

INTERNAL REVENUE SERVICE  
P. O. BOX 2508  
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: JUN 20 2007

CHILDREN OF PROMISE NYC  
C/O JUSTIN LYNCH  
HOLLAND & KNIGHT LLP  
195 BROADWAY  
NEW YORK, NY 10007

Employer Identification Number:  
83-0440009  
DLN:  
17053110021017  
Contact Person:  
MS K WILMER ID# 52405  
Contact Telephone Number:  
(877) 829-5500  
Accounting Period Ending:  
December 31  
Public Charity Status:  
170(b)(1)(A)(vi)  
Form 990 Required:  
Yes  
Effective Date of Exemption:  
May 30, 2006  
Contribution Deductibility:  
Yes  
Advance Ruling Ending Date:  
December 31, 2010

Dear Applicant:

We are pleased to inform you that upon review of your application for tax exempt status we have determined that you are exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code. Contributions to you are deductible under section 170 of the Code. You are also qualified to receive tax deductible bequests, devises, transfers or gifts under section 2055, 2106 or 2522 of the Code. Because this letter could help resolve any questions regarding your exempt status, you should keep it in your permanent records.

Organizations exempt under section 501(c)(3) of the Code are further classified as either public charities or private foundations. During your advance ruling period, you will be treated as a public charity. Your advance ruling period begins with the effective date of your exemption and ends with advance ruling ending date shown in the heading of the letter.

Shortly before the end of your advance ruling period, we will send you Form 8734, Support Schedule for Advance Ruling Period. You will have 90 days after the end of your advance ruling period to return the completed form. We will then notify you, in writing, about your public charity status.

Please see enclosed Information for Exempt Organizations Under Section 501(c)(3) for some helpful information about your responsibilities as an exempt organization.

Letter 1045 (DO/CG)

**CHILDREN OF PROMISE, NYC**  
**FINANCIAL STATEMENTS**  
**AND**  
**AUDITORS' REPORT**  
**DECEMBER 31, 2015 AND 2014**

# CHILDREN OF PROMISE, NYC

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

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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 statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, cash flows, and functional expenses 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 audits 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 December 31, 2015 and 2014, 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.

New York, NY  
October 13, 2016

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

**CHILDREN OF PROMISE, NYC  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 240,439	\$ 112,112
Grant and contract receivable	284,994	250,899
Prepaid expenses	15,600	-
Property and equipment, net	148,734	180,505
Security deposits and other assets	12,087	12,275
Total assets	<u>\$ 701,854</u>	<u>\$ 555,791</u>

**LIABILITIES AND NET ASSETS**

Liabilities:		
Accounts payable and accrued expenses	\$ 118,251	\$ 95,449
Loans and notes payable	87,312	120,139
Refundable advances	-	12,620
Deferred rent	109,550	92,275
Due to grantor	-	16,147
Total liabilities	<u>315,113</u>	<u>336,630</u>
Commitments and contingencies (see notes)		
Net Assets/(Deficit):		
Unrestricted	336,741	219,161
Temporarily restricted	50,000	-
Permanently restricted	-	-
Total net assets/(deficit)	<u>386,741</u>	<u>219,161</u>
Total liabilities and net assets/(deficit)	<u>\$ 701,854</u>	<u>\$ 555,791</u>

See accompanying notes to financial statements.

**CHILDREN OF PROMISE, NYC  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Support and Revenues:		
Unrestricted:		
Government grants and contracts	\$ 1,455,960	\$ 1,332,898
Program service revenue	831,246	577,953
Contributions and foundation grants	418,337	535,596
Interest income	600	-
Release of restricted assets	-	9,300
Temporarily restricted:		
Contributions and grants	50,000	-
Release of restricted assets	-	(9,300)
Total support and revenues	<u>2,756,143</u>	<u>2,446,447</u>
Expenses:		
Program Expenses:		
After school	1,260,539	1,098,082
Therapeutic services	441,675	314,815
Project DREAM	22,268	13,512
Summer camp	154,679	56,520
Total program expenses	<u>1,879,161</u>	<u>1,482,929</u>
Management and general	541,605	643,371
Fundraising	167,797	136,356
Total expenses	<u>2,588,563</u>	<u>2,262,656</u>
Increase/(Decrease) In Net Assets:		
Unrestricted	117,580	193,091
Temporarily restricted	50,000	(9,300)
Permanently restricted	-	-
Increase/(decrease) in net assets	<u>167,580</u>	<u>183,791</u>
Net assets/(deficit), beginning of year	<u>219,161</u>	<u>35,370</u>
Net assets/(deficit), end of year	<u>\$ 386,741</u>	<u>\$ 219,161</u>

See accompanying notes to financial statements.

