

Strategies
for
Children

FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

AAF Alexander
Aronson
Finning

CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

STRATEGIES FOR CHILDREN, INC.

**CONTENTS
JUNE 30, 2010 AND 2009**

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position.....	2
Statements of Activities and Changes in Net Assets.....	3
Statements of Cash Flows	4
Statements of Functional Expenses.....	5
Notes to Financial Statements.....	6 - 10



CERTIFIED PUBLIC ACCOUNTANTS
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Where Every Client Is A Valued Client

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Strategies for Children, Inc.:

We have audited the accompanying statements of financial position of Strategies for Children, Inc. (a Massachusetts corporation, not for profit) as of June 30, 2010 and 2009, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Organization'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. 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 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 that 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 Strategies for Children, Inc. as of June 30, 2010 and 2009, 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.

Alexander, Aronson, Finning & Co. P.C.

Wellesley, Massachusetts
September 29, 2010

STRATEGIES FOR CHILDREN, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

ASSETS	2010		2009	
	UNRESTRICTED	TEMPORARILY RESTRICTED	UNRESTRICTED	TEMPORARILY RESTRICTED
CURRENT ASSETS:				
Cash and cash equivalents	\$ 546,057	\$ 281,750	\$ 597,434	\$ 197,917
Current portion of pledges receivable	-	675,000	20,000	699,167
Prepaid expenses	5,808	5,808	3,514	3,514
Total current assets	551,865	956,750	620,948	897,084
PLEDGES RECEIVABLE, net of current portion	-	-	-	497,239
CERTIFICATE OF DEPOSIT	247,416	-	243,855	-
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$32,330 and \$30,370 at June 30, 2010 and 2009, respectively	708	708	2,668	2,668
Total assets	\$ 799,989	\$ 956,750	\$ 867,471	\$ 1,394,323
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 41,023	\$ 41,023	\$ 23,717	\$ 23,717
Deferred revenue	-	-	83,333	83,333
Total current liabilities	41,023	41,023	107,050	107,050
NET ASSETS:				
Unrestricted -				
Operating	528,258	528,258	507,753	507,753
Board restricted	230,000	230,000	250,000	250,000
Property and equipment	708	708	2,668	2,668
Total unrestricted	758,966	758,966	760,421	760,421
Temporarily restricted	-	956,750	-	1,394,323
Total net assets	758,966	1,715,716	760,421	2,154,744
Total liabilities and net assets	\$ 799,989	\$ 1,756,739	\$ 867,471	\$ 2,261,794

The accompanying notes are an integral part of these statements.

STRATEGIES FOR CHILDREN, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010		2009	
	UNRESTRICTED	TEMPORARILY RESTRICTED	UNRESTRICTED	TEMPORARILY RESTRICTED
		TOTAL		TOTAL
OPERATING REVENUE AND SUPPORT:				
Grants and contributions	\$ 24,850	\$ 555,944	\$ 34,350	\$ 1,089,398
Contract revenue	83,333	83,333	41,667	41,667
Donated services	9,116	9,116	17,971	17,971
Service revenue	6,200	6,200	5,750	5,750
Interest and other	5,641	5,641	20,863	20,863
Net assets released from restrictions -				
Satisfaction of purpose restrictions	16,667	(16,667)	46,825	(46,825)
Satisfaction of time restrictions	952,000	(952,000)	878,416	(878,416)
Total operating revenue and support	1,097,807	660,234	1,045,842	1,175,649
OPERATING EXPENSES:				
Program services	869,479	869,479	883,176	883,176
Support -				
General and administrative	143,774	143,774	141,837	141,837
Fundraising	86,009	86,009	71,323	71,323
Total support	229,783	229,783	213,160	213,160
Total operating expenses	1,099,262	1,099,262	1,096,336	1,096,336
Changes in net assets	(1,455)	(437,573)	(50,494)	129,807
NET ASSETS, beginning of year	760,421	1,394,323	810,915	1,264,516
NET ASSETS, end of year	\$ 758,966	\$ 956,750	\$ 760,421	\$ 1,394,323
		\$ 1,715,716		\$ 2,154,744

The accompanying notes are an integral part of these statements.

