

CHARLOTTE BILINGUAL PRESCHOOL, INC.

FINANCIAL STATEMENTS

JUNE 30, 2017

CHARLOTTE BILINGUAL PRESCHOOL, INC.

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C. DEWITT FOARD & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS
817 EAST MOREHEAD STREET SUITE 100
CHARLOTTE, NORTH CAROLINA 28202
TELEPHONE: 704-372-1515 FACSIMILE: 704-372-6066

PHILLIP G. WILSON
TERRY W. LANCASTER

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Charlotte Bilingual Preschool, Inc.
Charlotte, North Carolina

We have audited the accompanying financial statements of Charlotte Bilingual Preschool, Inc. (the "Preschool" - a nonprofit corporation), which comprise the statement of financial position – modified cash basis as of June 30, 2017, and the related statements of activities – modified cash basis, functional expenses - modified cash basis and cash flows – modified cash basis 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 the modified cash basis of accounting as described in Note B to the financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for 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 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 of 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 in the first paragraph present fairly, in all material respects, the assets, liabilities, and net assets of Charlotte Bilingual Preschool, Inc. as of June 30, 2017 and its support, revenue, expenses and changes in net assets for the year then ended in accordance with the modified cash basis of accounting as described in Note B.

Basis of Accounting

We draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the Preschool's 2016 financial statements, and our report dated September 21, 2016, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

September 28, 2017

CHARLOTTE BILINGUAL PRESCHOOL, INC.**Statement of Financial Position - Modified Cash Basis****June 30, 2017, with prior year comparative totals**

	June 30,	
	2017	2016
<u>ASSETS</u>		
Cash	\$ 375,485	\$ 236,699
Receivables	1,240	1,214
Property:		
Furniture and equipment	51,150	50,150
Less - accumulated depreciation	(28,605)	(21,935)
<i>Property (net)</i>	22,545	28,215
<u>TOTAL ASSETS</u>	\$ 399,270	\$ 266,128

LIABILITIES

Liabilities	\$ -	\$ -
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NET ASSETS

Net Assets:		
Unrestricted	354,894	248,988
Temporarily restricted	44,376	17,140
<u>TOTAL NET ASSETS</u>	\$ 399,270	\$ 266,128

CHARLOTTE BILINGUAL PRESCHOOL, INC.

Statement of Activities - Modified Cash Basis

Year Ended June 30, 2017, with prior year comparative totals

	Year Ended June 30, 2017			Prior Year Comparative Totals
	Unrestricted	Temporarily Restricted	TOTALS	
<u>SUPPORT AND REVENUE</u>				
Governmental grants:				
Smart Start	\$ -	\$ 173,560	\$ 173,560	\$ 175,937
Other grants	306,900	79,000	385,900	263,958
Contributions	198,607	-	198,607	146,769
Participation fees	66,935	-	66,935	68,035
Fundraising (net of \$9,284 direct benefit)	63,924	-	63,924	75,797
Other income	1,381	-	1,381	2,195
Net assets released from restrictions by payment	225,324	(225,324)	-	-
<i>Total</i>	863,071	27,236	890,307	732,691
<u>EXPENSES</u>				
Program services	561,508	-	561,508	549,202
Management and general	98,639	-	98,639	88,785
Fundraising	97,018	-	97,018	53,264
<i>Total</i>	757,165	-	757,165	691,251
CHANGE IN NET ASSETS	105,906	27,236	133,142	41,440
NET ASSETS, BEGINNING	248,988	17,140	266,128	224,688
NET ASSETS, ENDING	\$ 354,894	\$ 44,376	\$ 399,270	\$ 266,128

CHARLOTTE BILINGUAL PRESCHOOL, INC.**Statement of Functional Expenses - Modified Cash Basis****Year Ended June 30, 2017, with prior year comparative totals**

	Year Ended June 30, 2017				Prior Year Comparative Totals
	Program Services	Management and General	Fundraising	TOTALS	
<u>PERSONNEL</u>					
Salaries	\$ 413,958	\$ 63,483	\$ 84,122	\$ 561,563	\$ 488,654
Payroll taxes and benefits	37,944	5,819	3,036	46,799	49,858
<i>Total</i>	<i>451,902</i>	<i>69,302</i>	<i>87,158</i>	<i>608,362</i>	<i>538,512</i>
<u>OTHER EXPENSES</u>					
Occupancy	49,010	7,495	2,569	59,074	59,470
Program supplies	31,095	1,397	-	32,492	23,303
Contracted services	11,554	10,184	121	21,859	17,965
Office expense	1,385	4,100	4,738	10,223	11,191
Insurance	8,375	2,565	775	11,715	11,219
Communications	1,757	1,406	1,506	4,669	5,453
Depreciation expense	5,134	1,385	151	6,670	5,483
Training and education	938	805	-	1,743	18,416
Travel	358	-	-	358	239
<i>Total</i>	<i>109,606</i>	<i>29,337</i>	<i>9,860</i>	<i>148,803</i>	<i>152,739</i>
<u>TOTAL EXPENSES</u>	<u>\$ 561,508</u>	<u>\$ 98,639</u>	<u>\$ 97,018</u>	<u>\$ 757,165</u>	<u>\$ 691,251</u>

CHARLOTTE BILINGUAL PRESCHOOL, INC.**Statement of Cash Flows - Modified Cash Basis****Year Ended June 30, 2017, with prior year comparative totals**

	Year Ended June 30,	
	2017	2016
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 133,142	\$ 41,440
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	6,670	5,483
(Increase) decrease in receivables	(26)	186
	<hr/>	<hr/>
<i>Cash Flows From</i>		
<i>Operating Activities</i>	139,786	47,109
	<hr/>	<hr/>
<u>INVESTING ACTIVITIES</u>		
Purchases of equipment	(1,000)	(26,761)
	<hr/>	<hr/>
<i>Cash Flows From</i>		
<i>Investing Activities</i>	(1,000)	(26,761)
	<hr/>	<hr/>
NET CHANGE IN CASH	138,786	20,348
CASH, BEGINNING	236,699	216,351
	<hr/>	<hr/>
CASH, ENDING	\$ 375,485	\$ 236,699
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CHARLOTTE BILINGUAL PRESCHOOL, INC.

