

Lemay Child and Family Center

Auditor's Report and Financial Statements

For the year ended December 31, 2016 and 2015



Lemay Child and Family Center
December 31, 2016 and 2015
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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, 2016 and 2015, 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.

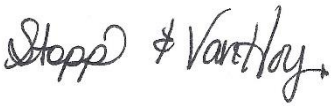
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016 and 2015, 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.

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 11 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.

A handwritten signature in cursive script that reads "Stopp & VaneHay".

Creve Coeur, MO
June 28, 2017

**Lemay Child and Family Center
Statements of Financial Position
December 31, 2016 and 2015**

Assets	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents	\$ 72,732	\$ 34,448
Accounts receivable, net	56,135	56,807
Unconditional promises to give	188,810	192,448
Prepaid insurance	4,856	4,651
Total Current Assets	322,533	288,354
Fixed Assets		
Non-depreciable assets:		
Land	29,347	29,347
Outdoor learning center - construction in process	185,647	48,636
Website - work in process	12,500	-
Depreciable assets:		
Buildings and improvements	1,690,966	1,690,966
Furniture and equipment	96,379	95,280
Playground equipment	102,126	102,126
Automobiles	63,942	63,942
Less: Accumulated depreciation	(829,472)	(769,655)
Net Fixed Assets	1,351,435	1,260,642
Total Assets	\$ 1,673,968	\$ 1,548,996
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 1,138	\$ 4,369
Line of credit	51,375	51,614
Current portion of long-term debt	9,070	10,605
Accrued expenses	93,006	-
Accrued payroll and vacation	27,767	26,857
Enrollment deposits	5,930	7,139
Total Current Liabilities	188,286	100,584
Long-term Debt	-	9,067
Total Liabilities	188,286	109,651
Net Assets		
Unrestricted	1,256,573	1,189,962
Temporarily restricted	229,109	249,383
Total Net Assets	1,485,682	1,439,345
Total Liabilities and Net Assets	\$ 1,673,968	\$ 1,548,996

See Notes to the Financial Statements

Lemay Child and Family Center
Statements of Activities
For the year ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Program tuition	\$ 832,085	\$ -	\$ 832,085	\$ 773,298	\$ -	\$ 773,298
Scholarships and discounts	(553,625)	-	(553,625)	(482,279)	-	(482,279)
Net program tuition	278,460	-	278,460	291,019	-	291,019
United Way support	36,927	182,081	219,008	1,187	192,448	193,635
Government grants	32,576	-	32,576	84,650	-	84,650
Government fees	363,029	-	363,029	235,239	-	235,239
Contributions and grants	32,982	17,750	50,732	28,025	27,754	55,779
Capital contributions and grants	24,279	2,200	26,479	24,185	-	24,185
Special events	44,788	-	44,788	62,499	-	62,499
Gain (loss) on investments	-	-	-	647	-	647
All other	435	-	435	155	-	155
Net assets released from restrictions	222,305	(222,305)	-	237,236	(237,236)	-
Total Support and Revenue	1,035,781	(20,274)	1,015,507	964,842	(17,034)	947,808
Expenses						
Program services	808,188	-	808,188	823,051	-	823,051
Management and general	120,665	-	120,665	124,005	-	124,005
Fundraising	40,317	-	40,317	63,925	-	63,925
Total Expenses	969,170	-	969,170	1,010,981	-	1,010,981
Change in Net Assets	\$ 66,611	\$ (20,274)	\$ 46,337	\$ (46,139)	\$ (17,034)	\$ (63,173)
Net Assets - Beginning of Year	1,189,962	249,383	1,439,345	1,236,101	266,417	1,502,518
Net Assets - End of Year	\$ 1,256,573	\$ 229,109	\$ 1,485,682	\$ 1,189,962	\$ 249,383	\$ 1,439,345

See Notes to the Financial Statements

Lemay Child and Family Center
Statements of Cash Flows
For the year ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ 46,337	\$ (63,173)
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	59,817	59,003
Donated services - Outdoor Learning Center	(17,550)	-
(Gain) loss on investments	-	(647)
(Increase) Decrease in:		
Accounts receivable	672	(1,277)
Unconditional promises to give	3,638	17,872
Prepaid insurance	(205)	848
Increase (Decrease) in:		
Accounts payable	(3,231)	(3,334)
Accrued expenses	93,006	(8,227)
Accrued payroll and vacation	910	(19,196)
Enrollment deposits	(1,209)	(691)
Net cash (used) provided from operating activities	182,185	(18,822)
Cash Flows from Investing Activities		
Proceeds from sale of investments	-	6,269
Purchase of fixed assets	(133,060)	(25,060)
Proceeds from sale of fixed assets	-	-
Net cash (used) provided from investing activities	(133,060)	(18,791)
Cash Flows from Financing Activities		
Proceeds from borrowings	-	-
Principal payments	(10,841)	(10,247)
Net cash (used) provided from financing activities	(10,841)	(10,247)
Net increase (decrease) in cash	\$ 38,284	\$ (47,860)
Cash and cash equivalents - Beginning of the Year	34,448	82,308
Cash and cash equivalents - End of the Year	\$ 72,732	\$ 34,448
Noncash Investing and Financing Activities:		
Donated services - Outdoor Learning Center	\$ 17,550	\$ -
Supplemental Disclosure:		
Cash Paid for Interest	\$ 3,228	\$ 4,229

See Notes to the Financial Statements

Lemay Child and Family Center
Notes to the Financial Statements
For the year ended December 31, 2016 and 2015

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, 2016.

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, 2016.

