

**Addison County Parent Child Center**

**Financial Statements**

**June 30, 2016**



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# Telling & Associates, CPA PC

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Certified Public Accountants  
5 Park Street – Middlebury, VT 05753

## Independent Auditor's Report

To the Board of Directors  
Addison County Parent Child Center  
Middlebury, Vermont

We have audited the accompanying financial statements of Addison County Parent Child Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statement 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 Addison County Parent Child Center as of June 30, 2016, 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.

*Telling & Associates, CPA PC*

Telling & Associates, CPA PC  
Middlebury, Vermont  
License # 092-0000692  
December 20, 2016

**Addison County Parent Child Center  
Statement of Financial Position  
June 30, 2016**

**Assets**

Current assets:

Cash and cash equivalents	\$	484,146
Investments		781,098
Accounts receivable, net of allowance		9,227
Grants receivable		122,493
Prepaid expenses		25,235
Total current assets		1,422,199

Property and equipment, less accumulated depreciation of \$877,643		615,888
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<b>Total assets</b>	<b>\$</b>	<b>2,038,087</b>
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**Liabilities**

Current liabilities:

Accounts payable	\$	28,245
Accrued expenses		81,038
Capital lease obligation		1,517
Charitable gift annuity		34,453
Refundable advances		5,000
Security deposits		3,050
Total current liabilities		153,303

Total liabilities		153,303
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**Net assets**

Unrestricted		1,882,548
Temporarily restricted		2,236
Total net assets		1,884,784

<b>Total liabilities and net assets</b>	<b>\$</b>	<b>2,038,087</b>
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The accompanying notes are an integral part of the financial statements.

**Addison County Parent Child Center  
Statement of Activities  
Year Ended June 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues and other Support</b>			
Federal grants	\$ -	\$ 689,923	\$ 689,923
State of Vermont	-	1,019,738	1,019,738
Childcare tuition- private	-	27,705	27,705
School district funds	-	109,159	109,159
Foundation grants	-	84,287	84,287
Donations and fundraising	187,292	-	187,292
Rental income	50,439	-	50,439
Investment return	2,360	-	2,360
Gain (loss) on split interest agreements	(4,439)	-	(4,439)
Town funds	78,352	-	78,352
Net assets released from restriction due to time lapse, services & payments	1,936,711	(1,936,711)	-
<b>Total Revenue</b>	<u>2,250,715</u>	<u>(5,899)</u>	<u>2,244,816</u>
<b>Expenses</b>			
Program services	2,127,023	-	2,127,023
Supporting services:			
Management and general	157,877	-	157,877
Fundraising	21,829	-	21,829
<b>Total expenses</b>	<u>2,306,729</u>	<u>-</u>	<u>2,306,729</u>
<b>Change in net assets</b>	<u>(56,014)</u>	<u>(5,899)</u>	<u>(61,913)</u>
<b>Net assets, beginning of year</b>	<u>1,938,562</u>	<u>8,135</u>	<u>1,946,697</u>
<b>Net assets, end of year</b>	<u>\$ 1,882,548</u>	<u>\$ 2,236</u>	<u>\$ 1,884,784</u>

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

**Addison County Parent Child Center  
Statement of Functional Expenses  
Year Ended June 30, 2016**

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	
Advertising	\$ 2,877	\$ 1,776	\$ -	\$ 4,653
Benefits	363,186	26,262	2,899	392,347
Contract services	50,021	9,949	5	59,975
Depreciation	51,064	1,952	453	53,469
Development-fundraising	1,627	-	6,518	8,145
Equipment expense/rental	18,121	1,535	-	19,656
Food	57,695	-	94	57,789
Insurance	17,594	3,094	462	21,150
Interest expense	-	69	-	69
Maintenance and repairs	54,906	1,593	464	56,963
Office supplies/postage	6,023	3,898	619	10,540
Participant stipend	28,683	-	-	28,683
Pass-through fund	168,000	-	-	168,000
Program expense	38,290	-	70	38,360
Property taxes	6,748	-	-	6,748
Rent	5,082	-	-	5,082
Respite/family support	12,844	-	-	12,844
Salaries and wages	1,150,358	103,262	9,607	1,263,227
Staff mileage	34,901	1,305	-	36,206
Staff training	10,122	534	-	10,656
Telephone	9,966	1,630	280	11,876
Utilities and repair	26,120	1,018	358	27,496
Van expense	12,795	-	-	12,795
<b>Total functional expenses</b>	<b>\$ 2,127,023</b>	<b>\$ 157,877</b>	<b>\$ 21,829</b>	<b>\$ 2,306,729</b>