Notes to Financial Statements

June 30, 2017

NOTE A – NATURE OF ACTIVITIES

Organization

Charlotte Bilingual Preschool, Inc., (the Preschool), formerly known as Central Avenue Bilingual Preschool, began as an unincorporated association in January, 1999, and was incorporated on October 2, 2001.

Purpose

The Preschool operates a bilingual preschool - Spanish and English - designed as a cooperative effort among parents, children, and staff to address the educational, emotional, physical, and social needs of preschool children and their families living in the neighborhoods of Charlotte. The Preschool operates from 6300 Highland Avenue, Charlotte, North Carolina.

Funding

The Preschool charges a minimal tuition amount - currently \$70 per month - to the children who attend. The Preschool's activities for the year were funded by the Smart Start program of the North Carolina Division of Child Development, as well as grants and contributions from various foundations, organizations, and individuals.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with the modified cash basis of accounting, which is a special purpose framework other than U.S. generally accepted accounting principles. Pursuant to the cash basis of accounting, revenue and the related assets are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. In addition, all other amounts received are recorded as cash receipts and all other amounts expended are recorded as cash disbursements. The Preschool has elected to adopt the following modifications to the cash basis of accounting:

- Significant improvements to property and major purchases of equipment in excess of \$500 are capitalized at cost.
- Depreciation is computed using the straight-line method, with no assumed salvage values, over estimated useful lives of assets, which vary from three to fifteen years.
- The payment and related refunds of sales tax are shown as increases and decreases in an asset account "sales tax receivable" rather than as receipts and disbursements.

The significant differences between the basis of accounting employed by the Preschool and generally accepted accounting principles, in addition to the timing of the recognition of revenue and expenses, are as follows:

- No amounts have been reflected in the financial statements for goods, services, or property contributed to the Preschool.

CHARLOTTE BILINGUAL PRESCHOOL, INC.

Notes to Financial Statements

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Contributions

The net assets of the Preschool are classified and reported as follows:

- *Unrestricted net assets* - Net assets that are not subject to any donor-imposed stipulations.
- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Preschool and/or the passage of time. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities – Modified Cash Basis as net assets released from restrictions.
- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Preschool. During the year, the Preschool had no permanently restricted net assets.

Contributed services

A number of unpaid volunteers have contributed time to the Preschool. No amounts have been reflected in the financial statements for contributed time since the modified cash basis of accounting is utilized.

Federal income tax status

The Preschool has been recognized as a nonprofit organization and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code with respect to its exempt function income. The Preschool is also classified as other than a private foundation as defined by Section 509(a) of the Internal Revenue Code.

Use of estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Therefore, actual results could be different from those estimates.

Prior-year comparative totals

The financial statements include certain prior-year summarized information, which is presented for comparative purposes only. Accordingly, such information should be read in conjunction with the Preschool's 2016 financial statements, from which the summarized information was derived.

CHARLOTTE BILINGUAL PRESCHOOL, INC.

Notes to Financial Statements

June 30, 2017

NOTE C – PROPERTY

Property

Property exceeding \$500 of value, which consists of furniture, computer equipment, and leasehold improvements, is recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets, which vary from three to fifteen years. Salvage values are not utilized. Any equipment which has been donated to the Preschool has not been included in these financial statements, in accordance with the modified cash basis of accounting.

NOTE D – TEMPORARILY RESTRICTED NET ASSETS

Balance at year-end

Temporarily restricted net assets were restricted for the following uses:

Program salaries	\$	23,578
Growing Minds and Building Community		13,912
Creciendo Juntos program		5,018
Assistance for Families in Crisis		1,868
TOTAL	\$	<u>44,376</u>

NOTE E – LEASES

Operating leases

Future minimum payments due under operating lease agreements for a building and a copier are due during the year ended June 30.

2018	\$	55,951
2019		5,304
2020		5,304
TOTAL	\$	<u>66,559</u>

Lease expense for the year was \$56,374.

CHARLOTTE BILINGUAL PRESCHOOL, INC.

Notes to Financial Statements

June 30, 2017

NOTE F – CONCENTRATIONS OF RISK

Cash

Cash held in bank accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The total cash held by the Preschool at June 30, 2017 includes \$124,477 in excess of insured limits covered by the FDIC. However, management believes that the risk related to the accounts is minimal because of the strong credit rating of the financial institution.

Revenue

The Preschool receives the majority of its funding from a limited number of funding sources, which represents a significant concentration of risk. Their top three funders represent 37 percent of their revenue for 2017. Any significant reduction in this funding, if this were to occur, could have a significant effect on the Preschool's programs and activities.

Geographic region

The Preschool operates in a limited geographic area, and is therefore sensitive to changes in the local economy.

NOTE G – SUBSEQUENT EVENTS

The Preschool has evaluated subsequent events from the date of the statement of financial position through the date of the audit report, which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent event was identified.