

CHANGE FOR KIDS, INC.  
FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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Your Most Trusted Business Advisor.

**ADELMAN KATZ & MOND LLP**  
ACCOUNTANTS AND CONSULTANTS

200 W. 41ST STREET  
SUITE 1801  
NEW YORK, NY 10036  
P 212.382.0404  
F 212.382.2686  
www.akmcpa.com

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Change for Kids, Inc.

We have audited the accompanying financial statements of Change for Kids, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities 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.

### **Auditors' 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 auditors' 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.



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INDEPENDENT AUDITORS' REPORT (continued)

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Change for Kids, Inc. as of June 30, 2018, 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.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 10 and 11 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Adelman Katz + Mond LLP*

New York, NY  
December 13, 2018

CHANGE FOR KIDS, INC.  
STATEMENTS OF FINANCIAL POSITION

JUNE 30,

ASSETS

	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 317,302	\$ 282,608
Short-term investments	104,003	205,328
Grants and pledges receivable	121,127	43,393
Prepaid expenses	26,340	20,411
Deposits	<u>31,150</u>	<u>29,685</u>
Total Current Assets	599,922	581,425
<b>FIXED ASSETS, net of accumulated depreciation (Note 4)</b>	<u>10,742</u>	<u>13,260</u>
	<u>\$ 610,664</u>	<u>\$ 594,685</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 157,921	\$ 11,357
Deferred revenue (Note 5)	<u>26,475</u>	<u>20,975</u>
Total Current Liabilities	<u>184,396</u>	<u>32,332</u>
<b>NET ASSETS</b>		
Unrestricted	396,268	532,353
Temporarily restricted	<u>30,000</u>	<u>30,000</u>
Total Net Assets	<u>426,268</u>	<u>562,353</u>
	<u>\$ 610,664</u>	<u>\$ 594,685</u>

See independent auditors' report and notes to financial statements.

CHANGE FOR KIDS, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30,

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018</u>	<u>2017</u>
<b>SUPPORT AND REVENUE</b>				
Special events	\$ 1,000,359	\$ -0-	\$ 1,000,359	\$ 997,352
Less: costs of direct benefits to donors	<u>( 245,457)</u>	<u>-0-</u>	<u>( 245,457)</u>	<u>( 280,586)</u>
Special Events Revenue - Net	754,902	-0-	754,902	716,766
Contributions	943,663	30,000	973,663	1,007,738
Interest income	3,161	-0-	3,161	2,514
Released from restrictions	<u>-0-</u>	<u>( 30,000)</u>	<u>( 30,000)</u>	<u>-0-</u>
Total Support and Revenue	<u>1,701,726</u>	<u>-0-</u>	<u>1,701,726</u>	<u>1,727,018</u>
<b>EXPENSES</b>				
Program services	1,241,845	-0-	1,241,845	1,143,538
Management and administrative	258,332	-0-	258,332	205,287
Fundraising	<u>337,634</u>	<u>-0-</u>	<u>337,634</u>	<u>271,105</u>
Total Expenses	<u>1,837,811</u>	<u>-0-</u>	<u>1,837,811</u>	<u>1,619,930</u>
<b>CHANGES IN NET ASSETS</b>	<u>( 136,085)</u>	<u>-0-</u>	<u>( 136,085)</u>	<u>107,088</u>
NET ASSETS - Beginning of year	<u>532,353</u>	<u>30,000</u>	<u>562,353</u>	<u>455,265</u>
NET ASSETS - End of year	<u>\$ 396,268</u>	<u>\$ 30,000</u>	<u>\$ 426,268</u>	<u>\$ 562,353</u>

See independent auditors' report and notes to financial statements.

CHANGE FOR KIDS, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30,

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	(\$ 136,085)	\$ 107,088
Adjustment to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	2,518	2,518
Changes in assets and liabilities:		
Grants and pledges receivable	( 77,734)	( 33,068)
Prepaid expenses	( 5,929)	1,383
Accounts payable and accrued expenses	146,564	1,804
Deferred revenue	5,500	( 76,436)
Net Cash Provided by (Used in) Operating Activities	( 65,166)	3,289
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Short-term investments	101,325	( 2,092)
Security deposit	( 1,465)	( 1,547)
Net Cash Provided by (Used in) Investing Activities	99,861	( 3,639)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	34,694	( 350)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	282,608	282,958
End of year	\$ 317,302	\$ 282,608

See independent auditors' report and notes to financial statements.

