

CHARLOTTE BILINGUAL PRESCHOOL, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019

CHARLOTTE BILINGUAL PRESCHOOL, INC.

Table of Contents

June 30, 2019

Page

| | |
|--|------|
| Independent Auditors' Report | 1 |
| Audited Financial Statements: | |
| Statement of Financial Position – Modified Cash Basis | 2 |
| Statement of Activities – Modified Cash Basis..... | 3 |
| Statement of Functional Expenses – Modified Cash Basis | 4 |
| Statement of Cash Flows – Modified Cash Basis | 5 |
| Notes to Financial Statements | 6-10 |

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, 2019, 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, 2019 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 2018 financial statements, and our report dated August 8, 2018, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. Dewitt Foard & Company, P.A.

December 10, 2019

CHARLOTTE BILINGUAL PRESCHOOL, INC.**Statement of Financial Position - Modified Cash Basis****June 30, 2019, with prior year comparative totals**

| | June 30, | |
|--|-------------------|-------------------|
| | 2019 | 2018 |
| <u>ASSETS</u> | | |
| Cash | \$ 385,928 | \$ 479,056 |
| Sales tax receivable | 1,036 | 547 |
| Property: | | |
| Furniture and equipment | 58,300 | 58,300 |
| Less - accumulated depreciation | (39,693) | (33,394) |
| <i>Property (net)</i> | 18,607 | 24,906 |
| <i>TOTAL ASSETS</i> | \$ 405,571 | \$ 504,509 |
| | | |
| <u>LIABILITIES</u> | | |
| Credit card payable | \$ 265 | \$ 3,416 |
| <i>Total Liabilities</i> | 265 | 3,416 |
| | | |
| <u>NET ASSETS</u> | | |
| Net Assets: | | |
| Without donor restrictions | 330,627 | 380,428 |
| With donor restrictions | 74,679 | 120,665 |
| <i>Total Net Assets</i> | 405,306 | 501,093 |
| <i>TOTAL LIABILITIES AND NET ASSETS</i> | \$ 405,571 | \$ 504,509 |

CHARLOTTE BILINGUAL PRESCHOOL, INC.**Statement of Activities - Modified Cash Basis****Year Ended June 30, 2019, with prior year comparative totals**

| | Year Ended June 30, 2019 | | | Prior Year Comparative Totals |
|---|-------------------------------|----------------------------|-------------------|-------------------------------------|
| | Without Donor Restrictions | With Donor Restrictions | TOTALS | |
| <u>SUPPORT AND REVENUE</u> | | | | |
| Governmental Grants: | | | | |
| Smart Start | \$ - | \$ 134,399 | \$ 134,399 | \$ 162,182 |
| Other grants | 192,819 | 146,000 | 338,819 | 382,000 |
| Contributions | 254,624 | 27,870 | 282,494 | 202,639 |
| Participation fees | 151,643 | - | 151,643 | 119,417 |
| Fundraising (net of \$23,837 direct benefit) | 61,648 | - | 61,648 | 94,831 |
| Other income | 777 | - | 777 | 2,140 |
| Gain on disposal of fixed assets | - | - | - | 136 |
| Net assets released from restrictions | 354,255 | (354,255) | - | - |
| Total | 1,015,766 | (45,986) | 969,780 | 963,345 |
| <u>EXPENSES</u> | | | | |
| Program services | 675,836 | - | 675,836 | 615,091 |
| Management and general | 203,580 | - | 203,580 | 123,702 |
| Fundraising | 186,151 | - | 186,151 | 122,729 |
| Total | 1,065,567 | - | 1,065,567 | 861,522 |
| CHANGE IN NET ASSETS | (49,801) | (45,986) | (95,787) | 101,823 |
| NET ASSETS, BEGINNING | 380,428 | 120,665 | 501,093 | 399,270 |
| NET ASSETS, ENDING | \$ 330,627 | \$ 74,679 | \$ 405,306 | \$ 501,093 |