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

**Addison County Parent Child Center  
Statement of Cash Flows  
Year Ended June 30, 2016**

<b><i>Cash flows from operations:</i></b>	
Change (decrease) in net assets	\$ (61,913)
Depreciation	53,469
Net realized and unrealized losses on investments	(1,098)
Change in value of split interest agreement	4,439
(Increase) decrease in accounts receivable	17,600
(Increase) decrease in prepaid expenses	(5,975)
Increase (decrease) in accounts payable	10,265
Increase (decrease) in accrued expenses	15,197
Increase (decrease) in Refundable advances	3,000
<b><i>Net cash provided by operations</i></b>	<u>34,984</u>
<b><i>Cash flows from investing activities:</i></b>	
Purchase of fixed assets	(10,571)
Purchase of investments	(50,834)
Proceeds from investments	25,591
<b><i>Net cash (used in) investing activities</i></b>	<u>(35,814)</u>
<b><i>Cash flows from Financing activities:</i></b>	
Payment on Capital Lease Obligations	(1,095)
Payments on Annuity Obligation	(6,200)
<b><i>Net cash (used in) investing activities</i></b>	<u>(7,295)</u>
 <b><i>Net increase (decrease) in cash and cash equivalents</i></b>	 (8,125)
Cash and cash equivalents at beginning of the year	<u>492,271</u>
<b><i>Cash and cash equivalents at end of year</i></b>	<b><u>\$ 484,146</u></b>
Supplemental Data:	
Interest paid	\$ <u>69</u>

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



# ADDISON COUNTY PARENT CHILD CENTER

## Notes to the Financial Statements

### **Note 1. Nature of Activities and Significant Accounting Policies**

#### **a) Nature of Activities**

Addison County Parent Child Center (the Organization) is a private non-profit organization dedicated to encouraging responsible parenthood, providing young parents with the capacity, skills, and knowledge to support their families, and helping to prevent premature parenthood in Addison County, Vermont.

#### **b) Basis of Accounting**

Revenues and expenses are reported on the accrual basis of accounting. Under this basis, revenues, other than contributions, and expenses are reported when incurred, without regard to the date of receipt or payment of cash.

#### **c) Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

#### **d) Accounts Receivable**

The Organization carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its receivable and establishes an allowance for doubtful accounts, when deemed necessary, based on its history of past write-offs and collections and current credit conditions.

#### **e) Investments**

Investments in marketable securities with readily determinable fair values and all investment in debt securities are reported at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

#### **f) Property and Equipment**

Property and Equipment consists of land, land improvements, building, capital leases, equipment, vehicles, and construction in progress, which are stated at cost as of the date of acquisition or, for gift-in-kind, the fair market value at the date of donation. Depreciation is recognized on a straight-line basis over estimated useful lives the Organization capitalizes all property and equipment with an estimated useful life in excess of one year and cost of \$1,000 or more.

#### **g) Refundable Advances**

The Organization records restricted grant awards as refundable advances until it is expended for purpose of the grant, at which time it is recognized as revenue. The balance in refundable advances at June 30, 2016 represent amounts received under grant awards that will be expended in the next fiscal year in accordance with the grant period.

# ADDISON COUNTY PARENT CHILD CENTER

## Notes to the Financial Statements

### **Note 1. Nature of Activities and Significant Accounting Policies (continued)**

#### **h) Contributed Services**

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization but these services do not meet the criteria for recognition as contributed services.

#### **i) Income Taxes**

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

#### **j) Estimates**

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant items subject to such estimates and assumptions are the useful lives of fixed assets and the allocation of functional expenses. Accordingly, actual results could differ from those estimates.

#### **k) Advertising**

The Organization uses advertising to promote its programs. The production cost of advertising materials and fees are expenses as incurred.

### **Note 2. Concentration of Credit and Market Risk**

At June 30, 2016 the Organization's bank balances were \$511,151; the corresponding carrying amounts were \$484,111. At June 30, 2016 the bank balance exceeded the Federal Depository Insurance Coverage of \$250,000 by \$184,342.

