

GREEN MOUNTAIN CHILDREN'S CENTER, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2017

and

INDEPENDENT ACCOUNTANT'S REVIEW REPORT



RICHARD A. PAUL, JR., CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Green Mountain Children's Center, Inc.

I have reviewed the accompanying financial statements of Green Mountain Children's Center, Inc. (a Vermont nonprofit Organization) which comprise the statement of financial position as of August 31, 2017 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information included in the Schedule of Functional Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. I have reviewed the information and, based on my review, I am not aware of any material modifications that should be to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. I have not audited the information and, accordingly, do not express an opinion on such information.

White River Junction, Vermont
July 15, 2018

GREEN MOUNTAIN CHILDREN'S CENTER, INC.

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2017

ASSETS

Current assets:

Cash and cash equivalents	\$ 40,086
Accounts receivable, net of allowance of \$10,318	24,558
Deposits	<u>4,500</u>
Total current assets	<u>69,144</u>

Property and equipment:

Furniture, fixtures, equipment and appliances	46,242
Playground equipment	21,703
Security and technology	7,577
Buildings	89,895
Leasehold improvements	<u>21,240</u>
	186,657
Less: accumulated depreciation	<u>127,850</u>
Total property and equipment	<u>58,807</u>
Total assets	<u>\$ 127,951</u>

LIABILITIES AND NET ASSETS

Current liabilities:

Line of credit	\$ 20,917
Accounts payable	53,067
Accrued payroll	46,118
Payroll taxes payable	22,692
Advanced tuition	29,698
Deferred compensation - earned leave	<u>23,162</u>
Total current liabilities	<u>195,654</u>

Net assets:

Unrestricted	(92,740)
Temporarily restricted	<u>25,037</u>
Total net assets	<u>(67,703)</u>
Total liabilities and net assets	<u>\$ 127,951</u>

See independent accountant's review report and notes to financial statements

GREEN MOUNTAIN CHILDREN'S CENTER, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2017

Revenues and support:	
Tuition	\$ 1,572,977
Grants	58,388
Fundraising activities	22,583
Interest income	2
Other revenue	1,039
Released from temporarily restricted assets	<u>73,291</u>
Total revenues and support	<u>1,728,280</u>
Expenses:	
Program services	1,568,628
Supporting services:	
Management and general	170,351
Fundraising	<u>10,852</u>
Total expenses	<u>1,749,831</u>
Change in unrestricted net assets	<u>(21,551)</u>
Grants	64,755
Released to unrestricted net assets	<u>(73,291)</u>
Change in temporarily restricted net assets	<u>(8,536)</u>
Change in net assets	<u>\$ (30,087)</u>

See independent accountant's review report and notes to financial statements

GREEN MOUNTAIN CHILDREN'S CENTER, INC.

STATEMENT OF NET ASSETS

FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

	<u>Unrestricted Funds</u>	<u>Temporarily Restricted Funds</u>	<u>Permanently Restricted Funds</u>	<u>Totals</u>
Balance as of August 31, 2016	(71,189)	33,573	-	(37,616)
Change in net assets	<u>(21,551)</u>	<u>(8,536)</u>	<u>-</u>	<u>(30,087)</u>
Balance as of August 31, 2017	<u>\$ (92,740)</u>	<u>\$ 25,037</u>	<u>\$ -</u>	<u>\$ (67,703)</u>

See independent accountant's review report and notes to financial statements

GREEN MOUNTAIN CHILDREN'S CENTER, INC.