CHARLOTTE BILINGUAL PRESCHOOL, INC.**Statement of Functional Expenses - Modified Cash Basis****Year Ended June 30, 2019, with prior year comparative totals**

| | Year Ended June 30, 2019 | | | | Prior Year Comparative Totals |
|-------------------------------|-----------------------------|-----------------------------------|--------------------------|----------------------------|-------------------------------------|
| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>TOTALS</u> | |
| <u>PERSONNEL</u> | | | | | |
| Salaries | \$ 458,456 | \$ 149,045 | \$ 141,095 | \$ 748,596 | \$ 620,010 |
| Payroll taxes and benefits | 43,983 | 15,268 | 13,536 | 72,787 | 55,468 |
| <i>Total</i> | <i>502,439</i> | <i>164,313</i> | <i>154,631</i> | <i>821,383</i> | <i>675,478</i> |
| <u>OTHER EXPENSES</u> | | | | | |
| Office expense | 42,391 | 15,172 | 13,868 | 71,431 | 20,349 |
| Program supplies | 60,665 | - | - | 60,665 | 30,068 |
| Occupancy | 30,475 | 10,982 | 9,190 | 50,647 | 59,385 |
| Training and education | 16,532 | 4,156 | 1,662 | 22,350 | 14,342 |
| Contracted services | 9,877 | 3,559 | 2,979 | 16,415 | 39,413 |
| Insurance | 6,696 | 3,226 | 2,705 | 12,627 | 11,461 |
| Depreciation expense | 4,212 | 1,518 | 569 | 6,299 | 6,188 |
| Communications | 1,814 | 654 | 547 | 3,015 | 4,080 |
| Travel | 735 | - | - | 735 | 758 |
| <i>Total</i> | <i>173,397</i> | <i>39,267</i> | <i>31,520</i> | <i>244,184</i> | <i>186,044</i> |
| <u>TOTAL EXPENSES</u> | <u>\$ 675,836</u> | <u>\$ 203,580</u> | <u>\$ 186,151</u> | <u>\$ 1,065,567</u> | <u>\$ 861,522</u> |

CHARLOTTE BILINGUAL PRESCHOOL, INC.**Statement of Cash Flows - Modified Cash Basis****Year Ended June 30, 2019, with prior year comparative totals**

| | Year Ended June 30, | |
|--|---------------------|-------------------|
| | 2019 | 2018 |
| <u>OPERATING ACTIVITIES</u> | | |
| Change in net assets | \$ (95,787) | \$ 101,823 |
| Adjustments to reconcile changes in net assets to net cash flows from operating activities: | | |
| Depreciation | 6,299 | 6,188 |
| Gain on disposal of fixed assets | - | (136) |
| Decrease (increase) in operating assets: | | |
| Sales tax receivable | (489) | 693 |
| Increase (decrease) in operating liabilities: | | |
| Credit card payable | (3,151) | 3,416 |
| | <hr/> | <hr/> |
| Cash Flows From | | |
| Operating Activities | (93,128) | 111,984 |
| | <hr/> | <hr/> |
| <u>INVESTING ACTIVITIES</u> | | |
| Proceeds from sale of equipment | - | 1,295 |
| Purchases of equipment | - | (9,708) |
| | <hr/> | <hr/> |
| Cash Flows From | | |
| Investing Activities | - | (8,413) |
| | <hr/> | <hr/> |
| NET CHANGE IN CASH | (93,128) | 103,571 |
| CASH , BEGINNING | 479,056 | 375,485 |
| | <hr/> | <hr/> |
| CASH , ENDING | \$ 385,928 | \$ 479,056 |
| | <hr/> | <hr/> |

CHARLOTTE BILINGUAL PRESCHOOL, INC.

Notes to Financial Statements

June 30, 2019

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 is located at 6300 Highland Avenue, Charlotte, North Carolina.

