

**COMMUNITY EDUCATION PROJECT, INC.**

**DECEMBER 31, 2009**

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## *INDEPENDENT AUDITORS' REPORT*

To the Board of Directors  
Community Education Project, Inc.  
Holyoke, Massachusetts

We have audited the accompanying statements of financial position of Community Education Project, Inc. as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Community Education Project, Inc.'s management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Education Project, Inc. as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2010, on our consideration of Community Education Project, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our report was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Nicholas LaPier CPA, PC.*

Nicholas LaPier, CPA, PC  
August 2, 2010

**COMMUNITY EDUCATION PROJECT, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 42,027	\$ 57,116
Grants and accounts receivable	225,955	178,682
Prepaid expense	<u>25</u>	<u>472</u>
Total current assets	268,007	236,270
 Equipment and furnishing, net	 <u>5,747</u>	 <u>8,696</u>
 Total assets	 <u>\$ 273,754</u>	 <u>\$ 244,966</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 3,242	\$ 6,880
Accrued payroll and related expenses	<u>14,762</u>	<u>8,585</u>
Total current liabilities	<u>18,004</u>	<u>15,465</u>
 Net assets		
Unrestricted	45,547	48,908
Temporarily restricted	<u>210,203</u>	<u>180,593</u>
Total net assets	<u>255,750</u>	<u>229,501</u>
 Total liabilities and net assets	 <u>\$ 273,754</u>	 <u>\$ 244,966</u>

*The accompanying notes are an integral part of these financial statements.*

**COMMUNITY EDUCATION PROJECT, INC.**  
**STATEMENT OF ACTIVITIES**  
**DECEMBER 31, 2009**  
**WITH COMPARATIVE TOTALS AT DECEMBER 31, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>2008 Total</u>
Revenue and support				
Grants and reimbursement contracts	\$ 30,657	\$ 291,353	\$ 322,010	\$ 321,556
Interest income	850	-	850	800
Special event income	479	-	479	70
Other income	4,915	-	4,915	2,720
In-kind contributions	<u>4,800</u>	<u>-</u>	<u>4,800</u>	<u>4,800</u>
Total unrestricted revenue and support	41,701	291,353	333,054	329,948
Net assets released from restrictions	<u>261,743</u>	<u>(261,743)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>303,444</u>	<u>29,610</u>	<u>333,054</u>	<u>329,948</u>
Expenses				
Program	269,693	-	269,693	215,736
Administrative	33,071	-	33,071	39,787
Fundraising	<u>4,041</u>	<u>-</u>	<u>4,041</u>	<u>-</u>
Total expenses	<u>306,805</u>	<u>-</u>	<u>306,805</u>	<u>255,523</u>
Changes in net assets	(3,361)	29,610	26,249	74,425
Net assets – beginning of year	<u>48,908</u>	<u>180,593</u>	<u>229,501</u>	<u>155,076</u>
Net assets – end of year	<u>\$ 45,547</u>	<u>\$ 210,203</u>	<u>\$ 255,750</u>	<u>\$ 229,501</u>

*The accompanying notes are an integral part of these financial statements.*

**COMMUNITY EDUCATION PROJECT, INC.**  
**STATEMENTS OF CASH FLOWS**  
**DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Increase(decrease) in net assets	\$ 26,249	\$ 74,425
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,731	4,098
(Increase)decrease in operating assets		
Accounts receivables	(47,273)	(54,856)
Prepaid expenses	447	196
Increase(decrease) in operating liabilities		
Accounts payable	(4,197)	(2,093)
Accrued payroll and related expenses	<u>6,736</u>	<u>896</u>
Net cash provided(used) by operating activities	<u>(13,307)</u>	<u>22,666</u>
Cash flows from investing activities		
Purchase of fixed assets	<u>(1,782)</u>	<u>(5,248)</u>
Net cash used by investing activities	<u>(1,782)</u>	<u>(5,248)</u>
Cash flows from financing activities		
Proceeds from short term debt borrowings	-	49,433
Payments on short term debt borrowings	<u>-</u>	<u>(49,433)</u>
Net cash provided(used) by financing activities	<u>-</u>	<u>-</u>
Net decrease in cash	<u>(15,089)</u>	<u>(32,015)</u>
Cash – beginning of year	<u>57,116</u>	<u>89,131</u>
Cash – end of year	<u>\$ 42,027</u>	<u>\$ 57,116</u>
 <b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	<u>\$ -</u>	<u>\$ 944</u>

*The accompanying notes are an integral  
part of these financial statements.*

**COMMUNITY EDUCATION PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

1. ***NATURE OF BUSINESS***

Nature of Business – Community Education Project, Inc. (the Organization) (a non-profit corporation) was incorporated November 9, 1994. The Organization’s purpose is to provide English as a second language, adult literacy, and family literacy instruction, as well as other educational counseling, assessment, referrals, college transition, and other vocational and educational services to Latino adults living in Holyoke, Massachusetts, and closely neighboring communities.

2. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

Basis of Accounting and Presentation – The financial statements of Community Education Project, Inc. have been prepared in accordance with the provisions of Accounting Standards Codification (ASC) No. 958, “Accounting for Contributions Received and Contributions Made,” and “Financial Statements for Not-For-Profit Organizations.”

Under ASC No. 958, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted assets, temporarily restricted net assets, and permanently restricted net assets. There currently are no permanently restricted net assets in this organization.

It is the Organization’s policy to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned and expenses are recognized when incurred rather than when collected or paid.

Cash and Cash Equivalents – The Organization considers all highly liquid debt instruments to be cash equivalents.

Concentration of Credit Risks – The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Grants and Accounts Receivable – Accounts receivable represents the amounts due to the Organization from grants and reimbursement contracts. All receivables are deemed collectible and no allowance for doubtful accounts has been established. Bad debts are expensed when incurred.

## COMMUNITY EDUCATION PROJECT, INC.

### NOTES TO FINANCIAL STATEMENTS

#### 2. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

Equipment and Furnishings – It is the Organization’s policy to capitalize equipment and furnishing purchases over \$500. All equipment is recorded at cost, or in the case of donated property, fair market value at the date of gift. Depreciation expense is based on the estimated useful lives of property and equipment and is computed on the straight-line method. Maintenance and repairs are expensed as incurred.

Donated Property and Equipment - Donations of property and equipment are recorded as contributions at their estimated value at the date of donation. Such donations are recorded as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. 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, and once the restriction has expired, the Organization reclassifies temporarily restricted net assets to unrestricted net assets.

Contributions - Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction, expires that is, a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Services - A number of volunteers have made contributions of their time to the Organization’s program and supporting services. The value of contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Income Taxes – The Organization is a non-profit corporation organized under Chapter 180 of the laws of the Commonwealth of Massachusetts and is exempt from taxation pursuant to Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for Federal and state income taxes is required. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 (b) (1) (A) (vi) and has been classified as an organization that is not a private foundation under Section 509 (a) (1).

**COMMUNITY EDUCATION PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS**

3. ***DONATED IN-KIND***

During the year end December 31, 2009, the Organization received the following donations-in-kind:

	<u>2009</u>	<u>2008</u>
Facilities	\$ 4,800	\$ 4,800
	<u>\$ 4,800</u>	<u>\$ 4,800</u>

4. ***REVENUE CONCENTRATION***

The Organization receives a significant amount of its revenue from Holyoke Public School grants and reimbursement contracts. If these grants and contracts were eliminated, the Organization's finances could be materially adversely affected.

5. ***EQUIPMENT AND FURNISHINGS***

The Organization had equipment and furnishings with a cost of \$29,323 and accumulated depreciation of \$23,576 for 2009 and for 2008 \$27,541 and \$18,845, respectively. Depreciation expense was \$4,731 for 2009 and \$4,098 for 2008.

6. ***LEASES***

The organization rents space for its facilities on Main Street in Holyoke, Massachusetts.

Yearly rent payments are as follows:

2010	<u>7,200</u>
	<u>\$ 7,200</u>

Rent is less than market value and the donated portion of rent is recorded at fair value. For the years ended December 31, 2009 and 2008, donated facilities were recorded at \$4,800, respectively.

**COMMUNITY EDUCATION PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**7. *RELATED PARTIES***

Various Board Members are employed at local schools, colleges and universities from which the Organization is either a recipient or sub-recipient of grant funding.

**8. *TEMPORARILY RESTRICTED NET ASSETS***

Temporarily restricted net assets consist of grants received from several organizations with varying stipulations of when the monies are to be used and are available for the following:

Periods after December 31, 2009	<u>\$ 210,203</u>
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**9. *SUBSEQUENT EVENTS***

Management has evaluated subsequent events through August 2, 2010, the date which the financial statements were available to be issued.