

Strategies  
for  
Children

**FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT**

**STRATEGIES FOR CHILDREN, INC.**

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JUNE 30, 2014 AND 2013**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Strategies for Children, Inc. (a Massachusetts corporation, not for profit), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 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 audits 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 Strategies for Children, Inc. as of June 30, 2014 and 2013, 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.

Boston, Massachusetts  
February 5, 2014

STRATEGIES FOR CHILDREN, INC.

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2014 AND 2013

	2014			2013		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$ 61,655	\$ 97,167	\$ 158,822	\$ 97,366	\$ 156,250	\$ 253,616
Accounts receivable	7,709	-	7,709	2,500	-	2,500
Current portion of pledges receivable	10,000	200,000	210,000	-	225,000	225,000
Prepaid expenses	75	-	75	3,757	-	3,757
Total current assets	79,439	297,167	376,606	103,623	381,250	484,873
<b>PLEDGES RECEIVABLE, net of current portion and discount</b>	-	-	-	-	198,540	198,540
<b>PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$39,675 and \$39,208 at June 30, 2014 and 2013, respectively</b>	233	-	233	700	-	700
Total assets	\$ 79,672	\$ 297,167	\$ 376,839	\$ 104,323	\$ 579,790	\$ 684,113
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES:</b>						
Accounts payable and accrued expenses	\$ 32,669	\$ -	\$ 32,669	\$ 32,494	\$ -	\$ 32,494
Deferred revenue	-	-	-	15,500	-	15,500
Total current liabilities	32,669	-	32,669	47,994	-	47,994
<b>NET ASSETS:</b>						
Unrestricted	47,003	-	47,003	56,329	-	56,329
Temporarily restricted	-	297,167	297,167	-	579,790	579,790
Total net assets	47,003	297,167	344,170	56,329	579,790	636,119
Total liabilities and net assets	\$ 79,672	\$ 297,167	\$ 376,839	\$ 104,323	\$ 579,790	\$ 684,113

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, 2014 AND 2013

	2014		2013	
	UNRESTRICTED	TEMPORARILY RESTRICTED	UNRESTRICTED	TEMPORARILY RESTRICTED
<b>OPERATING REVENUE AND SUPPORT:</b>				
Grants and contributions	\$ 111,000	\$ 339,460	\$ 450,460	\$ 3,335
Contract revenue	27,532	-	27,532	20,000
Interest and other	12,988	-	12,988	4,539
Donated services	9,795	-	9,795	20,525
Net assets released from restrictions:				
Satisfaction of purpose restrictions	151,667	(151,667)	-	13,334
Satisfaction of time restrictions	470,416	(470,416)	-	653,000
Total operating revenue and support	783,398	(282,623)	500,775	714,733
<b>OPERATING EXPENSES:</b>				
Program services	590,831	-	590,831	787,869
Support:				
General and administrative	96,847	-	96,847	138,379
Fundraising	105,046	-	105,046	98,897
Total support	201,893	-	201,893	237,276
Total operating expenses	792,724	-	792,724	1,025,145
Changes in net assets	(9,326)	(282,623)	(291,949)	(310,412)
<b>NET ASSETS, beginning of year</b>	56,329	579,790	636,119	366,741
<b>NET ASSETS, end of year</b>	\$ 47,003	\$ 297,167	\$ 344,170	\$ 56,329

The accompanying notes are an integral part of these statements.

**STRATEGIES FOR CHILDREN, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ (291,949)	\$ (157,706)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	467	2,290
Changes in operating assets and liabilities:		
Accounts receivable	(5,209)	(2,500)
Pledges receivable	213,540	(163,540)
Prepaid expenses	3,682	2,355
Accounts payable and accrued expenses	175	(2,915)
Deferred revenue	(15,500)	15,500
	<u>(94,794)</u>	<u>(306,516)</u>
Net cash used in operating activities	<u>(94,794)</u>	<u>(306,516)</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>253,616</u>	<u>560,132</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 158,822</u>	<u>\$ 253,616</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, 2014 AND 2013

	2014				2013			
	PROGRAM SERVICES	GENERAL AND ADMINIS- TRATIVE	FUND- RAISING	TOTAL	PROGRAM SERVICES	GENERAL AND ADMINIS- TRATIVE	FUND- RAISING	TOTAL
<b>EXPENSES:</b>								
Personnel and related:								
Salaries - staff	\$ 357,130	\$ 38,070	\$ 79,387	\$ 474,587	\$ 537,047	\$ 64,928	\$ 78,099	\$ 680,074
Payroll taxes and fringe benefits	62,872	6,701	13,978	83,551	79,391	9,624	11,761	100,776
Total personnel and related	420,002	44,771	93,365	558,138	616,438	74,552	89,860	780,850
Consultants	100,732	28,646	4,020	133,398	87,707	37,497	2,066	127,270
Occupancy	30,323	3,421	6,742	40,486	41,213	4,996	6,105	52,314
Telephone	18,959	1,274	841	21,074	21,141	880	599	22,620
Materials and services	10,682	7,170	-	17,852	12,985	9,697	-	22,682
Travel and entertainment	9,361	1,956	-	11,317	5,190	1,418	-	6,608
Insurance	-	3,885	-	3,885	-	3,796	-	3,796
Payroll services	-	3,138	-	3,138	-	3,181	-	3,181
Repairs and maintenance	-	1,655	-	1,655	45	1,361	-	1,406
Professional development and conferences	329	467	-	796	577	106	-	683
Printing and postage	92	426	-	518	769	676	-	1,445
Depreciation	351	38	78	467	1,804	219	267	2,290
Total expenses	\$ 590,831	\$ 96,847	\$ 105,046	\$ 792,724	\$ 787,869	\$ 138,379	\$ 98,897	\$ 1,025,145

The accompanying notes are an integral part of these statements.