**CHILDREN OF PROMISE, NYC  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 167,580	\$ 183,791
Adjustments for non-cash items included in operating activities:		
Depreciation and amortization	31,771	31,771
Loss on disposition of fixed assets	-	89,948
Changes in assets and liabilities:		
Security deposits and other assets	188	(2,275)
Prepaid expenses	(15,600)	-
Grant and contract receivable	(34,094)	(64,189)
Contribution receivable	-	25,000
Accounts payable and accrued expenses	22,801	(15,566)
Refundable advances	(12,621)	466
Deferred rent	17,275	92,275
Due to grantor	(16,147)	16,147
Net cash provided/(used) by operating activities	161,153	357,368
 Cash flows from investing activities		
Purchase of property and equipment	-	(102,321)
Net cash provided/(used) by investing activities	-	(102,321)
 Cash flows from financing activities:		
Repayment of credit line	-	(50,000)
Repayment of notes payable	(27,280)	(116,595)
Repayment of installment loan	(5,546)	(4,714)
Net cash provided/(used) by financing activities	(32,826)	(171,309)
 Net increase/(decrease) in cash and cash equivalents	128,327	83,738
Cash and cash equivalents at beginning of year	112,112	28,374
Cash and cash equivalents at end of year	\$ 240,439	\$ 112,112
 Supplemental information:		
Interest paid	\$ 886	\$ 12,282

**See accompanying notes to financial statements.**

**CHILDREN OF PROMISE, NYC  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2015  
WITH COMPARATIVE TOTALS FOR 2014**

	2015					2014			
	Program Expenses				Supporting Services			Total	
	After School	Therapeutic Services	Project DREAM	Summer Camp	Total Program Expenses	Management and General	Fundraising	Total Expenses	Total Expenses
Staff salaries	\$ 596,315	\$255,153	\$ 13,835	\$ -	\$ 865,303	\$ 205,131	\$ 127,984	\$ 1,198,418	\$ 973,120
Payroll taxes	56,471	24,170	1,114	-	81,755	18,378	11,250	111,383	88,239
Employee benefits	29,041	12,431	573	-	42,045	9,451	5,786	57,282	54,450
Advertising and promotion	2,634	178	80	398	3,290	2,028	-	5,318	18,598
Consultants & contractors	146,709	69,207	2,088	45,222	263,226	52,721	11,823	327,770	98,645
Depreciation & amortization	-	-	-	-	-	31,771	-	31,771	31,771
Disallowed grants repaid	-	-	-	-	-	68,381	-	68,381	8,167
Equipment leases & rentals	1,426	1,185	200	1,226	4,037	450	1,101	5,588	27,280
Fines and penalties	-	74	-	-	74	594	-	668	10,265
Insurance	4,013	2,228	-	2,761	9,002	16,142	-	25,144	30,473
Interest	886	-	-	-	886	-	-	886	12,282
Loss on asset disposal	-	-	-	-	-	-	-	-	89,948
Office supplies & expenses	28,017	6,412	1,063	14,199	49,691	14,741	375	64,807	104,064
Postage	2,887	391	-	925	4,203	613	-	4,816	2,274
Professional fees	33,898	16,563	600	6,594	57,655	33,911	-	91,566	167,763
Program expenses - meals	51,283	2,200	-	1,748	55,231	19	-	55,250	27,192
Program expenses - trips	8,868	282	15	15,976	25,141	357	-	25,498	27,961
Program expenses - other	174,944	7,233	522	20,843	203,542	8,174	4,080	215,796	95,220
Recruitment & development	2,885	-	600	25	3,510	127	-	3,637	2,505
Rent and utilities	90,802	36,903	-	31,080	158,785	56,604	-	215,389	261,890
Repairs & maintenance	9,347	1,927	-	1,905	13,179	8,082	4,800	26,061	44,876
Stipends	3,875	-	-	4,100	7,975	3,695	-	11,670	17,845
Telephone	3,899	1,388	60	1,470	6,817	799	-	7,616	8,075
Travel & meetings	12,339	3,750	1,518	6,207	23,814	9,436	598	33,848	59,753
<b>Total expenses</b>	<b>\$1,260,539</b>	<b>\$441,675</b>	<b>\$ 22,268</b>	<b>\$154,679</b>	<b>\$1,879,161</b>	<b>\$ 541,605</b>	<b>\$ 167,797</b>	<b>\$ 2,588,563</b>	<b>\$ 2,262,656</b>

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 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.

