CHILDREN OF PROMISE, NYC

Financial Statements

And

Independent Auditor's Report

Year Ended June 30, 2019

Children of Promise, NYC

June 30, 2019

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Independent Auditor's Report

To
Board of Directors
Children of Promise, NYC
54 Macdonough Street
Brooklyn, NY 11216

Report on the Financial Statements

We have audited the accompanying financial statements of **Children of Promise, NYC***, ("a non-profit organization")* which comprise the statement of financial position as of June 30, 2019 and the related statements of activities, functional expenses and cash flows 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 from 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, 2019, and the results of their operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period financial Statements

The financial statements of the organization as of June 30, 2018 were audited by other auditors whose report dated January 17, 2019, expressed an unqualified opinion on those statements

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The functional expense on page 7 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ravi Ramaswamy, CPA
Monmouth Junction, New Jersey
March 05, 2020

Children of Promise, NYC

June 30, 2019

Financial Statements

Children of Promise, NYC
Statements of Financial Position
June 30, 2019

ASSETS		2019
Current Assets:		
Cash & cash equivalents (Note 2 & 3)		51,492
Grants Receivable (Note 2 & 6)		519,654
Other Current Assets		72,541
Total Current Assets		643,687
Property, Plant & Equipment (Note 2 & 4)		
Furniture and equipment	$	794,463
Leasehold Improvements		129,900
Vehicles		74,969
		999,332
Less: accumulated depreciation		(318,156)
Property, Plant & Equipment		681,176
Other Assets		
Security Deposit		55,000
TOTAL ASSETS	$	1,379,863
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable & accrued expenses		75,715
Credit Card Liabilities		60,290
Accrued Payroll and Taxes (Note 7)		36,759
Bank Overdraft		39,497
Deferred Revenue		7,500
Deffered Rent		126,246
Lease Payable		546,590
Total Current Liabilities		892,597
Total Liabilities	$	892,597
Net Assets (Note 1)		
Net Assets without donor restrictions	$	487,266
Net Assets with donor restrictions		-
Total Net Assets	$	487,266
TOTAL LIABILITIES AND NET ASSETS	$	1,379,863

See accompanying notes to financial statements and independent auditor’s report

Children of Promise, NYC
Statements of Activities and Net Assets
For the Years Ended June 30, 2019

		2019
<u>Revenues and Support</u>		
Without Donor Restrictions:		
Government grants and Contracts		1,402,495
Program Service Revenue		997,574
Contributions and Foundation Grants		708,222
Interest Income		952
Other Income		4,736
Total Revenues and Support		3,113,979
<u>Expenses:</u>		
Program Services:		
After School		1,400,186
Theapeutic Services		663,983
Project Dream		27,312
Summer Camp		327,900
Total Program Expenses		2,419,381
Management and general		465,314
Fundraiding		171,048
Total Expenses		3,055,743
Increase/(Decrease) in net assets		
Without Donor Restrictions:		58,236
With Donor Restrictions:		-
Increase/(Decrease) in net assets		58,236
Net Assets, beginning of year	$	429,030
Net Assets - End of year	$	487,266

See accompanying notes to financial statements and independent auditor’s report

Children of Promise, NYC
Statements of Cash Flows
June 30, 2019

		2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$	58,236
Adjustment to reconcile change in net asset to net cash provided by operating activities:		
Depreciation and Amortization		98,342
Prior Period Adjustment		
Chang in Operating Assets and Liabilities:		
(Increase)/Decrease in other Asset		(73,435)
(Increase)/Decrease in Grant & other Accounts Receivables		(184,917)
Increase/(Decrease) in Accounts Payable & Credit card liabilities		33,378
Increase/(Decrease) in Accrued Payroll and Taxes		288
Increase/(Decrease) in Deferred Revenue		7,200
Increase/(Decrease) in Deferred Rent		(7,470)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		(68,378)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts (Payments) for Furniture, fixture, Euip & Van		(692,470)
Receipts (Payments) for Land and Building Improvements		(9,500)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		**(701,970)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts (Payments) for Furniture Lease	$	546,590
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**546,590**
NET INCREASE (DECREASE) IN CASH		**(223,758)**
CASH AT BEGINNING OF YEAR		235,753
CASH AT END OF YEAR	**$**	**11,995**

Required Disclosures:

Cash paid for Interest during the year is $375

Cash paid for Federal Income tax is Zero.

