

**STRATEGIES FOR CHILDREN, INC.**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

**STRATEGIES FOR CHILDREN, INC.  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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# Bruce D. Norling, CPA, P.C.

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Strategies for Children, Inc., Inc.  
Boston, Massachusetts

We have audited the accompanying financial statements of Strategies for Children, Inc., Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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 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., Inc. as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Bruce D. Norling, CPA, P.C.*

February 2, 2016

**STRATEGIES FOR CHILDERN, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2015**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	162,606
Accounts Receivable		8,653
Prepaid Expenses		4,794
Total Current Assets		<u>176,053</u>

**TOTAL ASSETS**

\$ 176,053

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$	15,658
Accrued Expenses		10,764
Total Current Liabilities		<u>26,422</u>

**NET ASSETS**

Unrestricted		45,464
Temporarily Restricted		104,167
Total Net Assets		<u>149,631</u>

**TOTAL LIABILITIES AND NET ASSETS**

\$ 176,053

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

**STRATEGIES FOR CHILDREN, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Grants and Contributions	\$ 348,905	\$ 104,167	\$ 453,072
Contract Revenue	45,500	-	45,500
Other Income	4,345	-	4,345
Interest Income	6	-	6
Donated Services	6,605	-	6,605
Net Assets Released from Restriction	297,167	(297,167)	-
Total Revenue and Support	702,528	(193,000)	509,528
<b>EXPENSES</b>			
Program Services	576,214	-	576,214
Administration	94,471	-	94,471
Fundraising	33,382	-	33,382
Total Expenses	704,067	-	704,067
<b>CHANGES IN NET ASSETS</b>	(1,539)	(193,000)	(194,539)
<b>NET ASSETS, BEGINNING OF YEAR</b>	47,003	297,167	344,170
<b>NET ASSETS, END OF YEAR</b>	\$ 45,464	\$ 104,167	\$ 149,631

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

**STRATEGIES FOR CHILDERN, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Decrease in Net Assets	\$ (194,539)
Adjustments to Reconcile changes in Net Assets to Net Cash Provided by (Used in) Operating Activities:	
Increase in Accounts Receivable	(944)
Decrease in Contributions Receivable	210,000
Increase in Prepaid Expenses	(4,720)
Disposal of Fixed Assets	234
Decrease in Accounts Payable	(17,011)
Increase in Accrued Expenses	10,764
Net Cash Provided by Operating Activities	3,784
<b>CASH</b> , Beginning of year	158,822
<b>CASH</b> , End of year	\$ 162,606
Non-Cash Activity:	
Fully Depreciated Property and Equipment Written Off	\$ 39,908

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

**STRATEGIES FOR CHILDERN, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<b>EXPENSES</b>	Program Services	Administration	Fundraising	Total
Salaries and Related Expenses				
Salaries and Wages	\$ 374,410	\$ 45,092	\$ 27,000	\$ 446,502
Payroll Taxes and Benefits	52,761	6,354	3,805	62,920
Total Salaries and Related Expenses	427,171	51,446	30,805	509,422
Consultants	86,137	6,411	-	92,548
Rent	28,749	3,462	2,073	34,284
Telecommunications	4,246	796	241	5,283
Office Supplies	3,050	1,332	14	4,396
Payroll Processing Fees	3,453	3,631	249	7,333
Printing and Postage	763	887	-	1,650
Marketing	11,168	-	-	11,168
Insurance	-	1,040	-	1,040
Computer and Internet	-	1,823	-	1,823
Professional Fees	-	18,290	-	18,290
Training and Development	2,182	-	-	2,182
Licenses and Fees	-	1,209	-	1,209
Dues and Subscriptions	2,288	-	-	2,288
Meals and Entertainment	103	129	-	232
Travel	6,904	4,015	-	10,919
<b>TOTAL EXPENSES</b>	<b>\$ 576,214</b>	<b>\$ 94,471</b>	<b>\$ 33,382</b>	<b>\$ 704,067</b>

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

**STRATEGIES FOR CHILDREN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**1. SUMMARY OF OPERATIONS**

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.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Financial Statement Presentation**

The financial statements of Strategies for Children Inc. have been prepared on the accrual basis. Accordingly, assets are recorded when the Organization obtains the rights of ownership or is entitled to claims for receipt, and liabilities are recorded when the obligation is incurred. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

**Cash and Cash Equivalents**

The Organization considers all money market mutual funds and short-term debt securities purchased with maturity of three months or less, when purchased, to be cash equivalents.