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.

**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.

**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.

Advertising Costs

The Organization uses advertising to promote its programs among the audience it serves. The production costs of advertising are expensed as incurred. During the years ended December 31, 2015 and 2014, advertising costs totaled \$5,318 and \$18,598, respectively.

Note 2 - Property and Equipment

Property and equipment consisted of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Leasehold improvements	\$ 120,400	\$ 120,400
Vehicles	34,442	34,442
Furniture & fixtures	<u>89,896</u>	<u>89,896</u>
	244,738	244,738
Less: Accumulated depreciation	<u>( 96,004)</u>	<u>( 64,233)</u>
	<u>\$ 148,734</u>	<u>\$ 180,505</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 December 31, 2015 and 2014, the outstanding balance on the promissory note is \$77,919 and \$105,200 respectively.

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 December 31, 2015 and 2014, the outstanding balance on the installment loan is \$9,393 and \$14,939, respectively.

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

**Note 4 - Due to Related Parties**

During the year ended December 31, 2013, the President of the Organization loaned the Organization \$50,000. The unsecured loan is interest-free and has no maturity date. As of December 31, 2013, the entire \$50,000 was payable to the related party. The loan was fully repaid during the year ended December 31, 2014.

**Note 5 - Commitments and Contingencies**

The Organization leased office and program space under a five year operating lease ending on August 31, 2017. In March 2014, the Organization cancelled this lease. The Organization was able to cancel the lease with no penalty and the last payment made under this lease was in March 2014.

In September 2013, the Organization entered into a new 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 December 31, 2015, the minimum aggregate annual rentals are as follows:

Year ended December 31, 2016	\$ 180,000
2017	186,000
2018	206,040
2019	214,281
2020 and thereafter	737,030

Total rent and related expenses charged to operations for the years ended December 31, 2015 and 2014 was \$215,389 and \$261,890, respectively.

**Note 6 - Loss on Abandonment of Assets**

During the year ended December 31, 2014, the Organization moved to a new, larger leased space. The previous leased space had improvements costing \$126,847. The \$89,948 net book value of the improvements was written off as a result of the surrender of the previous leased space.

**Note 7 - 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 December 31, 2015 and 2014 are as follows:

<u>Agency</u>	<u>Award</u>	<u>2015</u>	<u>2014</u>
NY State Education Dept.	\$1,104,849	\$187,679	\$308,733
US Dept. of Health & Human Services	97,200	76,020	56,084
NYC DYCD	3,326,537	1,192,261	843,602
Various other agreements	Various	-	124,479

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

**Note 8 - Concentrations**

Approximately 47% and 34% of the Organization's revenue was provided by two major NYC DYCD contracts for the years ended December 31, 2015 and 2014, respectively. 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. Balances that exceed the Federal Deposit Insurance Corporation insurance coverage are summarized for the years ended December 31, 2015 and 2014 as follows:

	2015	2014
Institutional balances	\$ 270,806	\$ -
Less: Amounts covered	(250,000)	-
Uninsured amounts	\$ 20,806	\$ -

**Note 9 - Restrictions on Net Assets**

As of December 31, 2015 and 2014, temporarily restricted net assets are available for the following purposes:

	2015	2014
Teen Program	\$ 25,000	\$ -
Family Services Coordinator salary	25,000	-

**Note 10 - Subsequent Events**

Subsequent events were evaluated for potential additional disclosures through October 13, 2016, which is the date the financial statements were available to be issued.



## BOARD OF DIRECTORS

### EXECUTIVE BOARD

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Maloney Law Group PLLC  
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Board Vice-Chair  
Children's Rescue Fund  
Appointed 2007

Oma Holloway  
Board Secretary  
ADENA Consulting Group  
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---

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Department of Corrections  
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Deydra Bringas  
Columbia University Graduate Student  
Appointed 2016

Lauren Brown  
Queens Family Court  
Appointed 2015

Arlene De La Cruz  
Starbucks  
Appointed 2015

Donald Garner  
NYC Department Of Education  
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Emily Mathews  
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Wellesley College Student  
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