See accompanying notes to financial statements and independent auditor’s report

Children of Promise, NYC
Statements of Functional Expenses
For the Years Ended June 30, 2019

	Program Expense					Supporting Services		
	After School	Therapeutic Services & Art Therapy	Summer Camp	Project DREAM	Total Program Expenses	Management and General	Fundraising	Total Expenses
Staff Salaries	$ 638,131	$ 334,513	$ 139,470	$ 12,537	$ 1,124,651	$ 210,753	$ 115,893	$ 1,451,297
Payroll Taxes	$ 56,961	$ 29,859	$ 12,449	$ 1,119	$ 100,389	$ 18,608	$ 10,298	$ 129,296
Employee Benefits	$ 58,998	$ 30,927	$ 12,895	$ 1,121	$ 103,941	$ 19,225	$ 10,753	$ 133,920
Consultants & Contractors	$ 80,094	$ 100,087	$ 23,852	$ 7	$ 204,041	$ 59,528	$ 22,748	$ 286,317
Professional fees	$ 10,912	$ 14,967	$ -	$ 1,000	$ 26,879	$ 3,387		$ 30,266
Depreciation & amortization	$ 44,643	$ 17,287	$ 3,762		$ 65,692	$ 32,649		$ 98,342
Equipment leases& rentals	$ 556	$ 1,472	$ 810		$ 2,837	$ 1,013		$ 3,850
Insurance	$ 11,466	$ 7,329			$ 18,795	$ 4,340		$ 23,135
Office supplies & expenses	$ 20,753	$ 13,716	$ 1,279	$ 979	$ 36,727	$ 7,881	$ 2,083	$ 46,691
Postage	$ 3,206	$ 711	$ 29	$ -	$ 3,946	$ 647		$ 4,593
Printing & Copying	$ 203	$ 175			$ 378	$ 948	$ 249	$ 1,575
Computer Software & subscription	$ 9,963	$ 5,191	$ -	$ 127	$ 15,281	$ 2,535	$ 3,193	$ 21,009
Program Expenses-meals	$ 75,318	$ 5,373	$ 29,621	$ 4,831	$ 115,142			$ 115,142
Program Expenses-trips	$ 14,841	$ -	$ 31,671		$ 46,512	$ 78		$ 46,590
Program Expenses-activities &supplies	$ 119,379	$ 16,925	$ 15,757	$ 4,017	$ 156,078	$ 480	$ 562	$ 157,119
Program Expense-Others	$ 15,308		$ 2,000		$ 17,308	$ 634		$ 17,943
Promotion &Staff development	$ 6,948	$ 406	$ -	$ 406	$ 7,759	$ 1,964	$ 527	$ 10,250
Recruitement &development	$ 16,925		$ 200	$ 300	$ 17,425	$ 5,374	$ 1,159	$ 23,959
Rent & utilities	$ 151,433	$ 69,595	$ 23,590		$ 244,617	$ 36,099		$ 280,717
Repairs &maintenance	$ 34,195	$ 12,816	$ 5,348	$ 474	$ 52,832	$ 5,183		$ 58,015
Stipends	$ 22,988		$ 24,660		$ 47,648	$ 3,500		$ 51,148
Telephone	$ 2,280		$ 351		$ 2,631	$ 1,045		$ 3,676
Travel & meetings	$ 3,504	$ 2,621	$ 156	$ 395	$ 6,676	$ 25,795	$ 3,074	$ 35,545
Other expenses	$ 1,180	$ 15			$ 1,194	$ 23,648	$ 507	$ 25,349
Total Expenses	$ 1,400,186	$ 663,983	$ 327,900	$ 27,312	$ 2,419,381	$ 465,314	$ 171,047	$ 3,055,743

See accompanying notes to financial statements and independent auditor’s report

Children of Promise, NYC
Notes to Financial statements
June 30, 2019

1. Description of Organization

Children of Promise, NYC (Organization), a non-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 foundation, 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 Service & Art Therapy - Offering behavioral assessment and counselling to children of imprisoned parents and their families where they can explore their past traumas, recognize their present accomplishment and move forward toward future goals; Mental health therapeutic services are provided on-site, 6-days a week by a team of psychiatrists, social workers and licensed creative arts therapists at our onsite Article 31 Outpatient Clinic; Project DREAM (Directing Realties 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 art-based programming and recreational activities in a day camp provided during the summer months to decrease the summer learning loss experienced by many children.

