

Lemay Child and Family Center

Auditor's Report and Financial Statements

For the year ended December 31, 2015 and 2014



Lemay Child and Family Center
December 31, 2015 and 2014
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Lemay Child and Family Center

We have audited the accompanying financial statements of Lemay Child and Family Center (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements 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 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 Lemay Child and Family Center as of December 31, 2015 and 2014, and the changes in its net assets

10425 Old Olive
Street Road,
Suite 101

Creve Coeur,
Missouri 63141

PHONE:
314-569-3800
FAX:
314-569-0020

www.nsvcpa.com

and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 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 audit 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.

Nichols, Stopp, & VanHoy, LLC

Creve Coeur, MO
May 31, 2016

**Lemay Child and Family Center
Statements of Financial Position
December 31, 2015 and 2014**

Assets	<u>2015</u>	<u>2014</u>
Current Assets		
Cash and cash equivalents	\$ 34,448	\$ 82,308
Accounts receivable, net	56,807	55,530
Unconditional promises to give	192,448	210,320
Prepaid insurance	4,651	5,499
Total Current Assets	288,354	353,657
Fixed Assets		
Non-depreciable assets:		
Land	29,347	29,347
Outdoor learning center - construction in process	48,636	23,577
Depreciable assets:		
Buildings and improvements	1,690,966	1,697,866
Furniture and equipment	95,280	109,704
Playground equipment	102,126	110,272
Automobiles	63,942	63,942
Less: Accumulated depreciation	(769,655)	(740,122)
Net Fixed Assets	1,260,642	1,294,586
Other Assets		
Investments	-	5,622
Total Assets	\$ 1,548,996	\$ 1,653,865
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 4,369	\$ 15,930
Line of credit	51,614	51,614
Current portion of long-term debt	10,605	10,037
Accrued payroll and vacation	26,857	46,053
Enrollment deposits	7,139	7,830
Total Current Liabilities	100,584	131,464
Long-term Debt	9,067	19,883
Total Liabilities	109,651	151,347
Net Assets		
Unrestricted	1,189,962	1,236,101
Temporarily restricted	249,383	266,417
Total Net Assets	1,439,345	1,502,518
Total Liabilities and Net Assets	\$ 1,548,996	\$ 1,653,865

See Notes to the Financial Statements

Lemay Child and Family Center
Statements of Activities
For the year ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Program tuition	\$ 773,298	\$ -	\$ 773,298	\$ 792,372	\$ -	\$ 792,372
Scholarships and discounts	(482,279)	-	(482,279)	(475,597)	-	(475,597)
Net program tuition	291,019	-	291,019	316,775	-	316,775
United Way support	1,187	192,448	193,635	34,423	207,720	242,143
Government grants	84,650	-	84,650	43,504	-	43,504
Government fees	235,239	-	235,239	225,930	-	225,930
Contributions and grants	28,025	27,754	55,779	33,667	20,235	53,902
Capital contributions and grants	24,185	-	24,185	79,525	-	79,525
Special events	62,499	-	62,499	58,445	-	58,445
Donated services	-	-	-	9,687	-	9,687
Gain (loss) on investments	647	-	647	122	-	122
All other	155	-	155	212	-	212
Net assets released from restrictions	237,236	(237,236)	-	353,863	(353,863)	-
Total Support and Revenue	964,842	(17,034)	947,808	1,156,153	(125,908)	1,030,245
Expenses						
Program services	823,051	-	823,051	949,613	-	949,613
Management and general	124,005	-	124,005	147,807	-	147,807
Fundraising	63,925	-	63,925	66,910	-	66,910
Total Expenses	1,010,981	-	1,010,981	1,164,330	-	1,164,330
Change in Net Assets	\$ (46,139)	\$ (17,034)	\$ (63,173)	\$ (8,177)	\$ (125,908)	\$ (134,085)
Net Assets - Beginning of Year	1,236,101	266,417	1,502,518	1,244,278	392,325	1,636,603
Net Assets - End of Year	\$ 1,189,962	\$ 249,383	\$ 1,439,345	\$ 1,236,101	\$ 266,417	\$ 1,502,518