Funding

The Preschool charges a minimal tuition amount - currently \$75 per month. The Preschool's activities for the year were funded by the Smart Start program of the North Carolina Partnership for Children, 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 \$2,500 are capitalized at cost.
- Depreciation is computed using the straight-line method, with no assumed salvage values, over the estimated useful lives of assets, which vary from three to seven 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.
- Amounts paid utilizing credit cards are recorded as expenses and liabilities when the expense is incurred rather than when the expense is paid.

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, 2019

Contributions

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

- *Net assets without donor restrictions* – Net assets without donor restrictions can be both undesignated and designated in nature. Undesignated net assets without donor restrictions are those currently available for use in the day-to-day operation of the Preschool and those resources invested in fixed assets. From time to time, the Board of Directors may designate certain amounts to be utilized or invested to meet specific objectives of the Preschool. Such amounts are reflected as designated net assets without donor restrictions in the accompanying statement of financial position.
- *Net assets with donor restrictions* – Net assets with donor restrictions consist of temporarily restricted net assets and permanently restricted net assets. Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Preschool or the passage of time. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Permanently restricted net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Preschool. As of June 30, 2019, the Preschool did not have any permanently restricted net assets.

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 2018 financial statements, from which the summarized information was derived. Certain prior year amounts have been reclassified to conform to the current year presentation.

CHARLOTTE BILINGUAL PRESCHOOL, INC.

Notes to Financial Statements

June 30, 2019

NOTE C – PROPERTY

Property

Property exceeding \$2,500 in 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 seven 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:

Time restricted:

| | |
|--------------------------------------|-----------|
| Gifts for subsequent year operations | \$ 26,920 |
|--------------------------------------|-----------|

Purpose restricted:

| | |
|-------------------------|--------|
| Parent Program Salaries | 32,717 |
|-------------------------|--------|

| | |
|--|-------|
| Dual Language Innovation Classroom Pilot Ramp Up | 8,990 |
|--|-------|

| | |
|--------------------|-------|
| Program fieldtrips | 5,000 |
|--------------------|-------|

| | |
|--------------------------------------|--------------|
| Growing Minds and Building Community | <u>1,052</u> |
|--------------------------------------|--------------|

| | |
|-------|------------------|
| TOTAL | <u>\$ 74,679</u> |
|-------|------------------|

Net assets released from restrictions

During the year ended June 30, 2019, restricted net assets of \$354,255 were released from donor restrictions by incurring expenses satisfying their restricted purposes.

NOTE E – LEASES

Operating leases

Future minimum payments of \$55,951 are due under operating lease agreements for a building and a copier during the year ended June 30, 2020. Lease expense for the year ended June 30, 2019 was \$58,155.

NOTE F – RETIREMENT PLAN

The Preschool maintains a retirement plan, as described in Internal Revenue Code Section 401(k), for the benefit of its employees. Eligible employees can make pretax contributions to the plan up to limits established by the Internal Revenue Service, and the Preschool matches employee contributions of up to three percent of pay. The amount contributed during the year was \$7,697.

CHARLOTTE BILINGUAL PRESCHOOL, INC.

Notes to Financial Statements

June 30, 2019

NOTE G – FUNCTIONAL EXPENSES

The Preschool's activities are focused in three functional areas based on management's estimates of time spent and various allocation methods appropriate to the type of expense. Program services represent the primary focus of the Preschool's activities. Supporting services are fundraising activities and general and administrative activities. Salaries and benefits have been allocated based on estimated time and effort, and occupancy is allocated based on the estimated square footage utilized by that function. All other expenses are allocated on an analysis of the various costs of which they are comprised.

NOTE H – 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, 2019 includes \$13,542 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 27 percent of their revenue for 2019. 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.

Government grants

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audits. Such audits could result in claims against the Preschool for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NOTE I – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Preschool has \$386,964 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$385,928 and sales tax receivable of \$1,036, which are expected to be collected during the year. The Preschool has a policy to structure its financial assets to be available as its general liabilities and other obligations come due.

CHARLOTTE BILINGUAL PRESCHOOL, INC.

Notes to Financial Statements

June 30, 2019

NOTE J – 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 events were identified.