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, 2016 and 2015

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. Items contributed to the Organization are recorded at the fair value determined at the date of acquisition. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when donated or acquired assets are placed in service as instructed by the donor. 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

Lemay Child and Family Center
Notes to the Financial Statements
For the year ended December 31, 2016 and 2015

Note 1 - Summary of Significant Accounting Policies

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. The Center had no investments as of December 31, 2016 and 2015, respectively.

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, 2016 and 2015 is \$14,046 and \$16,092, respectively.

Advertising Costs

Advertising costs are expensed as the costs are incurred. Advertising expense was \$8,422 and \$2,366 for the years ended December 31, 2016 and 2015, respectively.

Note 2 - Accounts Receivable

Accounts receivable consists of the following:

	2016	2015
Tuition receivable	\$ 12,034	\$ 14,803
Missouri Division of Social Services	33,741	20,246
CACFP	5,997	5,375
Grants receivable	13,586	25,098
Less: Allowance for doubtful accounts	(9,223)	(8,715)
	\$ 56,135	\$ 56,807

Note 3 - Promises to Give

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

	2016	2015
Outdoor learning center expansion grants	\$ 6,729	\$ -
United Way operating and supplemental grant	182,081	192,448
	\$ 188,810	\$ 192,448

Lemay Child and Family Center
Notes to the Financial Statements
For the year ended December 31, 2016 and 2015

Note 3 - Promises to Give (continued)

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.

Note 4 - Line of Credit

	2016	2015
The Organization has a \$75,000 revolving line of credit maturing October, 2017. 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.	<u>\$ 51,375</u>	<u>\$ 51,614</u>

Note 5 - Long-Term Debt

	2016	2015
The Organization has a note payable in monthly installments 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.	<u>\$ 9,070</u>	<u>\$ 19,672</u>

Future payments until maturity are as follows:

Year ended			
December 31,	Principal	Interest	Total
2017	<u>\$ 9,070</u>	<u>\$ 454</u>	<u>\$ 9,524</u>

Note 6 - Temporarily Restricted Net Assets

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

	2016	2015
Future operations	\$ 182,081	\$ 192,448
Building fund	37,329	38,232
Scholarship	-	8,704
Classroom equipment and supplies	2,155	2,155
Curriculum	-	300
Community outreach	7,544	7,544
	<u>\$ 229,109</u>	<u>\$ 249,383</u>

Note 7 - 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. The Center recognized \$17,550 of donated services in the year ended December 31, 2016 and \$0 in the year ended December 31, 2015.

Lemay Child and Family Center
Notes to the Financial Statements
For the year ended December 31, 2016 and 2015

Note 8 - Concentrations

The Organization received approximately 50% 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, 2016 and 2015, respectively. Any significant funding decreases by either organization could have a material adverse effect on the Organization.

Note 9 - 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 10 - 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, 2016 and 2015 was \$3,789 and \$3,879, respectively. At the conclusion of the lease, the organization has the option to purchase the equipment for its fair market value or renew the lease.

Future minimum lease payments under the above lease are as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2017	\$ 3,570
2018	1,785
	<u>\$ 5,355</u>

Note 11 - Subsequent Events

The organization has evaluated subsequent events through June 28, 2017, the date the financial statements were available to be issued.

On May 17, 2017, the Center refinanced the remaining line of credit and note payable balances into one loan for \$56,332 payable in 60 monthly payments of \$1,053 at an interest rate of 4.25%

Note 12 - Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation.

Supplementary Information

Lemay Child and Family Center
Schedules of Functional Expenses
For the year ended December 31, 2016 and 2015

	2016				2015			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 486,353	\$ 67,130	\$ 17,370	\$ 570,853	\$ 486,352	\$ 75,268	\$ 17,370	\$ 578,990
Payroll taxes	38,509	5,437	1,359	45,305	41,001	6,345	1,465	48,811
Employee benefits	60,318	8,515	2,129	70,962	60,739	9,513	2,928	73,180
Food	62,664	-	-	62,664	61,667	-	-	61,667
Program supplies	8,619	-	-	8,619	16,083	-	-	16,083
Transportation	1,211	-	-	1,211	1,225	-	-	1,225
Staff training	2,274	-	-	2,274	1,653	495	-	2,148
Insurance	15,240	5,443	1,088	21,771	17,601	6,286	1,258	25,145
Interest	2,712	378	138	3,228	3,565	526	138	4,229
Maintenance	14,843	2,244	172	17,259	15,414	2,306	204	17,924
Supplies	9,527	1,474	341	11,342	10,667	1,676	387	12,730
Professional services	12,882	6,900	-	19,782	9,970	4,480	-	14,450
Dues and subscriptions	543	568	-	1,111	1,837	168	14	2,019
Telephone	3,694	959	144	4,797	3,329	885	110	4,324
Utilities	13,795	1,781	465	16,041	15,889	2,122	465	18,476
Depreciation	50,246	7,776	1,795	59,817	49,563	7,712	1,728	59,003
Cleaning	12,072	1,595	397	14,064	12,072	1,902	397	14,371
Special events	-	-	12,661	12,661	-	-	35,335	35,335
Bad debt	2,763	-	-	2,763	4,946	-	-	4,946
Field trips	657	-	-	657	530	-	-	530
Marketing and public relations	-	8,422	-	8,422	-	2,366	-	2,366
Technology	1,834	213	85	2,132	1,960	219	100	2,279
Miscellaneous	7,432	1,830	2,173	11,435	6,988	1,736	2,026	10,750
Total Expenses	\$ 808,188	\$ 120,665	\$ 40,317	\$ 969,170	\$ 823,051	\$ 124,005	\$ 63,925	\$ 1,010,981

See Notes to the Financial Statements