See Notes to the Financial Statements

Lemay Child and Family Center
Statements of Cash Flows
For the year ended December 31, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ (63,173)	\$ (134,085)
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	59,003	57,720
Donated fixed assets	-	(65,778)
Donated investments	-	(5,500)
(Gain) loss on investments	(647)	(122)
(Increase) Decrease in:		
Accounts receivable	(1,277)	74,154
Unconditional promises to give	17,872	47,157
Prepaid insurance	848	1,812
Increase (Decrease) in:		
Accounts payable	(11,561)	14,325
Accrued payroll and vacation	(19,196)	(11,139)
Enrollment deposits	(691)	(58)
Net cash (used) provided from operating activities	(18,822)	(21,514)
Cash Flows from Investing Activities		
Proceeds from sale of investments	6,269	-
Purchase of fixed assets	(25,060)	(13,666)
Sale of fixed assets	-	-
Net cash (used) provided from investing activities	(18,791)	(13,666)
Cash Flows from Financing Activities		
Proceeds from borrowings	-	-
Principal payments	(10,247)	(9,741)
Net cash (used) provided from financing activities	(10,247)	(9,741)
Net increase (decrease) in cash	\$ (47,860)	\$ (44,921)
Cash and cash equivalents - Beginning of the Year	82,308	127,229
Cash and cash equivalents - End of the Year	\$ 34,448	\$ 82,308
Noncash Investing and Financing Activities:		
Donated fixed assets	\$ -	\$ 65,778
Donated investments	-	5,500
	\$ -	\$ 71,278
Supplemental Disclosure:		
Cash Paid for Interest	\$ 4,229	\$ 4,584

See Notes to the Financial Statements

Lemay Child and Family Center
Notes to the Financial Statements
For the year ended December 31, 2015 and 2014

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

Lemay Child and Family Center, Inc., (the "Organization") is a private not-for-profit, non-denominational agency providing early childhood education and family support programs to Lemay, Missouri and the surrounding geographic area. The Organization commenced operations in March 1976. It was formed to strengthen families by promoting children's healthy physical, cognitive and social-emotional development and by partnering with parents and community. The Organization's mission is that all children deserve access to high-quality early childhood education regardless of their financial situation or developmental level.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205-05, *Not for Profit Entities*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets - unrestricted, temporarily restricted and permanently restricted, as follows:

Unrestricted Net Assets - Those resources over which the Board has discretionary control. Designated amounts represent those resources that the Board has set aside for a specified purpose. The Organization's Board had not designated net assets at December 31, 2015.

Temporarily Restricted Net Assets - Those resources subject to donor-imposed or time restrictions that will be satisfied by actions of the Organization or the passage of time.

Permanently Restricted Net Assets - Those resources subject to donor-imposed restrictions that will be maintained permanently by the Organization. The Organization had no permanently restricted net assets at December 31, 2015.

Restricted and Unrestricted Support

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 temporarily restricted or permanently restricted support. Contributions restricted for capital items are recorded as an increase in temporarily restricted net assets until the capital expenditures are made. All restricted support is reported as temporarily restricted or permanently restricted net assets and expirations of restrictions are reclassified to unrestricted net assets.

Grants

Grants received on a cost reimbursement basis are recognized as revenue when earned. All other grants are recorded as unconditional promises to give.

Lemay Child and Family Center
Notes to the Financial Statements
For the year ended December 31, 2015 and 2014

Note 1 - Summary of Significant Accounting Policies

Conditional Promise to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Cash and cash equivalents

For the purpose of the statements of financial position and cash flows, the Organization considers all short-term investments with an original maturity of three months or less to be cash.

Accounts receivable and allowance for doubtful accounts

Accounts receivable consist mainly of tuition and purchased service grants and are carried at net realizable value. The Organization allows for estimated losses on accounts receivable based on prior bad debt experience and review of existing receivables.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and therefore, has made no provision for federal income taxes in the accompanying financial statements. The Organization's federal income tax returns are subject to examination by the IRS for the statutory period.

