

FIVER CHILDREN'S  
FOUNDATION, INC.

For the Year Ending  
January 31, 2016

FINANCIAL STATEMENTS

**FIVER CHILDREN'S FOUNDATION, INC.**

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**Independent Auditor's Report**

To the Board of Directors of  
Fiver Children's Foundation, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of Fiver Children's Foundation, Inc. (the Foundation) (a nonprofit organization) which comprise the statements of financial position as of January 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows 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 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 Foundation'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 Foundation'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 Fiver Children's Foundation, Inc. as of January 31, 2016 and 2015, 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.

*D'Arcangelo + Co., LLP*

May 16, 2016

Syracuse, New York

**FIVER CHILDREN'S FOUNDATION, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**January 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 63,598	\$ 96,304
Prepaid Expenses	776	756
Pledges Receivable	88,630	26,175
Security Deposit	<u>73,070</u>	<u>73,070</u>
Total Current Assets	<u>226,074</u>	<u>196,305</u>
<b>Property</b>		
Land	278,275	278,275
Buildings and Improvements	3,875,883	3,875,883
Furniture and Equipment	<u>528,056</u>	<u>479,051</u>
Total Property	4,682,214	4,633,209
Less: Accumulated Depreciation	<u>1,946,779</u>	<u>1,809,217</u>
Net Property	<u>2,735,435</u>	<u>2,823,992</u>
<b>Total Assets</b>	<u>\$ 2,961,509</u>	<u>\$ 3,020,297</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Liabilities	\$ 41,895	31,845
Deferred Revenue	0	11,258
Line of Credit	<u>75,045</u>	<u>125,000</u>
Total Current Liabilities	<u>116,940</u>	<u>168,103</u>
<b>Loan Payable</b>	400,000	400,000
<b>Net Assets</b>		
Unrestricted	2,425,882	2,429,194
Temporarily Restricted	<u>18,687</u>	<u>23,000</u>
Total Net Assets	<u>2,444,569</u>	<u>2,452,194</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 2,961,509</u>	<u>\$ 3,020,297</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**FIVER CHILDREN'S FOUNDATION, INC.**

**STATEMENTS OF ACTIVITIES**

**For the Years Ended January 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Unrestricted Public Support and Revenue</b>		
Fundraising	\$ 547,766	\$ 418,308
Contributions	1,192,935	1,037,244
Interest Income	1	1
Unrealized Gain (Loss) on Investments	(446)	33
Other Income	22,267	11,147
Released From Restrictions	<u>37,350</u>	<u>0</u>
Total Public Support and Revenue	<u>1,799,873</u>	<u>1,466,733</u>
<b>Expenses</b>		
Program Services	1,430,144	1,511,566
Management and General	96,750	92,574
Fundraising	<u>276,291</u>	<u>225,614</u>
Total Expenses	<u>1,803,185</u>	<u>1,829,754</u>
<b>Temporarily Restricted</b>		
Restricted Contributions	33,037	23,000
Released From Restrictions	<u>(37,350)</u>	<u>0</u>
Total Temporarily Restricted	<u>(4,313)</u>	<u>23,000</u>
<b>Change in Net Assets</b>	(7,625)	(340,021)
<b>Net Assets, Beginning of Year</b>	<u>2,452,194</u>	<u>2,792,215</u>
<b>Net Assets, End of Year</b>	<u>\$ 2,444,569</u>	<u>\$ 2,452,194</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**FIVER CHILDREN'S FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended January 31, 2016**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b>Personnel Costs</b>				
Salaries	\$ 664,176	\$ 32,425	\$ 83,131	\$ 779,732
Employee Benefits	39,862	1,937	4,967	46,766
Payroll Taxes	<u>55,001</u>	<u>2,767</u>	<u>7,094</u>	<u>64,862</u>
Total Personnel Costs	759,039	37,129	95,192	891,360
<b>Other Expenses</b>				
Summer Program	141,063	0	0	141,063
Supplies	18,920	2,147	1,193	22,260
Advertising and Promotion	11,264	1,014	15,739	28,017
Professional Fees	10,000	11,415	0	21,415
Telephone	5,743	601	334	6,678
Utilities	24,140	2,526	1,403	28,069
Postage	7,619	591	904	9,114
Rent	157,604	16,493	9,163	183,260
Professional Development	28,895	0	0	28,895
Year-Round Program Expense	24,511	0	0	24,511
Insurance	60,951	6,109	3,394	70,454
Repairs and Maintenance	44,699	0	0	44,699
Special Events	0	0	126,428	126,428
Miscellaneous	14,826	0	0	14,826
Interest	0	6,076	0	6,076
Bank Charges	<u>0</u>	<u>0</u>	<u>15,514</u>	<u>15,514</u>
Total Other Expenses	<u>550,235</u>	<u>46,972</u>	<u>174,072</u>	<u>771,279</u>
<b>Total Expenses Before Other Items</b>	1,309,274	84,101	269,264	1,662,639
<b>Other Items</b>				
Depreciation	<u>120,870</u>	<u>12,649</u>	<u>7,027</u>	<u>140,546</u>
Total Other Items	<u>120,870</u>	<u>12,649</u>	<u>7,027</u>	<u>140,546</u>
<b>Total Expenses</b>	<u>\$ 1,430,144</u>	<u>\$ 96,750</u>	<u>\$ 276,291</u>	<u>\$ 1,803,185</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**FIVER CHILDREN'S FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended January 31, 2015**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b>Personnel Costs</b>				
Salaries	\$ 712,656	\$ 14,653	\$ 70,660	\$ 797,969
Employee Benefits	40,545	858	4,136	45,539
Payroll Taxes	<u>69,232</u>	<u>1,425</u>	<u>6,871</u>	<u>77,528</u>
Total Personnel Costs	822,433	16,936	81,667	921,036
<b>Other Expenses</b>				
Summer Program	158,843	0	0	158,843
Supplies	17,285	1,914	1,063	20,262
Advertising and Promotion	5,347	560	14,679	20,586
Professional Fees	10,000	29,280	0	39,280
Telephone	6,738	705	392	7,835
Utilities	23,459	2,455	1,364	27,278
Postage	7,055	490	746	8,291
Rent	142,968	14,962	8,312	166,242
Professional Development	36,177	0	0	36,177
Year-Round Program Expense	25,084	0	0	25,084
Insurance	66,561	6,696	3,720	76,977
Repairs and Maintenance	52,813	0	0	52,813
Fiver Benefit	0	0	94,968	94,968
Miscellaneous	14,661	0	0	14,661
Interest	0	5,794	0	5,794
Bank Charges	<u>0</u>	<u>0</u>	<u>11,602</u>	<u>11,602</u>
Total Other Expenses	<u>566,991</u>	<u>62,856</u>	<u>136,846</u>	<u>766,693</u>
<b>Total Expenses Before Other Items</b>	1,389,424	79,792	218,513	1,687,729
<b>Other Items</b>				
Depreciation	<u>122,142</u>	<u>12,782</u>	<u>7,101</u>	<u>142,025</u>
Total Other Items	<u>122,142</u>	<u>12,782</u>	<u>7,101</u>	<u>142,025</u>
<b>Total Expenses</b>	<u>\$ 1,511,566</u>	<u>\$ 92,574</u>	<u>\$ 225,614</u>	<u>\$ 1,829,754</u>

