

CHILDREN OF PROMISE, NYC

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

JUNE 30, 2017

CHILDREN OF PROMISE, NYC

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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, 2017, and the related statements of activities, cash flows, and functional expenses for the six months 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, 2017, and the changes in its net assets and its cash flows for the six months 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 16, 2018

CHILDREN OF PROMISE, NYC
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS

Cash and cash equivalents	\$ 190,116
Grant and contract receivable	281,359
Prepaid expenses	27,539
Property and equipment, net	101,078
Security deposits and other assets	10,000
Total assets	<u>\$ 610,092</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 168,300
Loans and notes payable	3,985
Deferred rent	132,463
Total liabilities	<u>304,748</u>

Commitments and contingencies (see notes)

Net Assets:

Unrestricted	293,344
Temporarily restricted	12,000
Permanently restricted	-
Total net assets	<u>305,344</u>
Total liabilities and net assets	<u>\$ 610,092</u>

See accompanying notes to financial statements.

**CHILDREN OF PROMISE, NYC
STATEMENT OF ACTIVITIES
SIX MONTHS ENDED JUNE 30, 2017**

Support and Revenues:	
Unrestricted:	
Government grants and contracts	\$ 601,195
Program service revenue	363,145
Contributions and foundation grants	74,647
Interest income	448
Other income	1,547
Temporarily restricted:	
Contributions and grants	12,000
Total support and revenues	<u>1,052,982</u>
Expenses:	
Program Expenses:	
After school	632,298
Therapeutic services	233,269
Project DREAM	16,534
Total program expenses	<u>882,101</u>
Management and general	207,381
Fundraising	63,387
Total expenses	<u>1,152,869</u>
Increase/(Decrease) In Net Assets:	
Unrestricted	(111,887)
Temporarily restricted	12,000
Permanently restricted	-
Increase/(decrease) in net assets	<u>(99,887)</u>
Net assets, beginning of year	<u>405,231</u>
Net assets, end of year	<u>\$ 305,344</u>

See accompanying notes to financial statements.

**CHILDREN OF PROMISE, NYC
STATEMENT OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2017**

Cash flows from operating activities:	
Increase/(decrease) in net assets	\$ (99,887)
Adjustments for non-cash items included in operating activities:	
Depreciation and amortization	15,885
Changes in assets and liabilities:	
Security deposits and other assets	362
Prepaid expenses	(2,094)
Grant and contract receivable	(134,231)
Accounts payable and accrued expenses	31,455
Refundable advances	(49,429)
Deferred rent	5,638
Net cash provided/(used) by operating activities	<u>(232,301)</u>
 Cash flows from investing activities	 -
 Cash flows from financing activities:	
Repayment of notes payable	(29,747)
Repayment of installment loan	(2,826)
Net cash provided/(used) by financing activities	<u>(32,573)</u>
 Net increase/(decrease) in cash and cash equivalents	 (264,874)
Cash and cash equivalents at beginning of year	<u>454,990</u>
Cash and cash equivalents at end of year	<u>\$ 190,116</u>
 Supplemental information:	
Interest paid	\$ 260

See accompanying notes to financial statements.

