

**EDUCATIONAL RESOURCES FOR CHILDREN, INC.**

**COMPARATIVE FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

**EDUCATIONAL RESOURCES FOR CHILDREN, INC.  
FINANCIAL STATEMENTS  
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HENRY, RAYMOND  
& THOMPSON, LLC

1741 Ellington Road  
South Windsor, CT 06074  
Tel: (860) 644-5825  
Fax: (860) 644-5731

One Hamden Center  
2319 Whitney Avenue, Suite 5-D  
Hamden, CT 06518  
Tel: (203) 288-4144  
Fax: (203) 248-9205

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**Certified Public Accountants**  
**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Educational Resources for Children, Inc.  
Enfield, Connecticut

We have audited the accompanying statement of financial position of Educational Resources for Children, Inc. (a nonprofit organization) as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 Educational Resources for Children, Inc.'s 2009 financial statements and, in our report dated September 24, 2009, we expressed an unqualified opinion on those financial statements.

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 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 Educational Resources for Children, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Henry, Raymond & Thompson, LLC*

Henry, Raymond & Thompson, LLC  
South Windsor, Connecticut  
November 4, 2010

**EDUCATIONAL RESOURCES FOR CHILDREN, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2010 AND 2009**

<b>Assets</b>	<b>2010</b>	<b>2009</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 230,123	\$ 158,132
Accounts receivable, net	8,500	7,337
Grants receivable, net	-	63,643
Prepaid expenses	9,504	4,684
Total current assets	<u>248,127</u>	<u>233,796</u>
<b>Property &amp; Equipment</b>		
Furniture and office equipment	60,751	60,702
Leasehold Improvements	3,300	3,300
Program Equipment - Studio	14,690	14,690
Total Property & Equipment	<u>78,741</u>	<u>78,692</u>
Less accumulated depreciation and amortization	<u>53,621</u>	<u>45,197</u>
Net property and equipment	<u>25,120</u>	<u>33,495</u>
<b>Total Assets</b>	<u><u>\$ 273,247</u></u>	<u><u>\$ 267,291</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 8,569	\$ 12,172
Line of credit	5,000	-
Deferred revenue	32,602	27,015
Current portion of long-term debt	7,145	6,715
Total current liabilities	<u>53,316</u>	<u>45,902</u>
Term loan, net of current portion	<u>8,919</u>	<u>16,041</u>
<b>Total liabilities</b>	<u>62,235</u>	<u>61,943</u>
<b>Net Assets</b>		
Unrestricted	164,649	136,069
Temporarily restricted	46,363	69,279
Restricted	-	-
<b>Total net assets</b>	<u>211,012</u>	<u>205,348</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 273,247</u></u>	<u><u>\$ 267,291</u></u>

The accompanying notes are an integral part of the basic financial statements

**EDUCATIONAL RESOURCES FOR CHILDREN, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
(With Summarized Financial Information for the Year Ended June 30, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2010	2009
<b>Public support and revenue:</b>					
Contributions	\$ 710,064	\$ -	\$ -	\$ 710,064	\$ 675,003
Grants	480,504	46,363	-	526,867	443,483
Program service fees	92,526	-	-	92,526	65,254
Events	2,761	-	-	2,761	604
Net assets released from restrictions	69,279	(69,279)	-	-	-
<b>Total revenue</b>	<b>1,355,134</b>	<b>(22,916)</b>	<b>-</b>	<b>1,332,218</b>	<b>1,184,344</b>
<b>Expenses and losses:</b>					
Rent	616,106	-	-	616,106	500,841
Wages	384,273	-	-	384,273	364,914
Program supplies and expense	142,736	-	-	142,736	110,893
Subcontract services	53,440	-	-	53,440	35,170
Payroll taxes	35,733	-	-	35,733	31,964
Insurance - medical	24,931	-	-	24,931	25,602
Office expense	21,043	-	-	21,043	19,658
Professional services	10,506	-	-	10,506	18,476
Depreciation	8,425	-	-	8,425	9,807
Insurance	8,869	-	-	8,869	4,049
Seminars	8,341	-	-	8,341	3,027
Advertising	2,465	-	-	2,465	2,489
Bad debts	5,543	-	-	5,543	1,936
Interest	1,768	-	-	1,768	1,670
Events	2,375	-	-	2,375	764
<b>Total expense</b>	<b>1,326,554</b>	<b>-</b>	<b>-</b>	<b>1,326,554</b>	<b>1,131,260</b>
<b>Change in net assets</b>	<b>28,580</b>	<b>(22,916)</b>	<b>-</b>	<b>5,664</b>	<b>53,084</b>
Net assets - beginning of the year	136,069	69,279	-	205,348	152,264
Net assets - end of the year	\$ 164,649	\$ 46,363	\$ -	\$ 211,012	\$ 205,348