STRATEGIES FOR CHILDREN, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (439,028)	\$ 79,313
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,960	5,204
Changes in operating assets and liabilities -		
Pledges receivable	541,406	(105,048)
Prepaid expenses	(2,294)	(1,406)
Accounts payable and accrued expenses	17,306	(36,420)
Deferred revenue	(83,333)	83,333
Net cash provided by operating activities	<u>36,017</u>	<u>24,976</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	-	(1,588)
Purchase of certificate of deposit, net	(3,561)	(243,855)
Net cash used in investing activities	<u>(3,561)</u>	<u>(245,443)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	32,456	(220,467)
CASH AND CASH EQUIVALENTS, beginning of year	<u>795,351</u>	<u>1,015,818</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 827,807</u>	<u>\$ 795,351</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING TRANSACTIONS -		
Net book value of disposed property and equipment	<u>\$ -</u>	<u>\$ 1,033</u>

The accompanying notes are an integral part of these statements.

STRATEGIES FOR CHILDREN, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010			2009		
	PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	FUND-RAISING	PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	FUND-RAISING
	\$ 555,229	\$ 75,480	\$ 70,585	\$ 537,457	\$ 44,461	\$ 55,124
	79,263	10,775	10,077	79,838	6,605	8,189
	<u>634,492</u>	<u>86,255</u>	<u>80,662</u>	<u>617,295</u>	<u>51,066</u>	<u>63,313</u>
Total personnel and related						
Consultants	126,005	24,424	-	160,177	25,532	1,654
Occupancy	46,170	5,985	4,845	41,610	10,260	5,130
Materials and services	22,229	10,870	-	21,936	8,887	-
Telephone	21,739	3,508	502	20,275	5,126	408
Printing and postage	5,120	5,526	-	5,297	1,813	-
Travel and entertainment	6,608	2,250	-	8,245	1,850	-
Insurance	3,409	337	-	2,837	699	350
Payroll services	-	2,617	-	-	2,444	-
Depreciation	1,784	176	-	3,799	937	468
Repairs and maintenance	62	1,407	-	175	3,017	-
Conferences and meetings	1,049	163	-	1,345	496	-
Professional services	812	256	-	185	29,710	-
	<u>\$ 869,479</u>	<u>\$ 143,774</u>	<u>\$ 86,009</u>	<u>\$ 883,176</u>	<u>\$ 141,837</u>	<u>\$ 71,323</u>
Total expenses						
				<u>\$ 1,099,262</u>	<u>\$ 141,837</u>	<u>\$ 71,323</u>
						<u>\$ 1,096,336</u>

EXPENSES:

Personnel and related -
 Salaries - staff
 Payroll taxes and fringe benefits

The accompanying notes are an integral part of these statements.

STRATEGIES FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

Founded in 2001, Strategies for Children, Inc. (the Organization) is a nonprofit organization that works to improve the well-being of children and families in Massachusetts and nationally through public policy, advocacy, research, constituency building and public awareness. The Organization is committed to ensuring Massachusetts children have access to high-quality early education and become proficient readers by the end of third grade.

The Organization is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from state income taxes. Donors may deduct contributions made to the Organization within Internal Revenue Code requirements.

SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification.

Cash and Cash Equivalents

The Organization considers all highly liquid operating investments purchased with an initial maturity of three months or less to be cash equivalents for purposes of the statements of cash flows.

Pledges Receivable

Pledges are recorded at their net present value when unconditionally committed. All pledges recorded at June 30, 2010 are expected to be collected within one year of the balance sheet date.

Allowance for Doubtful Pledges

The Organization records an allowance for doubtful pledges receivable based on collection rates and prior history with various payors. There was no allowance for doubtful accounts at June 30, 2010 and 2009.

Certificate of Deposit

The Organization has a certificate of deposit with an initial maturity of seven months and maturity date of September, 2010. It is the intent of the Organization to hold this certificate of deposit for long-term purposes, and as such it is shown as a non-current asset in the accompanying statements of financial position.

Property and Equipment and Depreciation

Property and equipment are recorded at cost, if purchased, or at fair market value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are charged to expense as incurred. Property and equipment are depreciated over the useful life of five years and consist of office equipment.

STRATEGIES FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Description of Net Assets

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Organization. The Organization has grouped its unrestricted net assets into the following categories:

Operating net assets represent funds available to carry on the operations of the Organization.

Board restricted net assets represent funds set aside by the Board of Directors to be used for the implementation of high-quality early education and reading proficiency. These funds may only be used with the approval of the Board of Directors.