A material part of the Organization's revenue is dependent upon government sources, the loss of which would have a materially adverse effect on the Organization. During the year ended June 30, 2016, Federal and State grants accounted for 76% of total revenue and 93% of total accounts receivable.

**ADDISON COUNTY PARENT CHILD CENTER**

**Notes to the Financial Statements**

**Note 3. Investments**

The following summarizes the net investment returns and their classification in the statement of activities for the year ended June 30, 2016:

	<u>Unrestricted</u>
Dividends and interest	\$ 18,972
Unrealized gain (loss)	(16,595)
Realized gain (loss)	(17)
Total	\$ <u>2,360</u>

Expenses relating to investments revenues, including custodial fees and investment advisory fees, amounted to \$21 for the year ended June 30, 2016. Investment expenses are recorded as reductions to realized gain (loss).

**Note 4. Accounts Receivable**

Accounts receivable as June 30, 2016 consist of the following:

Accounts Receivable	\$ 10,527
Less allowance for doubtful accounts	<u>(1,300)</u>
Accounts receivable, net	<u>\$ 9,227</u>

**Note 5. Fair Value Measurements**

In accordance with authoritative guidance on fair value measurement and disclosures, the Organization discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to valuation based upon unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered active.

Level 3 – Prices determined using significant unobservable inputs. Unobservable inputs would reflect the Organization’s own assumption about the factors market participants would use in pricing an investment, and would be based on the best information available in the circumstances.

**ADDISON COUNTY PARENT CHILD CENTER**

**Notes to the Financial Statements**

**Note 5. Fair Value Measurements (continued)**

The following table presents the Organization's investment in available-for-sale and held-to-maturity securities and liabilities within the valuation hierarchy.

Investments at Fair Value as of June 30, 2016

Investments	Level 1	Level 2	Level 3	Total
Equity securities	\$ 543,759	\$ -	\$ -	\$ 543,759
Bonds	237,339	-	-	237,339
Total	<u>\$ 781,098</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 781,098</u>

Liabilities at Fair Value as of June 30, 2016

Liabilities	Level 1	Level 2	Level 3	Total
Annuity obligation	\$ -	\$ -	\$ 34,453	\$ 34,453
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,453</u>	<u>\$ 34,453</u>

The following table presents the change in liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2016.

Liabilities

July 1, 2015	\$ 36,214
Total losses included in earnings	4,439
Payments	<u>(6,200)</u>
Total Change in fair value	<u>(1,761)</u>
June 30, 2016	<u>\$ 34,453</u>

The fair value of the annuity obligation is estimated as the present value of expected future cash outflows. The change in fair value of \$1,761 for the year ended June 30, 2016, is attributable to payments made during the year and to the revaluation of the annuity obligation based on applicable mortality tables and current market condition and is included in the change in unrestricted net assets for the year ended June 30, 2016.

**Note 6. Split-Interest Agreement**

On August 30, 2001, a charitable gift of a residential rental property at 38 North Pleasant Street, Middlebury, Vermont, with a market value of \$124,000 was given to the Organization. In consideration of the property transferred, a charitable gift annuity agreement was established with a present value at the date of gift of \$60,181. The net of these two amounts, \$63,819, was temporarily restricted charitable gift.

## ADDISON COUNTY PARENT CHILD CENTER

### Notes to the Financial Statements

#### **Note 6. Split-Interest Agreement (continued)**

The underlying property for which the split interest annuity was initially established was sold on October 29, 2008.

Under the terms of the annuity agreement, the Organization pays the donors \$6,200 annually in quarterly payments of \$1,550. The obligation to make annuity payment terminates with the payment prior to the death of the surviving donor. The present value of the annuity is based on the donors' life expectancies and a 6.2% discount rate and establishes the amount of the accrued annuity liability. Payments of the annuity reduce the annuity liability. At the end of the year the present value of the annuity is recalculated and the Organization recognizes the changes in value.

#### **Note 7. Property and Equipment**

Property and equipment consist of the following at June 30, 2016:

Land	\$	115,800
Land Improvements		49,575
Building		1,160,780
Equipment		116,392
Vehicles		48,510
Construction in progress		2,475
		<u>1,493,532</u>
Less accumulated depreciation		<u>(877,643)</u>
Property and equipment, net	\$	<u>615,888</u>

Depreciation expense was \$53,451 for the year ended June 30, 2016.