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

Cash flows from operating activities:

Change in net assets	\$ (30,087)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	15,913
(Increase) decrease in the following assets:	
Accounts receivable	46,370
Due from employee	357
Prepaid costs	4,420
Increase (decrease) in the following liabilities:	
Accounts payable	20,511
Accrued payroll	7,950
Payroll taxes payable	(4,447)
Advanced tuition	(16,887)
Deferred compensation - earned leave	<u>(2,908)</u>
Net cash provided by operating activities	<u>41,192</u>

Cash flows from financing activities:

Increase (decrease) in line of credit	<u>917</u>
Net cash provided by investing activities	<u>917</u>

Net increase in cash and cash equivalents 42,109

Cash and cash equivalents, beginning of year (2,023)

Cash and cash equivalents, end of year \$ 40,086

Supplemental disclosures of cash flow information:

Cash paid during the year for:	
Interest	\$ 2,040

See accountant's independent review report and notes to financial statements

GREEN MOUNTAIN CHILDREN'S CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

Note 1. Summary of significant accounting policies:

This summary of significant accounting policies of Green Mountain Children's Center, Inc. (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of organization – The Organization is an independent, nonprofit Vermont corporation formed in 1989 with three campuses located in White River Junction, Vermont and Claremont, New Hampshire. It serves nearly 300 families and cares for children from 6 weeks to 12 years old. The Organization's primary activity consists of providing early care and education in age appropriate programs while also offering extended afterschool education through local elementary schools. Revenues are generated mainly from family tuition and are supplemented by state and federal aid programs, fundraising activities, community grants and donations.

Basis of presentation – The financial statements are prepared in accordance with recommendations of the Financial Accounting Standards Board in its Statement of Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted net assets – this class is used at the discretion of the board of directors and is not subject to donor-imposed stipulations.
- Temporarily restricted net assets – this class includes net assets that are restricted by donors for a specific purpose or a specific time period.
- Permanently restricted net assets – this class includes net assets that are restricted by donors for permanent investment. There are currently no assets in this class.

Basis of accounting – The Organization utilizes the accrual basis of accounting. Under this method, revenues are recognized in the period in which they are earned, and expenses are recognized at the time liabilities are incurred.

Use of estimates – In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and cash equivalents – For purposes of the statement of cash flows, the Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Income taxes – The Organization is a nonprofit Vermont corporation and is exempt from income taxes under 501(c) (3) of the Internal Revenue Code, except to the extent of unrelated business taxable income. For the year ended August 31, 2017, no provision for unrelated business taxes is required. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization is not a private foundation under Section 509(a)(2).

GREEN MOUNTAIN CHILDREN'S CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

Note 1. Summary of significant accounting policies (continued):

The Organization's returns of Organization Exempt from Income Tax for the years ended August 31, 2016, 2015, 2014 and 2013 are subject to examination by the Internal Revenue Service, generally three to four years after the returns are filed.

Property and equipment – Property and equipment, if purchased, are stated at cost and, if donated, are stated at fair value on the date of donation. The Organization follows the policy of charging to expense annual amounts of depreciation which allocate the cost of the property and equipment over their estimated useful lives. The Organization employs the straight-line method over the various lives of the assets. The ranges of the estimated useful lives are:

	<u>Years</u>
Furniture, fixtures, equipment and appliances	5 - 10
Computers and peripheral equipment	3 - 7
Playground equipment	7- 10
Leasehold improvements	10 - 20

Expenditures for maintenance and repairs are expensed when incurred. Depreciation expense was \$15,913 and for the year ended August 31, 2017.

Contributions and promises to give – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, 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 unpaid volunteers make contributions of their time to develop the Organization's programs. The value of this time is not reflected in these financial statements since it does not meet the criteria for recognition under SFAS No. 116. Contributed professional services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skill and are performed by individuals possessing those skills and would otherwise be purchased by the Organization.

For the year ended August 31, 2017 the Organization had no permanently restricted revenue and support.

Advertising – The Organization expenses advertising costs as they are incurred.

Reclassifications - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. The results of these reclassifications had no effect on the reported increase in net assets.

GREEN MOUNTAIN CHILDREN'S CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

Note 2. Grants and contracts:

Support received under grants and contracts with various state agencies is recorded as public support and revenue in the appropriate fund when the related direct costs are incurred. Grants and contracts receivable represent amounts due from expenditures incurred prior to year-end.

Note 3. Donated goods and services:

The value of donated goods and services included in the financial statements and the corresponding expenses for the year ended August 31, 2017 totaled \$1,000.

