

# Community Learning Center

Financial Statements  
Year Ended June 30, 2016



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**COMMUNITY LEARNING CENTER**

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## INDEPENDENT AUDITOR'S REPORT

**Board of Directors  
Community Learning Center  
Philadelphia, Pennsylvania**

We have audited the accompanying financial statements of Community Learning Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. 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 Community Learning 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 U.S. generally accepted accounting principles.

### ***Report on Summarized Comparative Information***

We have previously audited the Community Learning Center's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 16, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*BBD, LLP.*

**Philadelphia, Pennsylvania  
October 24, 2016**

# COMMUNITY LEARNING CENTER

## STATEMENT OF FINANCIAL POSITION

June 30, 2016 with comparative totals for 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash	\$ 728,392	\$ 441,432
Contributions receivable	23,960	205,472
Grants receivable	57,562	-
Prepaid expenses	37,223	39,552
Property and equipment, net of accumulated depreciation of \$56,396 and \$46,008 at June 30, 2016 and 2015, respectively	<u>25,685</u>	<u>17,884</u>
<b>Total assets</b>	<b><u>\$ 872,822</u></b>	<b><u>\$ 704,340</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	<u>\$ 132,082</u>	<u>\$ 1,836</u>
<b>NET ASSETS</b>		
Unrestricted		
Operating	356,584	270,313
Board designated	<u>100,000</u>	<u>100,000</u>
	456,584	370,313
Temporarily restricted	<u>284,156</u>	<u>332,191</u>
<b>Total net assets</b>	<b><u>740,740</u></b>	<b><u>702,504</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 872,822</u></b>	<b><u>\$ 704,340</u></b>

See accompanying notes

# COMMUNITY LEARNING CENTER

## STATEMENT OF ACTIVITIES

Year ended June 30, 2016 with comparative totals for 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2016</u>	<u>2015</u>
<b>REVENUE AND SUPPORT</b>				
Government grants	\$ 1,063,571	\$ -	\$ 1,063,571	\$ 710,025
Contributions				
Foundations and corporations	84,500	207,000	291,500	299,750
In-kind	4,622	-	4,622	171,599
Other	49,128	-	49,128	45,035
Other income	23,393	-	23,393	12,223
Interest income	176	-	176	170
Net assets released from restrictions	<u>255,035</u>	<u>(255,035)</u>	<u>-</u>	<u>-</u>
<b>Total revenue and support</b>	<u>1,480,425</u>	<u>(48,035)</u>	<u>1,432,390</u>	<u>1,238,802</u>
<b>EXPENSES</b>				
<b>Program services</b>				
Education	771,246	-	771,246	698,880
SSP - Student Services Program	67,097	-	67,097	66,679
PDS - Professional Development System	426,564	-	426,564	42,169
<b>Supporting services</b>				
Fundraising	28,548	-	28,548	73,473
General and administrative	<u>100,699</u>	<u>-</u>	<u>100,699</u>	<u>263,203</u>
<b>Total expenses</b>	<u>1,394,154</u>	<u>-</u>	<u>1,394,154</u>	<u>1,144,404</u>
<b>CHANGE IN NET ASSETS</b>	86,271	(48,035)	38,236	94,398
<b>NET ASSETS</b>				
Beginning of year	<u>370,313</u>	<u>332,191</u>	<u>702,504</u>	<u>608,106</u>
End of year	<u>\$ 456,584</u>	<u>\$ 284,156</u>	<u>\$ 740,740</u>	<u>\$ 702,504</u>

See accompanying notes

**COMMUNITY LEARNING CENTER**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year ended June 30, 2016 with comparative totals for 2015