The Accompanying Notes are an Integral Part of These Financial Statements.



**FIVER CHILDREN'S FOUNDATION, INC.**

**STATEMENTS OF CASH FLOWS**

**For the Years Ended January 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from (Used by) Operating Activities</b>		
Change in Net Assets	\$ (7,625)	\$ (340,021)
Adjustments for Noncash Transactions		
Depreciation	140,546	142,025
(Increase) Decrease in Assets		
Prepaid Expenses	(20)	3,328
Pledges Receivable	(62,455)	(23,235)
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Liabilities	10,050	(8,619)
Deferred Revenue	<u>(11,258)</u>	<u>11,258</u>
Net Cash from (Used by) Operating Activities	<u>69,238</u>	<u>(215,264)</u>
<b>Cash Flows (Used by) Investing Activities</b>		
Purchase of Property and Equipment	<u>(51,989)</u>	<u>(29,908)</u>
Net Cash (Used by) Investing Activities	<u>(51,989)</u>	<u>(29,908)</u>
<b>Cash Flows from (Used by) Financing Activities</b>		
Increase (Decrease) in Short-Term Borrowings	<u>(49,955)</u>	<u>125,000</u>
Net Cash from (Used by) Financing Activities	<u>(49,955)</u>	<u>125,000</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(32,706)	(120,172)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>96,304</u>	<u>216,476</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 63,598</u>	<u>\$ 96,304</u>

**Supplemental Cash Flow Disclosures**

Cash Paid During the Year For:		
Interest	<u>\$ 6,076</u>	<u>\$ 5,794</u>
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

# FIVER CHILDREN'S FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of the Organization**

The Fiver Children's Foundation, Inc. (the Foundation), is a comprehensive youth development organization that makes a 10-year commitment to children from underserved communities throughout New York City and central New York. Through character-building summer and year-round out-of-school time programs, Fiver empowers children to make ethical and healthy decisions, to become engaged citizens, and to succeed in school, careers, and life.

#### **Basis of Presentation**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These financial statements, presented on the accrual basis of accounting, have been prepared to focus on the Foundation as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by reporting information regarding its financial position and activities according to three classes of net assets: permanently restricted, temporarily restricted, or unrestricted.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash held in checking accounts and certificates of deposit with maturities of less than 90 days. Included in cash is a money market mutual fund held in an investment account. Donations of stock are deposited into this account; however, it is Management's policy to sell the stock as soon as practicably possible.

#### **Receivables**

Pledges receivable as of January 31, 2016 and 2015 in the amount of \$88,630 and \$26,175, respectively, represent unconditional promises to give that are due in one year.

