

COMMUNITY LEARNING CENTER

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

COMMUNITY LEARNING CENTER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of the Community Learning Center (a nonprofit organization) as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Community Learning Center's 2010 financial statements and in our report dated October 20, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Learning Center at June 30, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

BBD, LLP.

**Philadelphia, Pennsylvania
November 16, 2011**

COMMUNITY LEARNING CENTER

STATEMENT OF FINANCIAL POSITION

June 30, 2011 with comparative totals for 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ 341,378	\$ 111,988
Accounts receivable		
Grants receivable	57,879	103,338
Contributions receivable	162,345	-
Prepaid expenses	8,255	5,584
Property and equipment, net	<u>2,580</u>	<u>3,797</u>
Total assets	<u>\$ 572,437</u>	<u>\$ 224,707</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 6,009</u>	<u>\$ 2,488</u>
NET ASSETS		
Unrestricted	317,946	146,779
Temporarily restricted	<u>248,482</u>	<u>75,440</u>
Total net assets	<u>566,428</u>	<u>222,219</u>
Total liabilities and net assets	<u>\$ 572,437</u>	<u>\$ 224,707</u>

See accompanying notes

COMMUNITY LEARNING CENTER

STATEMENT OF ACTIVITIES

Year ended June 30, 2011 with comparative totals for 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2011</u>	<u>2010</u>
REVENUE AND SUPPORT				
Government grants	\$ 622,161	\$ -	\$ 622,161	\$ 401,782
Contributions				
Foundations and corporations	135,006	196,657	331,663	95,043
Other	23,897	-	23,897	23,415
Other income	4,694	-	4,694	35,169
Interest income	487	-	487	346
Net assets released from restrictions	<u>23,615</u>	<u>(23,615)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>809,860</u>	<u>173,042</u>	<u>982,902</u>	<u>555,755</u>
EXPENSES				
Program services				
Education	534,232	-	534,232	443,346
Student support services department	38,443	-	38,443	47,479
Family literacy	-	-	-	1,268
Supporting services				
Fundraising	19,685	-	19,685	14,697
General and administrative	<u>46,333</u>	<u>-</u>	<u>46,333</u>	<u>37,435</u>
Total expenses	<u>638,693</u>	<u>-</u>	<u>638,693</u>	<u>544,225</u>
CHANGE IN NET ASSETS	171,167	173,042	344,209	11,530
NET ASSETS				
Beginning of year	<u>146,779</u>	<u>75,440</u>	<u>222,219</u>	<u>210,689</u>
End of year	<u>\$ 317,946</u>	<u>\$ 248,482</u>	<u>\$ 566,428</u>	<u>\$ 222,219</u>

See accompanying notes

COMMUNITY LEARNING CENTERS

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2011 with comparative totals for 2010

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Totals</u>	
	<u>Education</u>	<u>Student Support Services Department</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>2011</u>	<u>2010</u>
Salaries	\$ 392,091	\$ 31,965	\$ 15,369	\$ 22,271	\$ 461,696	\$ 389,964
Fringe benefits	83,010	3,893	2,277	2,721	91,901	70,822
Occupancy expenses	11,475	-	-	2,944	14,419	11,459
Communication expenses	2,760	1,879	483	2,928	8,050	6,670
Consultants service fees	-	-	-	-	-	15,052
Professional fees	11,598	-	249	3,725	15,572	16,183
Supplies and materials	18,672	39	158	1,065	19,934	9,799
Refreshment and incentive	1,066	159	-	1,410	2,635	3,995
Dues and subscriptions	-	-	-	365	365	145
Printing and duplicating	929	-	1,144	85	2,158	1,720
Insurance	4,602	-	-	3,090	7,692	8,380
Equipment leasing and maintenance	3,040	-	-	-	3,040	3,613
Travel expenses	3,500	508	5	1,205	5,218	2,327
Miscellaneous expenses	1,489	-	-	1,784	3,273	1,391
Depreciation expense	-	-	-	2,740	2,740	2,705
Total expenses	<u>\$ 534,232</u>	<u>\$ 38,443</u>	<u>\$ 19,685</u>	<u>\$ 46,333</u>	<u>\$ 638,693</u>	<u>\$ 544,225</u>

