

**EDUCATIONAL RESOURCES FOR CHILDREN, INC.**

**COMPARATIVE FINANCIAL STATEMENTS**

**JUNE 30, 2018 AND 2017**

**EDUCATIONAL RESOURCES FOR CHILDREN, INC.  
COMPARATIVE FINANCIAL STATEMENTS  
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& THOMPSON, LLC**

*Certified Public Accountants*

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## **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, 2018 and 2017, 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 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 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, 2018 and 2017, 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 2017 financial statements and, our report dated November 3, 2017, 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, 2017, 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  
August 27, 2018

**EDUCATIONAL RESOURCES FOR CHILDREN, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2018 AND 2017**

<b>Assets</b>	<b>2018</b>	<b>2017</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 75,567	\$ 60,520
Grants and accounts receivable, net	33,771	30,649
Prepaid expenses	18,173	9,816
<b>Total current assets</b>	<u>127,511</u>	<u>100,985</u>
<b>Property &amp; Equipment</b>		
Furniture and office equipment	64,328	79,136
Leasehold improvements	-	1,560
<b>Total Property &amp; Equipment</b>	<u>64,328</u>	<u>80,696</u>
Less accumulated depreciation and amortization	37,993	41,284
<b>Net property and equipment</b>	<u>26,335</u>	<u>39,412</u>
<b>Other Assets</b>		
Security deposits	-	4,498
	-	4,498
	<u>-</u>	<u>4,498</u>
<b>Total Assets</b>	<u>\$ 153,846</u>	<u>\$ 144,895</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 23,527	\$ 15,104
Deferred revenue	31,855	37,372
<b>Total current liabilities</b>	<u>55,382</u>	<u>52,476</u>
<b>Total liabilities</b>	<u>55,382</u>	<u>52,476</u>
<b>Net Assets</b>		
Unrestricted	53,454	71,534
Temporarily restricted	45,010	20,885
Permanently Restricted	-	-
<b>Total net assets</b>	<u>98,464</u>	<u>92,419</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 153,846</u>	<u>\$ 144,895</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, 2018**  
(With Summarized Financial Information for the Year Ended June 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2018	2017
<b>Public support and revenue:</b>					
Contributions	\$ 21,607	\$ 74,000	\$ -	\$ 95,607	\$ 141,000
Grants	100,347	367,492	-	467,839	328,534
Program service fees	500,774	-	-	500,774	495,264
Events	13,486	-	-	13,486	15,893
Other income	5,926	-	-	5,926	-
Net assets released from restrictions	417,367	(417,367)	-	-	-
<b>Total revenue</b>	<b>1,059,507</b>	<b>24,125</b>	<b>-</b>	<b>1,083,632</b>	<b>980,691</b>
<b>Expenses and losses:</b>					
Wages	720,061			720,061	664,796
Office expense	98,422			98,422	65,684
Payroll taxes	65,247			65,247	59,120
Insurance - medical	27,392			27,392	28,310
Rent	26,928			26,928	38,944
Program supplies and expense	20,463			20,463	44,187
Professional services	24,635			24,635	26,914
Insurance	15,250			15,250	13,904
Transportation	13,357			13,357	12,851
Depreciation and amortization	13,021			13,021	13,671
Events	11,490			11,490	4,279
Advertising	3,670			3,670	2,861
Subcontract services	1,186			1,186	5,634
Bad debts	956			956	880
Interest	509			509	180
Seminars	-			-	7,555
Lease termination expense	35,000			35,000	-
<b>Total expense</b>	<b>1,077,587</b>	<b>-</b>	<b>-</b>	<b>1,077,587</b>	<b>989,770</b>
<b>Change in net assets</b>	<b>(18,080)</b>	<b>24,125</b>	<b>-</b>	<b>6,045</b>	<b>(9,079)</b>
Net assets - beginning of the year	71,534	20,885	-	92,419	101,498
Net assets/(deficit) - end of the year	\$ 53,454	\$ 45,010	\$ -	\$ 98,464	\$ 92,419