CHANGE FOR KIDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

1. NATURE OF THE ORGANIZATION

Change for Kids, Inc. (a not-for-profit organization), (“CFK”), was incorporated in New York in 1996. CFK is dedicated to improving children’s education in New York City’s most under resourced public elementary schools and helping these children to develop their potential as individuals.

CFK activities include intensive in-school programs at twelve partner schools:

- Brighter Choice Community School in Brooklyn
- Brooklyn Landmark ES in Brooklyn
- Grant Avenue Elementary in the Bronx
- P.S. 6X – The West Farm School in the Bronx
- P.S. 15 in Manhattan
- P.S. 21 in Staten Island
- P.S. 81 in Brooklyn
- P.S. 142 in Manhattan
- P.S. 160 in Queens
- P.S. 277 in the Bronx
- P.S. 314 in the Bronx
- P.S. 329 The Surfside School in Brooklyn

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of CFK have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification ASC 958, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, CFK is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted Net Assets

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

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of CFK and/or the passage of time. 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.



CHANGE FOR KIDS, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2018 AND 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by CFK. Generally, the donors of these assets permit CFK to use all or part of the income earned on any related investments for general or specific purposes.

Revenue and Support Recognition

Contributions are recognized as revenues when they are received or unconditionally pledged and are recorded as unrestricted support unless donor stipulations exist that limit the use of these assets due to time or purpose restrictions. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Unrestricted revenues are also obtained from annual fundraising events, through the purchase of event tickets, journal advertisements and sponsor contributions.

Contributed Services

Unpaid volunteers have made significant contributions of their time to develop CFK's programs. The value of these donated services is not included in these financial statements as they do not meet the criteria for recognition.

Consistent with generally accepted accounting principles for nonprofit organizations, the value of contributed services meeting the requirements for recognition are recorded at fair value in the period received. During the years ended June 30, 2018 and 2017, CFK did not receive any contributed services meeting the requirements for recognition in the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in bank and highly liquid investments with maturity dates of less than three months and any certificates of deposit that do not contain material early withdrawal penalties. Carrying values of cash and cash equivalents approximate fair value because of the short maturities of those financial instruments.

Property and Equipment

Property and equipment are stated at cost, if purchased. Donations of property and equipment are recorded as contributions at their approximate fair market value on the date of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions.

Absent donor stipulations regarding how long those donated assets must be maintained, CFK reports expiration of donor restrictions when the donated or acquired assets are placed in service. CFK reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation is provided over the estimated useful lives of the assets in a straight line basis.

CHANGE FOR KIDS, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2018 AND 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations of Credit Risk

Financial investments which potentially subject CFK to concentrations of credit risk consist of cash and cash equivalents. In an attempt to limit the credit risk, CFK places all funds with high quality financial institutions. As of June 30, 2018 and June 30, 2017, CFK exceeded the federally insured credit limit by approximately \$19,000 and \$25,000, respectively.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, income and expenses and disclosures of contingencies. Future events could alter such estimates in the near term.

Functional Allocation of Expenses

Program services, management and administration, and fundraising expenses have been recorded in the statement of activities and changes in net assets and on the statement of functional expenses. Generally, program services expenses applicable to a particular school are expensed based on a direct costing method. Certain management and administration expenses are allocated to program services based on the amount of time spent or space used on program services.

3. FAIR VALUE MEASUREMENTS

Fair Value Measurements Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Investments are valued at a quoted value by Management based on a brokerage statement. These values are Level 1 inputs.

4. FIXED ASSETS

Fixed assets consist of the following, as of June 30,

	<u>2018</u>	<u>2017</u>
Equipment	\$ 17,624	\$ 17,624
Less: accumulated depreciation	( 6,882)	( 4,364)
	<u>\$ 10,742</u>	<u>\$ 13,260</u>

Depreciation expense for the year ended June 30, 2018 and 2017 was \$2,518 and \$2,518 respectively.