COMMUNITY LEARNING CENTER

STATEMENT OF CASH FLOWS

Year ended June 30, 2011 with comparative totals for 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 344,209	\$ 11,530
<i>Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities</i>		
Depreciation expense	2,740	2,705
(Increase) decrease in		
Accounts receivable	(116,886)	(54,157)
Prepaid expenses	(2,671)	(1,230)
Increase (decrease) in		
Accounts payable and accrued expenses	3,521	(2,591)
Deferred revenue	<u>-</u>	<u>(3,414)</u>
Net cash provided by (used for) operating activities	<u>230,913</u>	<u>(47,157)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(1,523)</u>	<u>-</u>
Net change in cash	229,390	(47,157)
CASH		
Beginning of year	<u>111,988</u>	<u>159,145</u>
End of year	<u>\$ 341,378</u>	<u>\$ 111,988</u>

See accompanying notes

COMMUNITY LEARNING CENTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

(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.

Accounting Estimates

In preparing financial statements in conformity with generally accepted accounting principles, 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, 2010, from which the summarized information was derived.

COMMUNITY LEARNING CENTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Fair Value Measurements of Assets and Liabilities

Generally accepted accounting principles ("**GAAP**") define 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 and contributions and grants receivable. The Center maintains its cash at a quality financial institution. At times, such deposits may exceed federally-insured limits. Grants receivable are expected to be collected in 2011 and contributions receivable are expected to be collected as disclosed in Note 5.

Property and Equipment

Expenditures for purchases of land, buildings, improvements 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, 2011, the Center received \$558,186, or 55% of total revenue and support from the Pennsylvania Department of Education and the Free Library of Philadelphia Foundation. For the year ended June 30, 2010, the Center received \$344,940, or 62% of total revenue and support from the Pennsylvania Department of Education and the Free Library of Philadelphia Foundation.

COMMUNITY LEARNING CENTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Functional Allocation of Expenses

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

Volunteer Services and Donated Materials

The Center receives donated services from volunteers in support of its programs, services 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 contributed services and, accordingly, is not reflected in the accompanying statements.

Income Taxes

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

Generally accepted accounting principles prescribe a minimum recognition 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 the standard and, as a result, the adoption of the new standard had no impact on the Center's financial statements.

(3) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>June 30, 2011</u>
Purpose restrictions				
Education	\$36,831	\$ -	\$23,615	\$ 13,216
Student Support Services	<u>38,609</u>	<u>118,849</u>	<u>-</u>	<u>157,458</u>
	75,440	118,849	23,615	170,674
Time restrictions				
For future periods	<u>-</u>	<u>77,808</u>	<u>-</u>	<u>77,808</u>
	<u>\$75,440</u>	<u>\$196,657</u>	<u>\$23,615</u>	<u>\$248,482</u>

(4) LEASES

The Center leases its primary classroom facility and certain office equipment under noncancellable operating leases on a month-to-month basis. The Center also leases additional classroom space from various community agencies under informal leasing arrangements. Rent expense was \$14,155 for the year ended June 30, 2011.

In July 2011, the Center entered into a five-year lease for office space which commenced on September 1, 2011. The lease provides the Center a five-year renewal option and allows the Center to terminate the lease after 36 months if its funding is reduced and it can no longer operate its programs.

COMMUNITY LEARNING CENTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Future minimum lease payments are as follows:

Years ending June 30,

2012	\$ 26,146
2013	33,237
2014	35,289
2015	37,751
2016	38,161
Thereafter	<u>6,360</u>
	<u>\$176,944</u>

(5) CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2011 are expected to be collected as follows:

In less than one year	\$ 71,271
In one to five years	<u>96,922</u>
	168,193
Less discount to present value (3.25%)	<u>(5,848)</u>
	<u>\$162,345</u>

Contributions receivable have been valued using Level 2 inputs.

(6) LINE OF CREDIT

The Center has a \$35,000 revolving line of credit with Citizens Bank, which expires on December 4, 2011. Interest is payable at bank's prime rate plus 1.25% (4.50% at June 30, 2011). There were no amounts outstanding on the line of credit during 2011 and 2010.

(7) 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 \$10,954 in 2011 and \$6,558 in 2010.

(8) SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 16, 2011, the date on which the financial statements were available to be issued. Except as disclosed in Note 4, no material subsequent events have occurred since June 30, 2011 that required recognition or disclosure in the financial statements.