	Program Services			Supporting Services		Totals	
	Education	SSP - Student Services Program	PDS - Professional Development System	Fundraising	General and Administrative	2016	2015
Salaries	\$ 476,532	\$ 52,974	\$ 257,777	\$ 17,631	\$ 22,010	\$ 826,924	\$ 621,170
Fringe benefits	78,402	9,470	51,122	5,490	6,451	150,935	132,432
Occupancy expenses	75,615	-	8,040	-	26,194	109,849	101,534
Communication expenses	5,905	1,327	2,179	545	1,160	11,116	14,418
Consultants service fees	88,688	-	54,950	-	-	143,638	26,088
Professional fees	10,092	2,239	9,073	7	28,500	49,911	190,910
Supplies and materials	18,903	489	1,508	1,930	2,663	25,493	17,254
Refreshment and student incentives	32	108	89	-	741	970	1,506
Printing and duplicating	60	-	15	465	-	540	528
Insurance	6,653	300	1,500	605	1,446	10,504	15,112
Equipment leasing and maintenance	8,669	-	1,259	-	-	9,928	9,482
Travel expenses	840	-	38,396	76	209	39,521	1,636
Miscellaneous expenses	855	190	656	1,799	937	4,437	2,624
Depreciation expense	-	-	-	-	10,388	10,388	9,710
Total expenses	<u>\$ 771,246</u>	<u>\$ 67,097</u>	<u>\$ 426,564</u>	<u>\$ 28,548</u>	<u>\$ 100,699</u>	<u>\$ 1,394,154</u>	<u>\$ 1,144,404</u>

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See accompanying notes

# COMMUNITY LEARNING CENTER

## STATEMENT OF CASH FLOWS

Year ended June 30, 2016 with comparative totals for 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$ 38,236	\$ 94,398
<b>Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities</b>		
Depreciation expense	10,388	9,710
(Increase) decrease in Contributions receivable	181,512	(84,829)
Grants receivable	(57,562)	-
Prepaid expenses	2,329	(10,402)
Increase (decrease) in Accounts payable and accrued expenses	<u>130,246</u>	<u>(2,971)</u>
<b>Net cash provided by operating activities</b>	<u>305,149</u>	<u>5,906</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(18,189)</u>	<u>(10,637)</u>
<b>Net change in cash</b>	286,960	(4,731)
<b>CASH</b>		
Beginning of year	<u>441,432</u>	<u>446,163</u>
<b>End of year</b>	<u>\$728,392</u>	<u>\$441,432</u>

See accompanying notes

# COMMUNITY LEARNING CENTER

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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### (1) NATURE OF OPERATIONS

Founded in 1987, the Community Learning Center (the "**Center**") is an adult education organization serving students in Philadelphia. The Center provides disadvantaged adults with literacy, math, and life skills using a supportive and holistic approach, so that they can realize their fullest potential at home, in the workplace, and in the community.

### (2) SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

#### **Basis of Presentation**

The Center reports information regarding its financial position and activities according to the following classes of net assets:

##### ***Unrestricted net assets***

Net assets that are not subject to donor-imposed restrictions.

##### ***Temporarily restricted net assets***

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Center and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "**net assets released from restrictions.**"

##### ***Permanently restricted net assets***

Net assets that are subject to donor-imposed restrictions that such assets be maintained indefinitely.

There were no permanently restricted net assets at June 30, 2016.

#### **Accounting Estimates**

In preparing financial statements in conformity with U.S. generally accepted accounting principles ("**GAAP**"), management makes 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, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

#### **Summarized Prior Year Information**

The financial statements include prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2015, from which the summarized information was derived.



# COMMUNITY LEARNING CENTER

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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### **Fair Value Measurements of Assets and Liabilities**

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Center. Unobservable inputs reflect the Center's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

**Level 1** – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Center has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

**Level 2** – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

**Level 3** – Valuations based on inputs that are unobservable, that is, inputs that reflect the Center's own assumptions.

### **Concentrations of Credit Risk**

Financial instruments which potentially subject the Center to concentrations of credit risk are cash, grants receivable and contributions receivable. The Center maintains its cash at a quality financial institution. At times, such deposits may exceed federally-insured limits. Grants receivable are with the Commonwealth of Pennsylvania and the City of Philadelphia and are expected to be collected in 2017. Contributions receivable are expected to be collected in 2017 and have been valued using Level 2 inputs.