CHANGE FOR KIDS, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2018 AND 2017

5. DEFERRED REVENUE

During the year ended June 30, 2018 and 2017, CFK received certain grants and contributions of which a portion was earmarked for the June 30, 2019 and 2018 fiscal years, respectively. The total of all amounts is \$26,475 and \$20,975, respectively, and is reflected in current liabilities on the statement of financial position.

6. INCOME TAXES

CFK is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for Federal income taxes has been recorded in the statement of activities and changes in net assets.

7. RELATED PARTY TRANSACTIONS

Contributions of \$225,245 and \$278,989 were received from board members during the year and have been included as unrestricted contributions in the statement of activities and changes in net assets for the year ended June 30, 2018 and 2017, respectively.

8. OPERATING LEASES

On September 16, 2015, CFK entered in a lease for office space commencing October 1, 2015 for a period of 5 years, by which its terms would expire on September 30, 2020. CFK will be released from their prior lease with no penalty once a lease is signed with a new tenant.

Minimum future rental payments pursuant to the lease agreements are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2019	\$ 108,477
2020	111,731
2021	<u>28,138</u>
Total Minimum Future Rental Payments	<u>\$ 248,346</u>

9. CONTINGENCIES

CFK is named in various claims and legal actions in the normal course of its activities. Based upon counsel and management's opinion, the outcome of such matters is not expected to have a material adverse effect on CFK's financial position.

10. SUBSEQUENT EVENTS

Subsequent events were evaluated through December 13, 2018, which is the date the financial statements were available to be issued. As of December 13, 2018 there were no subsequent events which require separate disclosure.

CHANGE FOR KIDS, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Management and Administrative	Fundraising	Total
Salaries	\$ 692,298	\$ 101,809	\$ 223,979	\$ 1,018,086
Benefits	67,243	9,889	21,755	98,887
Staff professional development	2,092	2,318	1,244	5,654
Payroll fees	8,431	1,240	2,728	12,399
Insurance	1,736	2,083	1,141	4,960
Telephone	2,245	1,123	1,123	4,491
Bank fees	-0-	282	762	1,044
Professional fees	-0-	78,857	37,109	115,966
Rent and utilities	66,917	19,281	27,220	113,418
Classroom supplies	14,253	-0-	-0-	14,253
Travel	155	4,706	310	5,171
Office expense	11,759	21,558	5,880	39,197
Meals	1,956	3,913	3,447	9,316
Other programs	56,749	-0-	-0-	56,749
Development and communication	723	1,833	3,000	5,556
Operating fees to program partners	303,996	-0-	-0-	303,996
Computer and website expense	11,277	5,638	5,638	22,553
Postage	15	445	29	489
Merchant processing fees	-0-	839	2,269	3,108
Depreciation	-0-	2,518	-0-	2,518
	<u>\$ 1,241,845</u>	<u>\$ 258,332</u>	<u>\$ 337,634</u>	<u>\$ 1,837,811</u>

See independent auditors' report and notes to financial statements.

CHANGE FOR KIDS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2017

	Program Services	Management and Administrative	Fundraising	Total
Salaries	\$ 724,129	\$ 101,990	\$ 193,781	\$ 1,019,900
Benefits	37,007	8,540	11,387	56,934
Payroll fees	4,701	2,351	2,351	9,403
Insurance	3,829	4,594	2,516	10,939
Telephone	1,278	639	639	2,556
Bank fees	-0-	799	-0-	799
Professional fees	-0-	33,486	15,944	49,430
Rent and utilities	54,075	27,038	27,038	108,151
Classroom supplies	12,872	-0-	-0-	12,872
Travel	459	2,231	591	3,281
Office expense	5,354	9,729	2,677	17,760
Meals	2,854	5,708	5,029	13,591
Other programs	287,169	37	4	287,210
Printing	1,911	478	597	2,986
Gifts	91	113	286	490
Computer and website expense	7,277	3,639	3,638	14,554
Postage	532	897	232	1,661
Moving expenses	-0-	500	-0-	500
Merchant processing fees	-0-	-0-	4,395	4,395
Depreciation	-0-	2,518	-0-	2,518
	<u>\$ 1,143,538</u>	<u>\$ 205,287</u>	<u>\$ 271,105</u>	<u>\$ 1,619,930</u>

See independent auditors' report and notes to financial statements.