Fixed Assets

Fixed assets are recorded at cost as of the date of acquisition or fair value as of the date of receipt in the case of donations. The Organization capitalizes all fixed asset purchases of \$1,000 or more. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	15-40 years
Furniture and equipment	3-5 years
Automobiles	5 years

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Lemay Child and Family Center
Notes to the Financial Statements
For the year ended December 31, 2015 and 2014

Note 1 - Summary of Significant Accounting Policies

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Compensated Absences

The Organization has a formal paid time off policy for employee benefits. This policy consists of sick pay and vacation allowance for eligible full-time employees and certain qualifying part-time employees. Eligible employees are paid for time earned but not taken for vacation at termination of employment. The accrued unpaid time off as of December 31, 2015 and 2014 is \$16,092 and \$13,666, respectively.

Note 2 - Accounts Receivable

Accounts receivable consists of the following:

	2015	2014
Tuition receivable	\$ 14,803	\$ 14,717
Missouri Division of Social Services	20,246	11,988
CACFP	5,375	4,506
Grants receivable	25,098	31,384
Less: Allowance for doubtful accounts	(8,715)	(7,065)
	\$ 56,807	\$ 55,530

Note 3 - Promises to Give

Unconditional promises to give are all due in less than one year and consist of the following:

	2015	2014
Outdoor learning center expansion pledges	\$ -	\$ 2,600
United Way operating and supplemental grant	192,448	207,720
	\$ 192,448	\$ 210,320

Due to the nature of the promises, management believes that all amounts will be received when due; therefore, no allowance for uncollectable promises has been provided.

Conditional promises to give consist of promises to:

	2015	2014
Raise matching gifts for Outdoor Learning Center	\$ 34,389	\$ 196,000

Lemay Child and Family Center
Notes to the Financial Statements
For the year ended December 31, 2015 and 2014

Note 4 - Line of Credit

	2015	2014
The Organization has a \$75,000 revolving line of credit maturing July 5, 2016. Interest is payable at the index rate plus .25% with a rate of interest no less than 4.50%. The note is collateralized by a deed of trust and security agreement.	\$ 51,614	\$ 51,614

Note 5 - Long-Term Debt

	2015	2014
The Organization had a note payable in monthly installments of \$984, including \$33,128 due September 2014. This note was refinanced to establish repayment terms of 32 monthly payments of \$956 with interest payable at 5.75% due to mature in October 2017. The note is collateralized by a deed of trust and security agreement.	\$ 19,672	\$ 29,920

Future payments until maturity are as follows:

Year ended,	Principal	Interest	Total
2016	10,605	869	11,474
2017	9,067	246	9,313
	\$ 19,672	\$ 1,115	\$ 20,787

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes of periods:

	2015	2014
Future operations	\$ 192,448	\$ 207,730
Building fund	38,232	38,232
Scholarship	8,704	9,500
Classroom equipment and supplies	2,155	155
Program equipment	-	2,200
Curriculum	300	-
Community outreach	7,544	8,600
	\$ 249,383	\$ 266,417

Note 7 - Fair Value Measurements

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, applies to all financial instruments that are measured and reported on a fair value basis; it defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. The Organization is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value, as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Lemay Child and Family Center
Notes to the Financial Statements
For the year ended December 31, 2015 and 2014

Note 7 - Fair Value Measurements (continued)

Level 2 - Quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of assets or liabilities.

Level 3 - Unobservable inputs that are significant and reflect substantial management judgment or estimation, including the use of pricing models, discounted cash flow methodologies or similar techniques.