Note 4. Compensated absences:

Employees of Green Mountain Children's Center, Inc. are entitled to paid vacations depending on length of service. Employees are also entitled to sick/personal days with limitations per year. The Organization's policies do not allow the accrual of sick/personal days.

Note 5. Earned leave time:

Each full-time employee accrues .05778 hours of earned leave time for every paid hour during their first five years of employment up to a maximum of 120 hours. After five years each full-time employee accrues at a rate of .07694 for every paid hour up to a maximum of 160 hours.

Employees working less than 40 hours per week will accrue proportionately less and those employees working less than 20 hours per week accrue no earned leave time.

The Organization encourages employees to take the earned leave time for various reasons, primarily to permit the staff to refresh themselves physically and mentally.

Any accrued earned leave time remaining at the time an individual ceases to be an employee of the Organization will be paid in cash as regular earnings subject to all tax withholding provisions at the hourly rate of their last scheduled pay period.

Note 6. Line of credit:

During the year ended August 31, 2011 the Organization entered into a revolving line of credit with Mascoma Savings Bank for up to \$50,000. The line of credit is secured by all business assets of the Organization. The line of credit's interest rate is tied to the Wall Street Journal prime rate plus 1% and is 6.75% as of August 31, 2017. \$20,917 is outstanding on the line of credit as of August 31, 2017. The line of credit was renewed at the same terms on August 3, 2017 and expires on August 3, 2018.

GREEN MOUNTAIN CHILDREN'S CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

Note 7. Operating lease arrangements:

The Organization leases operating space in White River Junction, VT and Claremont, NH.

Future minimum lease payments under these leases are as follows for the years ended August 31:

2018	\$ 131,408
2019	131,408
2020	121,623
2021	<u>72,696</u>
	<u>\$ 457,135</u>

Total rent expense for the year ended August 31, 2017 was \$157,502.

During the year ended August 31, 2016, the Organization ceased operations in its Lebanon, NH location due to continued losses. Minimal costs were incurred due to the closing of the location during the fiscal year ended August 31, 2017. Other than reductions in revenues and expenses there is no expected major effect on the overall operations of the Organization for future years.

Note 8. Subsequent events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 15, 2018, the date the financial statements were available to be issued. No significant subsequent events have been identified by management.

GREEN MOUNTAIN CHILDREN'S CENTER, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2017

	Program Services			Total
	Program Services	Management and		
		General	Fundraising	
Salaries and wages	\$ 1,026,904	\$ 89,461	\$ -	\$ 1,116,365
Occupancy	170,190	18,910	-	189,100
Payroll taxes	85,795	7,474	-	93,269
Employee benefits	79,833	6,955	-	86,788
Bad debts	62,131	-	-	62,131
Summer camp/field trips	31,622	-	-	31,622
Food	27,517	-	-	27,517
Office supplies	11,225	11,225	-	22,450
Classroom supplies	18,589	-	-	18,589
Insurance	14,575	1,619	-	16,194
Depreciation	11,934	3,978	-	15,912
Professional fees	-	12,720	-	12,720
Fundraising activities	-	-	10,852	10,852
Telephone	8,716	1,538	-	10,254
Outside services	-	8,641	-	8,641
Repairs and maintenance	4,847	539	-	5,386
Conferences and training	5,322	-	-	5,322
Interest	-	2,288	-	2,288
Bank service charges	-	2,084	-	2,084
Security and technology	1,869	208	-	2,077
Gifts	-	2,040	-	2,040
Advertising	1,939	-	-	1,939
Travel	1,579	-	-	1,579
Dues and subscriptions	1,519	-	-	1,519
Miscellaneous	1,497	-	-	1,497
Postage	225	671	-	896
Licenses and permits	800	-	-	800
Total expenses	<u>\$ 1,568,628</u>	<u>\$ 170,351</u>	<u>\$ 10,852</u>	<u>\$ 1,749,831</u>

See independent accountant's review report