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, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>Cash Flows from Operating Activities:</b>		
Increase/(Decrease) in net assets	\$ 6,045	\$ (9,079)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	13,021	13,671
Loss on disposal of assets	1,636	-
(Increase) decrease in operating assets:		
Grants and Accounts receivable	(3,122)	17,369
Prepaid expenses	(8,357)	12,485
Security deposits	4,498	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	8,423	2,757
Deferred revenue	(5,517)	(37,232)
Net cash provided (used) by operating activities	16,627	(29)
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	(1,580)	(1,650)
Net cash used in investing activities	(1,580)	(1,650)
<b>Cash Flows from Financing Activities:</b>		
Payment on short-term loan	-	(6,007)
Net cash used in financing activities	-	(6,007)
<b>Net increase (decrease) in cash and cash equivalents</b>	15,047	(7,686)
Cash and Cash Equivalents - beginning of the year	60,520	68,206
Cash and Cash Equivalents - end of the year	\$ 75,567	\$ 60,520
<b>Supplementary Cash-flow information</b>		
Cash paid for income taxes	\$ -	\$ -
Cash paid for Interest expense	\$ 509	\$ 180

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

**EDUCATIONAL RESOURCES FOR CHILDREN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**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, 2018 and 2017, the value of contributed goods, services and facilities meeting the requirements for recognition in the financial statements was \$18,747 and \$26,093 as follows:

<b>Type</b>	<b>Amount</b>		<b>Contributor</b>
	<b>2018</b>	<b>2017</b>	
Rent	\$ 13,973	\$ 13,973	Enfield Board of Education
Program Supplies	4,774	12,120	Various contributors
Totals	<u>\$ 18,747</u>	<u>\$ 26,093</u>	

**EDUCATIONAL RESOURCES FOR CHILDREN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**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, 2018 and 2017 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, 2018 and 2017 was \$13,021 and \$13,671, 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 2018 and 2017, the Organization incurred advertising costs in the amounts of \$3,670 and \$2,861, 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, 2018 AND 2017**

**Financial Statement Presentation**

Under accounting standards generally accepted in the United States of America, 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 2014 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 – CONCENTRATIONS**

During the fiscal years 2018 and 2017, the Organization received approximately 52% and 33% of its total support and revenues from various government grants and funding. Additionally, during the fiscal years 2018 and 2017, the Organization received approximately 7% of its support from the United Way.

As of June 30, 2018 and 2017, 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 III – 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

**EDUCATIONAL RESOURCES FOR CHILDREN, INC.**  
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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, 2018.

**NOTE IV – LEASES**

*Office*

The Organization had a lease that was to span July 1, 2016 through June 30, 2020. The Organization made a decision to terminate the lease two years early and incur a \$35,000 buyout fee. The lease was terminated as of June 30, 2018.

The Organization entered into a lease effective July 1, 2018 for a three year period ending June 30, 2021. Monthly payments under the lease vary from \$4,000 in the first year of the lease to \$4,400 in the final year of the lease.

Future minimum lease payments are as follows:

<b>Year Ending</b>	
<b><u>June 30</u></b>	<b>Amount</b>
2019	\$ 48,000
2020	50,400
2021	<u>52,800</u>
	<u><u>\$ 151,200</u></u>

*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 1<sup>st</sup> and terminating June 30<sup>th</sup> of the following year, provided however, the Organization gives written notice of its intent to renew to the Town of Enfield by April 1<sup>st</sup> 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, 2018 and the annual lease expense is \$12,627.

**NOTE V – FUNCTIONAL ALLOCATION OF EXPENSES**

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

**EDUCATIONAL RESOURCES FOR CHILDREN, INC.**  
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	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Program Expenses	\$ 830,950	\$ 737,542
Administrative Expenses	242,681	252,228
Fundraising Expenses	<u>3,956</u>	<u>-</u>
Total Expenses	<u>\$ 1,077,587</u>	<u>\$ 989,770</u>

**NOTE VI – EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through August 27, 2018, the date which the financial statements were available to be issued.