## STRATEGIES FOR CHILDREN, INC.

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

#### (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 (IRC). The Organization is also exempt from state income taxes. Donors may deduct contributions made to the Organization within IRC 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

For the purposes of the statements of cash flows, cash and cash equivalents consist of checking and money market accounts.

##### Pledges Receivable

Pledges are recorded at their net present value when unconditionally committed. Pledges are recorded at their net present value using a 0.73% discount rate. As of June 30, 2014, there were no long-term pledges receivables. As of June 30, 2013, there was one long-term pledge receivable for \$200,000, net of a \$1,460 discount.

##### Allowance for Uncollectible Pledges and Accounts Receivable

The Organization records an allowance for uncollectible pledges and accounts receivable based on collection rates and prior collection history with donors. There was no allowance for uncollectible pledges and accounts receivable at June 30, 2014 and 2013.

##### 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 expensed 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, 2014 AND 2013

(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.

**Temporarily Restricted Net Assets**

Temporarily restricted net assets represent funds contributed by donors with 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, 2014 and 2013, for the following:

	<u>2014</u>	<u>2013</u>
Time restricted	\$297,167	\$573,124
Purpose restricted	<u>-</u>	<u>6,666</u>
Total	<u>\$297,167</u>	<u>\$579,790</u>

Revenue Recognition

Unrestricted grants and 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 recognized over the period covered by the contract as services are provided and costs are incurred. Deferred revenue includes contract fees received in advance of costs incurred as of June 30, 2014 and 2013. All other income is recorded when earned.

Donated Services

The Organization received donated legal services of \$9,795 and \$20,525 in fiscal years 2014 and 2013, 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.

STRATEGIES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013  
(Continued)

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 Measurements

ASC Topic Fair Value Measurements establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance only applies when the fair value measurement of assets and liabilities is required or permitted. The Organization has determined that none of its financial or nonfinancial assets or liabilities is measured at fair value, therefore the disclosure requirements do not currently apply.

Subsequent Events

Subsequent events have been evaluated through February 5, 2014, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with *ASC Topic Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2014 and 2013. The Organization's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

**STRATEGIES FOR CHILDREN, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

(Continued)

**(2) LEASE AGREEMENT**

The Organization subleases office space in Boston, Massachusetts on a tenant-at-will basis. Rent expense for the years ended June 30, 2014 and 2013, was \$40,486 and \$52,314, respectively, of which \$8,922 and \$13,825, respectively, is included in accounts payable and accrued expenses in the accompanying statements of financial position (see Note 4).

**(3) EMPLOYEE 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 IRC. For the years ended June 30, 2014 and 2013, the Organization made contributions of \$16,069 and \$21,043, respectively, to the plan, which are 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).

During fiscal year 2013, the Organization entered into an administrative support relationship with another nonprofit agency where a Board member of the Organization is the Founder and President. The Organization provides this agency with administrative support including payroll services and facilities. For the years ended June 30, 2014 and 2013, the Organization was reimbursed \$106,837 and \$40,369, respectively, for salary and payroll taxes and \$1,636 and \$1,186, respectively, for rent paid on behalf of the agency. As of June 30, 2014, \$7,709 was owed from this agency. As of June 30, 2013, no amounts were owed from this agency.

**(5) CONCENTRATIONS**

**Cash and Cash Equivalents**

The Organization maintains its cash and cash equivalents balances in one bank in Massachusetts and is insured within limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, cash balances exceeded the insured amounts. 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 and investment.

**Funding**

For the year ended June 30, 2014, approximately 82% of the Organization's total operating revenue and support came from contributions received from four donors. For the year ended June 30, 2013, approximately 61% of the Organization's total operating revenue and support came from contributions received from two donors.

For the year end June 30, 2014, approximately 95% of pledges receivable were due from one donor. At June 30, 2013, approximately 99% of the Organization's pledges receivable were due from one donor.

**STRATEGIES FOR CHILDREN, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

(Continued)

**(6) CONTINUING OPERATIONS**

The Organization incurred unrestricted losses of \$9,326 and \$310,412 for fiscal years 2014 and 2013, respectively, leaving the Organization with \$47,003 and \$56,329 in unrestricted net assets as of June 30, 2014 and 2013, respectively. To bolster its financial situation, the Organization has performed the following:

1. Continued the strategic planning process with a new vendor, Community Action Partners (CAP) from the Harvard Business School. This effort will rework the mission and vision statements resulting in opportunities to sharpen the message for future funders
2. Allocated funds to build internal capacity to manage implementation of the fundraising development plan.
3. Developed and is currently soliciting proposals for co-funding with partner organizations.
4. Created new fundraising and marketing materials to raise awareness and support including the publication of an annual report.
5. Created an earned income revenue stream which reimburses the Organization for consulting services provided to communities across the state. This stream is expected to grow.
6. Development of a cost containment plan which will tie expenditures directly to available revenue. Key components of the plan include staff reduction and the elimination of corresponding office space, materials, and overhead.