2. Significant Accounting Policies

a) Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

Effective January 1, 2018, the Organization adopted the requirements of the Financial Accounting Standards Board’s Accounting Standards Update No. 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions. A footnote on liquidity has also been added (Note 5). Amounts previously reported as investment expense on the statement of functional expenses are now included in investment return on the statement of activities.

Implementation of ASU 2016-14 did not require any reclassification or restatement of opening balances related to the periods presented.

b) Basis of Presentation

The Organization reports information regarding their financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* – represent those resources for which there are no restrictions by donors as to their use.

- *Net Assets with Donor Restrictions* – represent those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor. The Organization did not have any net assets with donor restrictions at June 30, 2019.

c) Revenue recognition

The Organization records program fees receivables and revenue when earned based on the established third-party reimbursement rates for services provided.

Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

Contributions expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques. Conditional contributions are recognized as income when the conditions have been substantially met.

Management assesses the collectability of all outstanding receivables based upon historical trends and experience with donors. Based on that review, management has concluded that all receivables are collectible. As such, no allowance for uncollectible accounts was deemed necessary.

d) Grant Receivable

Grant receivables are primarily unsecured non-interest-bearing amounts due from grantors on cost reimbursement or performance grant basis. Grant receivable that are expected to be collected within one year are recorded after the service is rendered or when cost is incurred. Management believes that all outstanding grants receivables are collectible in full.

e) Cash Equivalent

The organization considers cash equivalent as highly liquid, short term, interest bearing, investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase. Excluded from this definition of cash equivalent are such amounts that represent funds that have been designed by the board for investment or endowment fund.

f) Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentration of credit risk consist of cash and grants receivable. At times, and at year end, balances may exceed federally insured limits. A significant portion of the funds is not insured by the FDIC or related entity; however, the Organization has not experienced any losses from these accounts. The organizations grant receivables consist primarily of amounts due from grantors. The company believes no significant concentration of credit risk exists with respect to its cash and grants receivables. Organization significantly depends on the NYC Department of Youth and Community Development's DYCD Contracts for its revenue. This state program accounts for 37% of total awarded money. 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.

g) Investments

Investments are recorded at fair value, which is defined as the price that would be received when selling an asset in an orderly transaction between market participants at the measurement date. Unrealized gains and losses are included in the statement of activities.

h) Property, Plant and Equipment

Property, Plant and Equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of gift, if donated, less accumulated depreciation. All land and buildings are capitalized. Equipment is capitalized if cost is material and useful life is more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Leasehold Improvements	10 years
Furniture and Equipment	5-10 years
Computer and Software	5 years
Vehicle	5 years

At the time property, Plant and Equipment are retired or otherwise disposed of, the cost and related accumulated depreciation are adjusted and any gains or loss on disposal is included in the statement of changes in net assets. Additionally, the organization periodically reviews the carrying value of property. Plant and equipment and will recognize impairments when the expected future operating cash flow derived from such asset is less than their carrying value.

i) Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

j) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Allocations are determined by management on an equitable basis.

The following expenses were allocated using time and effort as the basis:

- Salaries
- Payroll taxes and benefits

The following expenses were allocated using the Organization's square footage:

- Office expense
- Office equipment
- Repairs and maintenance
- IT and communication
- Insurance
- Depreciation
- Utilities

All other expenses have been charged directly to the applicable program or supporting services.

k) Tax Status

The organization is a non-profit corporation incorporated in the state of New York and exempt from federal income taxation under section 501(C)(3) of the Internal Revenue Code (IRC), through it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). The tax years ending 2017, 2016 and 2015 are still open to audit for both federal and state purposes. Contributions to the organization are tax deductibles to donors under Section 170 of the IRC. The organization is not classified as a private foundation under section 59 (a)(2) and is exempt from New York income and franchise tax.

l) Accounting for Uncertainty of Income Taxes

The Organization does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2016 and later are subject to examination by applicable taxing authorities.

m) Leases

The Company has adopted FASB ASU No. 2016-02, Leases, FASB ASU No. 2016-02 affects both finance leases and operating leases.