### **Property and Equipment**

Expenditures for purchases of property and equipment in excess of \$500 are capitalized at cost. Donated assets are capitalized at the estimated fair market value at date of receipt. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

### **Contributions**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions whose restrictions are satisfied in the same period are reported as unrestricted.

Unconditional contributions are recognized as revenue when the related promise to give is received. Conditional contributions are recognized as revenue when the conditions are satisfied.

### **Government Grants**

Revenue from grants with federal, state and local government agencies are on either a cost reimbursement, fee for service or fixed contract basis. Funding received for such programs for costs that have not been incurred are recorded as deferred revenue until such time as they are earned.

For the year ended June 30, 2016, the Center received \$953,571 from the Pennsylvania Department of Education. For the year ended June 30, 2015, the Center received \$559,625 from the Pennsylvania Department of Education.

# COMMUNITY LEARNING CENTER

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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### Functional Allocation of Expenses

The costs of providing the program and supporting services have been presented on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

### Income Taxes

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain tax positions. GAAP prescribes a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. The Center believes that it had no uncertain tax positions as defined in GAAP.

### Volunteers Services and Donated Materials

The Center receives certain donated services from volunteers in support of its programs and fundraising campaigns. Volunteers provide essential services that the Center would otherwise be unable to afford. The value of these donated services does not meet the criteria for recognition of donated services and, accordingly, is not reflected in the accompanying statements.

## (3) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>June 30, 2016</u>
Purpose restrictions				
Education	\$174,119	\$189,500	\$179,855	\$183,764
SSP – Student Services Program	<u>110,987</u>	<u>5,500</u>	<u>35,595</u>	<u>80,892</u>
	285,106	195,000	215,450	264,656
Time restrictions				
For future periods	<u>47,085</u>	<u>12,000</u>	<u>39,585</u>	<u>19,500</u>
	<u>\$332,191</u>	<u>\$207,000</u>	<u>\$255,035</u>	<u>\$284,156</u>

## (4) LEASES

The Center leases its primary classroom facility and certain office equipment under operating leases on a month-to-month basis. The Center also leases additional classroom space from various community agencies under informal leasing arrangements.

The Center entered into a lease for office space which commenced on September 1, 2011 and expires September 30, 2021. The lease allows the Center to terminate the lease if its funding is reduced and it can no longer operate its programs.

In May 2013, the Center entered into a five-year lease for additional classroom space. The lease provides the Center a five-year renewal option and allows the Center to terminate the lease with 60 days written notice if its funding is reduced to the extent that it can no longer operate its programs.

Rent expense for classrooms and office space was \$93,992 and \$88,810 for the years ended June 30, 2016 and 2015, respectively.

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# COMMUNITY LEARNING CENTER

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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Future minimum lease payments are as follows:

**Years ending June 30,**

2017	\$ 93,510
2018	85,432
2019	38,161
2020	38,161
2021	38,161
2022	<u>6,360</u>
	<u>\$299,785</u>

### (5) LINE OF CREDIT

The Center has a \$75,000 revolving line of credit with Citizens Bank, which expires on February 18, 2017. Interest is payable at bank's prime rate plus 2.25% (5.75% at June 30, 2016). There were no amounts outstanding on the line of credit as of June 30, 2016 and 2015.

### (6) RETIREMENT PLAN

The Center sponsors a qualified 403(b) plan. This plan covers all employees who meet the eligibility and service requirements as outlined in the plan document. The plan allows the Center to make discretionary contributions not to exceed 5% of employee compensation. Contributions to the plan were \$15,018 in 2016 and \$16,412 in 2015.

### (7) SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 24, 2016, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2016 that required recognition or disclosure in the financial statements.