The following tables present the fair value measurements of financial instruments recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the ASC 820-10 fair value hierarchy in which the fair value measurements fall at December 31, 2015 and 2014:

December 31, 2015	Fair Value	Fair Value Measurements Using		
		(Level 1)	(Level 2)	(Level 3)
Investments - corporate stocks	\$ -	\$ -	\$ -	\$ -

December 31, 2014	Fair Value	Fair Value Measurements Using		
		(Level 1)	(Level 2)	(Level 3)
Investments - corporate stocks	\$ -	\$ 5,622	\$ -	\$ -

Note 8 - Donated Services

A number of volunteers have donated time to the Organization's program services and fund-raising campaigns during the year; however, these services are not reflected in the financial statements since the criteria for recognition under generally accepted accounting principles have not been met. Donated professional services and other items are reflected in the statement of activities at their estimated fair value, as applicable.

Note 9 - Concentrations

The Organization received approximately 39% and 39% of its support from contributions from United Way of Greater St. Louis and the Missouri Division of Social Services for the years ended December 31, 2015 and 2014, respectively. Any significant funding decreases by either organization could have a material adverse effect on the Organization.

Note 10 - Contingencies

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

Note 11 - Lease Obligation

The Organization entered into a non-cancelable lease for certain office equipment at a monthly rate of \$252 for months 1-6 and \$298 for months 7-60 through July 2018. Rent expense under this lease and prior non-cancelable leases for the years ended December 31, 2015 and 2014 was \$3,879 and \$2,928, respectively.

Lemay Child and Family Center
Notes to the Financial Statements
For the year ended December 31, 2015 and 2014

Note 12 - Subsequent Events

The organization has evaluated subsequent events through May 31, 2016, the date the financial statements were available to be issued.

On March 20, 2016, the Organization entered into a revolving line-of-credit agreement for \$150,000 to be used as a temporary funding source for an outdoor learning playground. This line-of-credit will mature on April 5, 2017.

Supplementary Information

Lemay Child and Family Center
Schedules of Functional Expenses
For the year ended December 31, 2015 and 2014

	2015				2014			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 486,352	\$ 75,268	\$ 17,370	\$ 578,990	\$ 566,318	\$ 87,781	\$ 22,113	\$ 676,212
Payroll taxes	41,001	6,345	1,465	48,811	50,414	7,802	1,801	60,017
Employee benefits	60,739	9,513	2,928	73,180	66,176	10,304	2,778	79,258
Food	61,667	-	-	61,667	67,839	-	-	67,839
Program supplies	16,083	-	-	16,083	13,514	-	-	13,514
Transportation	1,225	-	-	1,225	1,492	2,693	-	4,185
Staff training	1,653	495	-	2,148	3,329	994	-	4,323
Insurance	17,601	6,286	1,258	25,145	20,433	7,297	1,460	29,190
Interest	3,565	526	138	4,229	3,851	595	138	4,584
Maintenance	15,414	2,306	204	17,924	15,257	2,306	178	17,741
Supplies	10,667	1,676	387	12,730	15,214	2,354	543	18,111
Professional services	9,970	4,480	-	14,450	20,779	9,333	-	30,112
Dues and subscriptions	1,837	168	14	2,019	2,620	168	104	2,892
Telephone	3,329	885	110	4,324	2,815	731	110	3,656
Utilities	15,889	2,122	465	18,476	13,347	1,708	465	15,520
Depreciation	49,563	7,712	1,728	59,003	48,484	7,504	1,732	57,720
Cleaning	12,072	1,902	397	14,371	11,125	1,723	397	13,245
Special events	-	-	35,335	35,335	-	-	32,560	32,560
Bad debt	4,946	-	-	4,946	14,068	-	-	14,068
Field trips	530	-	-	530	1,790	-	-	1,790
Marketing and public relations	-	2,366	-	2,366	-	2,327	-	2,327
Technology	1,960	219	100	2,279	2,846	363	100	3,309
Miscellaneous	6,988	1,736	2,026	10,750	7,902	1,824	2,431	12,157
Total Expenses	\$ 823,051	\$ 124,005	\$ 63,925	\$ 1,010,981	\$ 949,613	\$ 147,807	\$ 66,910	\$ 1,164,330

See Notes to the Financial Statements