For finance leases, a lessee is required to recognize a right-of-use asset and a lease liability in the balance sheet. For operating leases, a lessee is required to recognize a right-of-use asset and a lease liability in the balance sheet.

n) New Pronouncements

On June 21, 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU which becomes effective for the June 30, 2020 year, provides guidance on whether a receipt from a third-party resource provider should be accounted for as a contribution (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transactions.

In addition, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the June 30, 2020 year, focuses on a principle-based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied.

Lastly, FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the June 30, 2021 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding “right to use asset” on the statement of financial position.

The Organization is in the process of evaluating the impact these standards will have on future financial statements.

o) Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation

3. Cash and Cash Equivalents

Cash and Cash equivalents consisted of the following as of June 30, 2019.

Checking and Saving	$1,000
Money Market Funds	$50,492
Bank Overdraft	($39,497)
Total Cash and Cash Equivalents	$11,995

4. Fixed Assets

The following is fixed assets consist, including assets under finance leases (Note10), at cost, less accumulated depreciation:

		2019
Leasehold Improvements	$	129,900
Furniture and equipment		794,463
Van		74,969
		$999,332
Less: Accumulated Depreciation		(318,156)
Total Fixed Assets, net		$681,176

Depreciation expense charged to operations was $98,342 for the year ended June 30, 2019. Depreciation expense includes amortization expense for finance lease of $65,600.

5. Availability and Liquidity

The Organization maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. As part of its liquidity management plan, the Organization relies on earned income and investment income to fund its operations and program activities.

Financial assets at year end	
Cash and cash equivalents	11,995
Accounts Receivable	519,654
Prepaid Expenses	72,541
Financial assets available to meet cash needs for general expenditures within one year	604,190

As of June 30, 2019, there are no internal or external limits imposed on the Organization's financial assets.

6. Grant Receivable

The Company has grants receivable from various state and Counties $519,654 as of June 30, 2019.

7. Accrued Payroll and Related Taxes

Accrued payroll and related payroll tax amounted to $136,759 as of June 30, 2019.

The balance for vacation payable was not accrued. Children of Promise, NYC's management does not consider it to be material amount, as most employees take their vacation by fiscal year end.

8. Subsequent Event

Management evaluated potential subsequent events to the statement of financial position date of June 30, 2019 through the date that the financial statements were available to be issued March 05, 2020. The Management has determined there are no subsequent events that require recognition or disclosure in these financial statements.

9. Operating Leases

a. 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, 2019, the minimum aggregate annual rentals are as follows:

Year Ending June 30:	
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, 2019 was $257,559.

b. The Company entered into operating lease on October 24, 2018 with a vehicle leasing company for delivery of auto vehicle. The lease calls for 38 monthly payment of $478 per month for 38 months, at which truck is returned to lessor.

The future minimum rental payments required as of June 30, 2019 by year and aggregate are:

Year ending June 30:		
	2020	3,332
	2021	3,332
	2022	1,666
		8,330

The lease expense charged to operations for the year ended June 30, 2019 is $2,222.

10. Finance Leases

As of June 30, 2019, the gross amount of assets under finance leases and accumulated amortization are:

	2019
Furniture & Equipment- asset under finance lease	669,925
less: accumularted amortization (depreciation)	(118,224)
Net carrying value of assets under finance lease	551,701

As outlined in Note 4, assets under finance leases are included in balance sheet as components of Furniture and Equipment.

Total future minimum lease payments as of June 30, 2019 by year end and in aggregate are:

Year Ended June 30:	
2020	122,187
2021	133,708
2022	104,839
2023	99,126
2024	86,730
Total	546,590

11. 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, 2019 are as follows:

Agency	**Award**	**2019**
NYC DYCD	4,260,119	1,142,612
NYS OCFS	1,280,000	133,235
NYS CACFP	85,738	85,738
NYS OCS	35,000	12,500
	5,660,857	1,374,085