The Foundation considers its receivables, which were recorded at cost, to be fully collectible; accordingly, no allowance for doubtful accounts was required. If amounts became uncollectible, they would be charged to operations when that determination was made.

**FIVER CHILDREN'S FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property**

Purchased property is recorded at cost, less an allowance for depreciation. Contributed property is recorded at fair value at the date of donation. If donors stipulate how long the asset must be used, the contributions are recorded as restricted support. In the absence of such stipulations, property contributions are recorded as unrestricted support. Depreciation is provided on the straight-line method over the estimated useful lives of the assets as follows:

Buildings and Improvements	40 Years
Furniture and Equipment	5-10 Years

The Foundation capitalizes all expenditures for property and equipment in excess of \$1,000.

**Contributions and Donations**

The Foundation reports contributions as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions are received in the form of cash, and property and equipment. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Donations other than cash are recorded at fair market value at the date of the gift.

**Donated Services**

The Foundation pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific programs.

**Advertising**

The cost of advertising is charged to expense as incurred and included in the statements of functional expenses.

# FIVER CHILDREN'S FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Use of Estimates

The preparation 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses were allocated according to specific identification and management estimates.

#### Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform with the current year presentation.

### NOTE 2 INCOME TAX STATUS

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and utilizes January 31 as its fiscal year end. The Foundation has also been determined to be other than a private foundation as described in Section 509(a)(1) of the Code.

The Foundation's federal and state returns for tax years prior to 2011 are no longer subject to examination by the respective tax authorities.

### NOTE 3 PROPERTY

Property consists of the following at January 31:

	<u>2016</u>	<u>2015</u>
Land	\$ 278,275	\$ 278,275
Buildings and Improvements	3,875,883	3,875,883
Furniture and Equipment	528,056	479,051
Less: Accumulated Depreciation	<u>(1,946,779)</u>	<u>(1,809,217)</u>
Net Property	<u>\$ 2,735,435</u>	<u>\$ 2,823,992</u>

**FIVER CHILDREN'S FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 LINE OF CREDIT**

In April 2012, the Foundation obtained a \$400,000 line of credit from a bank. The line carries an interest rate equal to the Prime Rate plus 1.00% and is secured by property located in Madison County, New York, equipment, and accounts receivable. There was \$75,045 and \$125,000 outstanding on this line as of January 31, 2016 and 2015, respectively.

**NOTE 5 LOAN PAYABLE**

Loan payable represents unsecured loans from a Board Member made to the Foundation through a series of advances. No repayment terms have been specified. The holder has waived all rights to interest during the year.

**NOTE 6 INVOLUNTARY CONVERSION OF ASSETS**

In fiscal year ending January 31, 2015, the Foundation incurred property damage due to a storm during the year. The damaged property was reimbursed through the Foundation's insurance coverage and proceeds received were used to offset the costs to repair the property damage. A portion of costs were incurred during fiscal year 2015 and the remaining costs were incurred during fiscal year 2016. The proceeds received to offset fiscal year 2016 costs were recorded as deferred revenue on the statements of financial position at January 31, 2015 and was calculated as follows:

Insurance Proceeds	\$ 31,547
Costs to Repair Damaged Property	<u>(20,289)</u>
Deferred Revenue	<u>\$ 11,258</u>

As of January 31, 2016, the deferred revenue in the amount of \$11,258 has been recognized.

**NOTE 7 DEFINED CONTRIBUTION RETIREMENT BENEFIT PLAN**

The Foundation maintains a 403(b) retirement plan allowing for pre-tax employee contributions and an elective employer match. The plan covers substantially all full-time permanent employees. During the years ended January 31, 2016 and 2015 matching contributions to the plan were \$5,903 and \$6,021, respectively.

**FIVER CHILDREN'S FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 OPERATING LEASE**

The Foundation leases office space under a non-cancelable agreement that expires in December 2016. The lease calls for agreed upon monthly payments, escalating each year. Rent expense is recorded on a straight line basis over the lease term. In prior years management accrued a liability for the cumulative difference between lease payments and rent expense. In the current fiscal year management has deemed this liability to be immaterial, and accordingly, eliminated the liability from the accounting records. A liability \$0 and \$10,300 is reflected in the statement of financial position in accrued liabilities as of January 31, 2016 and 2015, respectively. The Foundation is also required to pay annually, an amount equal to 2% of any increase in real estate taxes over the amount of taxes in the first year of the agreement. Rent expense under this agreement was \$183,260 and \$166,242 for years ended January 31, 2016 and 2015, respectively.

The annual future minimum lease payments under the current contract, which expires in December 2016 and has not been renewed to date, for the year ended January 31, is as follows:

2017	\$ 149,252
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**NOTE 9 CONCENTRATION OF CREDIT RISK**

The Foundation maintains its cash balances (including money market account balances) with several financial institutions, which act as custodians for these accounts. Cash balances occasionally exceed the amounts insured by the Federal Deposit Insurance Corporation. Bank balances did not exceed FDIC limits as of January 31, 2016 and 2015.

**NOTE 10 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 16, 2016, the date on which the financial statements were available to be issued.