are so classified because the donor has indicated the specific purpose the donation shall serve. Restricted net assets arise from grants and contributions received that carry over the Organization's fiscal year end. As these funds are utilized in future periods for the specified purpose, the funds are released from restriction. The Organization has not received any permanently restricted contributions as of June 30, 2017.

NOTE VI – LEASES

Office

The Organization entered into a lease effective July, 1, 2015 for a five year period ending June 30, 2020. Monthly payments under the lease vary from \$2,044 in the first year of the lease to \$2,444 in the final year of the lease. The Organization is also responsible for their portion of common area maintenance charges.

Future minimum lease payments are as follows:

Year Ending	
<u>June 30</u>	Amount
2017	\$ 25,728
2018	26,928
2019	28,128
2020	<u>29,328</u>
	<u>\$ 110,112</u>

EDUCATIONAL RESOURCES FOR CHILDREN, INC.
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Schools

The Organization entered into a 10-month lease with the Town of Enfield, Connecticut that began September 1, 2012 and ended June 30, 2013. Monthly payments under the lease were \$901.60 per month for the duration of the lease. The lease is renewable annually, each successive term beginning September 1st and terminating June 30th of the following year, provided however, the Organization gives written notice of its intent to renew to the Town of Enfield by April 1st preceding the next successive term and provided the Town Council approves such renewal. Provided there are annual renewals, the final term of the lease will begin September 1, 2018 and end June 30, 2019. The lease was renewed for the fiscal year ending June 30, 2017 and the annual lease expense is \$9,016.

NOTE VII – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis below:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Program Expenses	\$ 737,542	\$ 787,284
Administrative Expenses	<u>252,228</u>	<u>166,681</u>
Total Expenses	<u>\$ 989,770</u>	<u>\$ 953,965</u>

NOTE VIII – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 3, 2017, the date which the financial statements were available to be issued.