

**CHILDREN OF PROMISE, NYC**

**FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT**

**JUNE 30, 2018**

# CHILDREN OF PROMISE, NYC

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# Skody Scot & Company, CPAs, P.C.

520 Eighth Avenue, Suite 2200, New York, NY 10018 • (T) 212-967-1100 • (F) 212-967-2002

[www.skodyscot.com](http://www.skodyscot.com)

## INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of  
Children of Promise, NYC

We have audited the accompanying financial statements of Children of Promise, NYC (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and 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 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 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 financial position of Children of Promise, NYC as of June 30, 2018, 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.

*Skody Scot & Company, CPAs, P.C.*

New York, NY  
January 17, 2019

**CHILDREN OF PROMISE, NYC**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018**

**ASSETS**

Cash and cash equivalents	\$ 235,753
Grant and contract receivable	334,737
Prepaid expenses	44,106
Property and equipment, net	77,548
Security deposits	10,000
	<hr/>
Total assets	<u>\$ 702,144</u>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Accounts payable and accrued expenses	\$ 139,098
Deferred revenue	300
Deferred rent	133,716
Total liabilities	<hr/> 273,114
Commitments and contingencies (see notes)	
Net Assets:	
Unrestricted	429,030
Temporarily restricted	-
Permanently restricted	-
	<hr/>
Total net assets	429,030
	<hr/>
Total liabilities and net assets	<u>\$ 702,144</u>

**See accompanying notes to the financial statements.**

**CHILDREN OF PROMISE, NYC  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

**Support and Revenues:**

Unrestricted:

Government grants and contracts	\$ 1,243,222
Program service revenue	944,357
Contributions and foundation grants	496,586
Interest income	1,594
Other income	5,400
Release of prior year's restricted contributions	12,000

Temporarily restricted:

Release of prior year's restricted contributions	(12,000)
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Total support and revenues	2,691,159
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**Expenses:**

Program Expenses:

After school	1,025,232
Therapeutic services	538,551
Project DREAM	24,150
Summer Camp	282,999
Total program expenses	1,870,932

Management and general	515,301
Fundraising	181,240
Total expenses	2,567,473

Increase/(Decrease) In Net Assets:

Unrestricted	135,686
Temporarily restricted	(12,000)
Permanently restricted	-
Increase/(decrease) in net assets	123,686

Net assets, beginning of year	305,344
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Net assets, end of year	\$ 429,030
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**See accompanying notes to the financial statements.**

**CHILDREN OF PROMISE, NYC  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2018**

Cash flows from operating activities:	
Increase/(decrease) in net assets	\$ 123,686
Adjustments for non-cash items included in operating activities:	
Depreciation and amortization	23,530
Changes in assets and liabilities:	
Prepaid expenses	(16,567)
Grant and contract receivable	(53,378)
Accounts payable and accrued expenses	(29,202)
Deferred revenue	300
Deferred rent	1,253
Net cash provided/(used) by operating activities	<u>49,622</u>
Cash flows from investing activities	<u>-</u>
Cash flows from financing activities:	
Repayment of notes payable	(2,808)
Repayment of installment loan	(1,177)
Net cash provided/(used) by financing activities	<u>(3,985)</u>
Net increase/(decrease) in cash and cash equivalents	45,637
Cash and cash equivalents at beginning of year	<u>190,116</u>
Cash and cash equivalents at end of year	<u><u>\$ 235,753</u></u>

**See accompanying notes to the financial statements.**

**CHILDREN OF PROMISE, NYC**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2018**

	<b>Program Expenses</b>				<b>Supporting Services</b>			<b>Total Expenses</b>
	<b>After School</b>	<b>Therapeutic Services</b>	<b>Project DREAM</b>	<b>Summer Camp</b>	<b>Total Program Expenses</b>	<b>Management and General</b>	<b>Fundraising</b>	
Staff salaries	\$ 548,774	\$ 286,178	\$ 14,156	\$ 125,741	\$ 974,849	\$ 284,762	\$ 123,918	\$ 1,383,529
Payroll taxes	29,743	15,512	779	6,857	52,891	15,438	6,700	75,029
Employee benefits	47,953	25,116	1,112	11,618	85,799	11,780	10,347	107,926
Consultants & contractors	70,070	69,123	-	19,686	158,879	66,345	-	225,224
Depreciation & amortization	6,542	-	-	1,883	8,425	15,105	-	23,530
Equipment leases & rentals	13,015	7,875	-	2,559	23,449	3,833	68	27,350
Events	-	-	-	-	-	15,000	3,269	18,269
Insurance	22,466	11,582	14	2,937	36,999	6,046	1,552	44,597
Office supplies & expenses	19,989	14,571	270	5,570	40,400	20,366	19,309	80,075
Postage	1,214	1,172	-	759	3,145	550	13	3,708
Professional fees	14,325	32,721	-	-	47,046	10,424	100	57,570
Program expenses - meals	66,338	504	5,881	26,940	99,663	-	1,331	100,994
Program expenses - trips	40	-	655	26,695	27,390	-	-	27,390
Program expenses - other	69,951	3,178	1,114	5,272	79,515	3,786	-	83,301
Promotion	975	289	-	808	2,072	4,788	7,084	13,944
Recruitment & development	1,100	256	53	-	1,409	1,719	99	3,227
Rent and utilities	101,470	66,112	-	32,167	199,749	30,167	805	230,721
Repairs & maintenance	4,357	1,500	18	1,854	7,729	1,121	23	8,873
Stipends	3,698	-	-	10,552	14,250	5,750	1,000	21,000
Telephone	1,109	-	-	147	1,256	1,848	-	3,104
Travel & meetings	2,103	2,862	98	954	6,017	16,473	5,622	28,112
<b>Total expenses</b>	<b>\$ 1,025,232</b>	<b>\$ 538,551</b>	<b>\$ 24,150</b>	<b>\$ 282,999</b>	<b>\$ 1,870,932</b>	<b>\$ 515,301</b>	<b>\$ 181,240</b>	<b>\$ 2,567,473</b>

See accompanying notes to the financial statements.