Property and equipment net assets represent the net book value of the Organization's property and equipment.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent funds contributed by donors for specific purposes or time designations. When a stipulated time restriction ends, or a purpose restriction is accomplished, temporarily restricted funds are reclassified to unrestricted net assets and are reflected as net assets released from restrictions in the accompanying statements of activities and changes in net assets. Temporarily restricted net assets are restricted at June 30, 2010 and 2009, for the following:

	<u>2010</u>	<u>2009</u>
Time restricted	\$938,000	\$1,358,906
Purpose restricted	18,750	35,417
Total	<u>\$956,750</u>	<u>\$1,394,323</u>

Revenue Recognition

Unrestricted contributions are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or time restrictions or program restrictions have lapsed.

Contract revenue is recorded as the related services are rendered and costs are incurred. Payments received before revenue has been earned are recorded as deferred revenue. Other income is recorded when earned.

STRATEGIES FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

The Organization received donated legal services of \$9,116 and \$17,971 in 2010 and 2009, respectively, in support of various aspects of its programs. The donated services are recorded as revenue and support in the accompanying statements of activities and changes in net assets and as consultants in the accompanying statements of functional expenses.

Service Revenue

Service revenue consists of honoraria, consulting, and reimbursed expenses that certain Organization staff members receive for speaking and consulting agreements.

Allocation of Expenses

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Fair Value

The Organization follows the Fair Value Measurements and Disclosures Standards. These standards define fair value, establish a framework for measuring fair value under U.S. GAAP, and expand disclosures about fair value measurements. This policy establishes a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value. The Organization values its qualifying assets and liabilities using Level I inputs. Level I inputs reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Subsequent Events

The preparation of financial statements in accordance with U.S. GAAP requires management to disclose the date through which subsequent events have been evaluated for possible recognition or disclosure in the accompanying financial statements. Subsequent events are transactions or events that occur after the statement of financial position date, but before the financial statements are issued or available to be issued. The accompanying financial statements include the evaluation of subsequent events that have occurred through September 29, 2010, which is the date the financial statements were available to be issued.

STRATEGIES FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax

During the fiscal year ended June 30, 2010, the Organization adopted the *Accounting for Uncertainty in Income Taxes* standard which requires the Organization to report uncertain tax positions, related interest and penalties, and to adjust its assets and liabilities related to unrecognized tax benefits and accrued interest and penalties accordingly. As of June 30, 2010, the Organization determined that there are no material unrecognized tax benefits to report.

The Organization files information returns in the United States Federal and Massachusetts state jurisdictions. These returns are generally subject to examination by tax authorities for the last three years. The Organization does not expect that the amounts of unrecognized tax benefits will change significantly within the next twelve months.

(2) **LEASE AGREEMENTS**

The Organization subleases office space in Boston, Massachusetts on a tenant-at-will basis. Rent expense for the years ended June 30, 2010 and 2009, was \$57,000, of which \$14,974 and \$14,628, respectively, is included in accounts payable for the years then ended (see Note 4).

(3) **EMPLOYMENT BENEFIT PLAN**

The Organization maintains a 401(k) retirement plan for its employees. Employees are eligible to participate in the plan after completing three months of service and attaining the age of 21. Under the terms of the plan, employees are entitled to contribute up to the maximum limitations established by the Internal Revenue Code. For the years ended June 30, 2010 and 2009, the Organization contributed \$16,868 and \$13,822, respectively, to the plan, which is included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

(4) **RELATED PARTY TRANSACTIONS**

A member of the Organization's Board of Directors is an employee of the company from which the Organization subleases its office space (see Note 2).

(5) **CONCENTRATIONS**

Funding

For the year ended June 30, 2010, approximately 73% of the Organization's total operating revenue and support came from contributions received from four donors. For the year ended June 30, 2009, approximately 74% of the Organization's total operating revenue and support came from contributions received from two separate donors.

Approximately 92% and 81% of the Organization's pledges receivable at June 30, 2010 and 2009, respectively, are due from the same three donors.

STRATEGIES FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)

(6) **CONDITIONAL GRANT**

The Organization has a conditional grant from a donor of \$25,000. Matching funds must be raised by April 1, 2011, to earn the grant. Therefore, this grant will not be recorded in the Organization's financial statements until the match is completed.