**CHILDREN OF PROMISE, NYC
STATEMENT OF FUNCTIONAL EXPENSES
SIX MONTHS ENDED JUNE 30, 2017**

	Program Expenses				Supporting Services			Total Expenses
	After School	Therapeutic Services	Project DREAM	Total Program Expenses	Management and General	Fundraising	Total Expenses	
Staff salaries	\$ 341,009	\$ 137,288	\$ 10,390	\$ 488,687	\$ 105,928	\$ 45,219	\$ 639,834	
Payroll taxes	35,244	10,168	1,080	46,492	9,412	3,870	59,774	
Employee benefits	35,303	9,492	960	45,755	8,661	3,491	57,907	
Consultants & contractors	53,966	20,076	950	74,992	34,934	-	109,926	
Depreciation & amortization	7,369	-	-	7,369	8,516	-	15,885	
Equipment leases & rentals	7,588	3,531	-	11,119	1,549	-	12,668	
Fines and penalties	-	-	-	-	724	-	724	
Insurance	7,724	2,490	53	10,267	1,981	159	12,407	
Interest	125	-	-	125	135	-	260	
Office supplies & expenses	11,821	4,672	329	16,822	6,342	3,026	26,190	
Postage	1,290	493	17	1,800	617	-	2,417	
Professional fees	6,014	8,698	-	14,712	5,347	455	20,514	
Program expenses - meals	33,400	59	2,389	35,848	-	268	36,116	
Program expenses - trips	985	550	-	1,535	-	-	1,535	
Program expenses - other	8,831	480	6	9,317	27	1,833	11,177	
Promotion	1,187	4,551	-	5,738	592	145	6,475	
Recruitment & development	220	-	-	220	50	-	270	
Rent and utilities	67,764	29,577	-	97,341	7,475	-	104,816	
Repairs & maintenance	2,988	462	-	3,450	494	-	3,944	
Stipends	6,966	-	-	6,966	1,064	-	8,030	
Telephone	812	27	-	839	2,634	-	3,473	
Travel & meetings	1,692	655	360	2,707	10,899	4,921	18,527	
Total expenses	\$ 632,298	\$ 233,269	\$ 16,534	\$ 882,101	\$ 207,381	\$ 63,387	\$ 1,152,869	

See accompanying notes to 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 and from contributions from foundations, corporations and individuals.

The Organization elected to change its operating year from December 31st to June 30th. As such, the accompanying financial statements cover a short, six-month period.

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 (no activity during interim period) - 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 - Property and Equipment

Property and equipment consisted of the following at June 30, 2017:

Leasehold improvements	\$ 120,400
Vehicles	34,442
Furniture & fixtures	<u>89,896</u>
	244,738
Less: Accumulated depreciation	<u>(143,660)</u>
	<u>\$ 101,078</u>

Note 3 - Loans and Notes Payable

The Organization has a \$451,441 promissory note due to a New York not-for-profit corporation. A minimum of \$4,000 of principal and interest is due monthly. The note carries an annual interest rate of 2.5% but may be waived by the lender. The loan is unsecured; however the lender has the right to request assignment of payments from a contract with the City of New York. As of June 30, 2017, the outstanding balance on the promissory note is \$2,808.

In August 2012, the Organization took out an installment loan with a car company which was used to finance the purchase of a van. The amount financed was \$25,000. The loan carries an annual interest rate of 7.32% and is secured by the purchased van. Payments of \$492 are due monthly for 61 months and end on September 2, 2017. As of June 30, 2017, the outstanding balance on the installment loan is \$1,177.

**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, 2017, the minimum aggregate annual rentals are as follows:

Year ended June 30, 2018	\$ 198,000
2019	210,120
2020	218,523
2021	227,268
2022	236,361
2023 and thereafter	369,909

Total rent and related expenses charged to operations for the six months ended June 30, 2017 was \$104,816.

Note 5 - Government Grants and Contracts

The Organization derives a majority of its revenue from agreements with multiple federal, state and city agencies. Details of major current agreements and their activities as of June 30, 2017 are as follows:

Agency	Award	2017
NY State Education Dept.	\$1,473,132	\$ 43,431
US Dept. of Health & Human Services	48,600	34,666
NYC DYCD	3,319,037	523,098

Note 6 - Restrictions on Net Assets

As of June 30, 2017, temporarily restricted net assets are available for the following purposes:

Data migration project	\$ 10,000
Camp scholarships	<u>2,000</u>
Total	<u>\$ 12,000</u>

Note 7 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2017:

Checking and savings	\$ -
Money market funds	<u>190,116</u>
Total held	<u>\$ 190,116</u>

CHILDREN OF PROMISE, NYC
NOTES TO FINANCIAL STATEMENTS

Note 8 - Concentrations

Approximately 49% of the Organization's revenue was provided by two major NYC DYCD contracts for the six months ended June 30, 2017. 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, the Organization's ability to continue as a going concern 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 six months ended June 30, 2017.

Note 9 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures through January 16, 2018, which is the date the financial statements were available to be issued.