**CHILDREN OF PROMISE, NYC**  
**NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies

The Organization

Children of Promise, NYC (Organization), a not-for-profit organization, was incorporated in the State of New York on May 30, 2006. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal, state or local income taxes has been recorded. The Organization does not believe its financial statements contain any uncertain tax positions. The Organization primarily receives its support from government contracts, program service revenue, and from contributions from foundations, corporations and individuals.

The Organization offers the children of prisoners the opportunity to explore new educational opportunities, express themselves creatively and emotionally, build meaningful relationships and gain new experiences. To accomplish this goal the Organization provides four programs. These programs include the following: After-School - developing the intellectual, social and emotional competencies of children of imprisoned parents and promoting healthy decision making and critical thinking skills by providing them with a safe place to learn and interact with other children in similar situations; Therapeutic Services - offering behavioral assessments and counseling to children of imprisoned parents and their family where they can safely explore their past traumas, recognize their present accomplishments and move forward toward future goals; Project DREAM (Directing Realities Through Exposure, Access & Monitoring) - providing children of imprisoned parents with one-to-one matches with screened and trained mentors, who participate in trips and activities which help to break the cycle of intergenerational incarceration; and Summer Camp - providing educational, cultural and arts-based programming and recreational activities in a day camp provided during the summer months to decrease the summer learning loss experienced by many children.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

In accordance with GAAP 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. In addition, the Organization is required to present a statement of cash flows.



**CHILDREN OF PROMISE, NYC**  
**NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash Equivalents

For the purposes of the statements of financial position and the statements of cash flows, the Organization considers as cash equivalents money market funds and all highly liquid resources, such as investments in certificates of deposit, with an original maturity of three months or less.

Property and Equipment

The Organization capitalizes certain property and equipment with estimated lives of three years or more. Purchased property and equipment are stated at cost, less accumulated depreciation. Donated property and equipment are stated at fair value on the date of donation, less accumulated depreciation. Depreciation of furniture and equipment is computed by the straight-line method over estimated useful lives ranging from three to ten years. Leasehold improvements are depreciated by the straight-line method over the life of the improvement or the term of the lease, whichever is shorter. Expenditures for repairs and maintenance are expensed as incurred and major renewals and betterments are capitalized.

Receivables

Receivables that are expected to be collected within one year are recorded at their net realizable value. Receivables that are expected to be collected in future years are recorded at their present value of estimated future cash flows. All receivables are expected to be received within one year and as such have been stated at their net realizable value with no allowance for uncollectable contributions.

Revenue Recognition

Contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increases in the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Government contract and program service revenue relate to fees received in exchange for services. Revenue is recognized when the service is provided. Any advances received which have not been earned are recorded as refundable advances or deferred income.

Program service revenue relates to fees received in exchange for program services. Revenue is recognized when the program service is provided. Any revenue received which has not been earned is recorded as deferred income.

**CHILDREN OF PROMISE, NYC**  
**NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization allocates salaries based on estimated time and other expenses are allocated based on usage. The Organization classifies expenses, which are not directly related to a specific program, as Management and General expenses.

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2018:

Checking and savings	\$ 94,212
Money market funds	<u>141,541</u>
Total held	\$ <u>235,753</u>

Note 3 - Property and Equipment

Property and equipment consisted of the following at June 30, 2018:

Leasehold improvements	\$ 120,400
Vehicles	34,442
Furniture & fixtures	<u>89,896</u>
	244,738
Less: Accumulated depreciation	<u>( 167,190)</u>
	\$ <u>77,548</u>

**CHILDREN OF PROMISE, NYC  
NOTES TO FINANCIAL STATEMENTS**

**Note 4 - Commitments and Contingencies**

In September 2013, the Organization entered into a lease for office and program space. Rent payments commenced in April 2014. The lease is an operating lease and is to end on December 31, 2023. As of June 30, 2018, the minimum aggregate annual rentals are as follows:

Year ended June 30, 2019	\$ 210,120
2020	218,523
2021	227,268
2022	236,361
2023	245,811
2024	124,098

Total rent and related expenses charged to operations for the year ended June 30, 2018 was \$230,721.

**Note 5 - Government Grants and Contracts**

The Organization derives revenue from agreements with multiple federal, state and city agencies. Details of current agreements and their activities as of June 30, 2018 are as follows:

<u>Agency</u>	<u>Award</u>	<u>2018</u>
US Dept. of Health & Human Services	\$ 81,374	\$ 81,374
NYC DYCD	4,268,619	1,146,848
NYS Council on the Arts	15,000	15,000

**Note 6 - Concentrations**

Approximately 42% of the Organization's revenue was provided by two major NYC DYCD contracts for the year ended June 30, 2018. It is always considered possible that grantors and contractors might be lost in the near term or that contracts will not be renewed. In the event funding is terminated or significantly reduced, the Organization's ability to continue providing its programs at the same level would be greatly diminished.

The Organization maintains its checking and money market accounts with a major financial institution. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. At times, the balances of the accounts may have exceeded the limits during the year ended June 30, 2018.

**Note 7 - Subsequent Events**

Subsequent events were evaluated for potential additional disclosures through January 17, 2019, which is the date the financial statements were available to be issued.