**Contributions Receivable**

Contributions receivable within one year are recorded at carrying value. Contributions receivable over periods greater than one year are discounted and recorded at the present value of the estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are made, commensurate with expected future payments. As of June 30, 2015 there were no long-term pledges receivables. Management has determined the amounts are collectible and no allowance for uncollectible contributions receivable is needed.

**Property and Equipment**

Property and equipment over \$1,000 are capitalized. The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight line method. Maintenance and repairs are expensed as incurred.

**STRATEGIES FOR CHILDERN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Classification of Net Assets**

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Unrestricted net assets* - Net assets not subject to donor-imposed stipulations.

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met by actions of the organization and/or the passage of time.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the organization.

**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.

**Donated Services**

The Organization received donated legal services of \$6,605 in fiscal year 2015, 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.

**Contributions, Gifts and Grants**

The Organization records contributions, gifts and grants as receivables and revenue. The Organization distinguishes between contributions received for each net asset category in accordance with donor imposed restrictions. Contributions are recorded as revenue when the pledge is verified or received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Contributions of assets other than cash are recorded at their fair value, and as of the date the gift is received. Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met.

**Fair Value of Financial Instruments**

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

**STRATEGIES FOR CHILDREN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

nonfinancial assets or liabilities is measured at fair value, therefore the disclosure requirements do not currently apply.

**Nonprofit Status and Income Taxes**

The Organization is exempt from income taxes as an organization (not a private foundation) formed for charitable purposes and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Donors may deduct contributions made to the Company within Internal Revenue Code regulations. The Organization is subject to federal and state tax on income from any unrelated business. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2015.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization's federal and state income tax returns are generally open to examination for the last three years.

**Advertising**

Advertising costs are expensed as incurred. Advertising expense for fiscal year 2015 was \$0.

**Functional Expenses**

The cost of providing the various programs and other activities of the Organization has been summarized on a functional basis in the statement of activities. 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.

**Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

**3. LEASE AGREEMENT**

The Organization subleases office space in Boston, Massachusetts on a tenant-at-will basis. Rent expense for the year ended June 30, 2015 was \$34,284, of which \$9,011 is included in accounts payable in the accompanying statements of financial position.

**STRATEGIES FOR CHILDREN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**4. 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 IRS. For the year ended June 30, 2015, the Organization made contributions of \$8,089 to the plan, which are included in payroll taxes and fringe benefits in the accompanying

**5. RELATED PARTY TRANSACTIONS**

During fiscal year 2015, 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 year ended June 30, 2015, the Organization was reimbursed \$4,922 for expenses paid on behalf of the agency. As of June 30, 2015, \$58 was owed from this agency.

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

**6. 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 may exceed 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, 2015, approximately 70% of the Organization's total operating revenue and support came from contributions received from three donors. Should the Organization lose one of these donors, it could adversely affect the Organization. They would possibly need to reorganize and reduce expenses.

**7. RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are released from donor restrictions by satisfying the purpose or time restriction specified by donors. At June 30, 2015 temporarily restricted net assets were available for the following purposes.

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**JUNE 30, 2015**

Programs - New Hampshire	\$ 6,250
Programs - Massachusetts	<u>97,917</u>
Total temporarily restricted net assets	<u>\$ 104,167</u>

**8. CONTINUING OPERATIONS**

The Organization incurred unrestricted losses of \$1,539 for fiscal year 2015, leaving the Organization with \$45,464 in unrestricted net assets as of June 30, 2015. 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.

**9. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through February 2, 2016, 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.