#### **Note 8. Refundable Advances**

The Organization has received grant payments from several grantors for future periods. Activity for the year ended June 30, 2016, was as follows:

Refundable advances, beginning of year	\$	2,000
Grant receipts		10,000
Grant expenditures		<u>(7,000)</u>
Refundable advances, end of year	\$	<u>5,000</u>

#### **Note 9. Lessor-Operating Leases**

The Organization leases nine rooms and one apartment at Elm Street in Middlebury, Vermont, each with one-year term and subsidized by Vermont State Housing Authority. The room units are rented at rate of \$550 per month for one room & \$618 per month for adjoining rooms, while the apartment is rented at a rate of \$700 per month.

**ADDISON COUNTY PARENT CHILD CENTER**

**Notes to the Financial Statements**

**Note 9. Lessor-Operating Leases (continued)**

The following table represents the Organization's property and equipment held for leasing at June 30, 2016:

Land	\$ 67,800
Building	625,170
Equipment	46,139
	<u>739,109</u>
Less accumulated depreciation	(305,735)
Property and equipment, net	\$ <u>433,374</u>

The following is a schedule of future minimum rentals under lease at June 30, 2016:

Year ended June 30, 2017	\$ 74,472
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**Note 10. Lessee Capital Leases**

The Organization leases its copier from De Lage Landen under a capital lease. The economic substance of the lease is that the Organization is financing the acquisition of the asset through the lease, and accordingly, it is recorded in the Organization's assets and liabilities. The following table represents the Organization's leased asset included in property and equipment:

Canon Copier	\$ 5,365
Less accumulated depreciation	(3,934)
Net	\$ <u>1,431</u>

The total amount due under the lease is \$5,820, to be paid in monthly installments of \$97 over five years, with a buyout at the end of \$1. Interest rate on the capitalized lease is approximately 3.25 percent. The future minimum lease obligation and the net present value of these minimum lease payments are as follows:

During the year ended June 30, 2017	\$ 1,164
2018	388
Total minimum lease payments	<u>1,552</u>
Less amount representing interest	35
Present value of minimum lease payments	\$ <u>1,517</u>

**Note 11. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at June 30, 2016:

Dental and eye fund	\$ 757
Car seat donation fund	10
Fitness fund	1,469
Total	\$ <u>2,236</u>

## **ADDISON COUNTY PARENT CHILD CENTER**

### **Notes to the Financial Statements**

#### ***Note 12. Risk Management***

The Organization is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Organization.

#### ***Note 13. Federal and State Financial Assistance***

The Organization receives financial assistance from the U.S. government and the State of Vermont. Entitlement to the resources is generally based on compliance with terms and conditions of the grant agreements and applicable federal and state regulation, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by grantors. Any disallowance as result of these audits becomes a liability of the fund that receives the grant. As of the year end, the Organization estimates that no material liabilities will result from such audit.

#### ***Note 14. Employee Benefit Plans***

The Organization offers eligible employees fixed benefits under a Section 125 plan. Employees must be salaried and work at least twenty hours per week to be eligible to receive a fixed benefit of an amount to be set annually, by the Board of Directors. This amount is to be applied to the employee's choice of health insurance, medical and wellness expenses, dental expenses, and other expenses as allowed under the Section 125 plan. The fixed benefit must be used within the calendar year and any unused monies are forfeited. Health insurance is available through the Organization's carrier for employees working at least 30 hours per week. The benefit amount is determined on a calendar year basis.

The Organization has a "Simple IRA" defined contribution plan. To be eligible to participate an employee must have received at least \$5,000 in compensation, as defined in the plan, during any one prior year and must be reasonably expected to receive at least \$5,000 in compensation during the current year. Vesting occurs immediately. Under the plan, the Organization provides a matching contribution equal to the amount contributed by the employee, up to 3% of the employee's compensation. For the year ended June 30, 2016 employees contributed \$58,531 and the organization matched \$26,941.

#### ***Note 15. Evaluation of Subsequent Events***

The Organization has evaluated subsequent events through December 20, 2016, the date of which the financial statements were available to be issued.