The accompanying notes are an integral part of the basic financial statements

**EDUCATIONAL RESOURCES FOR CHILDREN, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>Cash Flows from Operating Activities:</b>		
Increase (decrease) in net assets	\$ 5,664	\$ 53,084
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,425	9,807
(Increase) decrease in operating assets:		
Accounts receivable	(1,163)	(3,822)
Grants receivable	63,643	(14,643)
Other assets	(4,820)	2,534
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(3,603)	(4,044)
Deferred revenue	5,587	11,395
Net cash provided by operating activities	<u>73,733</u>	<u>54,311</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	<u>(50)</u>	<u>(434)</u>
Net cash used in investing activities	<u>(50)</u>	<u>(434)</u>
<b>Cash Flows from Financing Activities:</b>		
Net (payments) proceeds on line of credit	5,000	(5,000)
Payments on term loan	<u>(6,692)</u>	<u>(6,315)</u>
Net cash used in financing activities	<u>(1,692)</u>	<u>(11,315)</u>
<b>Net increase in cash and cash equivalents</b>	71,991	42,562
Cash and Cash Equivalents - beginning of the year	<u>158,132</u>	<u>115,570</u>
Cash and Cash Equivalents - end of the year	<u>\$230,123</u>	<u>\$158,132</u>
<b>Supplementary Cash-flow information</b>		
Cash paid for income taxes	\$ -	\$ -
Cash paid for Interest expense	\$ 1,768	\$ 1,670

The accompanying notes are an integral part of the basic financial statements

Educational Resources for Children, Inc.  
Notes to Financial Statements  
June 30, 2010 and 2009

**NOTE I – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Educational Resources for Children, Inc.'s mission is to provide after school academic programs for area children in grades kindergarten through eighth and to improve academic achievement and support in-school learning by providing a safe and healthy environment to promote development.

**Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. There is no allowance as of June 30, 2010 and 2009.

**Basis of Accounting**

The Organization records revenue and expenses on the accrual basis of accounting. Contributions are recognized as income when the underlying expenses for that contribution are incurred.

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions. All temporarily restricted contributions or grants received and utilized in the same year are classified as unrestricted.

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**Contributed Goods, Services and Facilities**

During the years ended June 30, 2010 and 2009, the value of contributed goods, services and facilities meeting the requirements for recognition in the financial statements was \$692,090 and \$569,085, respectively, as follows:

Type	Amount		Contributor
	2010	2009	
Rent	\$ 287,068	\$ 184,368	JFK School
Rent	160,913	160,913	Alcorn School
Rent	154,325	138,400	Henry Barnard School
Program Supplies	31,399	41,944	Various contributors
Services	58,385	40,100	Various contributors
Storage	-	3,360	Holy Trinity Episcopal Church
Totals	<u>\$ 692,090</u>	<u>\$ 569,085</u>	

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purpose of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Accounts and Grants Receivable**

Accounts receivable are stated at the amount that management expects to collect from outstanding balances. Accounts are considered past due upon being outstanding for 30 days or more. Management provides for probable uncollectible amounts through an allowance for doubtful accounts an adjustment to bad debt expense based on its assessment of the status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts or grants receivable. Based on the Organizations collection experience, the allowance for doubtful accounts at June 30, 2010 and 2009 was \$2,646 and \$1,699, respectfully.

**Property and Equipment**

It is the Organization's policy to capitalize property and equipment over \$500. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. 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

Educational Resources for Children, Inc.  
Notes to Financial Statements  
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restricted contributions. Depreciation is computed using the straight-line method with asset lives ranging from five to thirty years. Depreciation expense for the years ended June 30, 2010 and 2009 was \$8,425 and \$9,807, respectively.

#### **Deferred Revenue**

Deferred revenue relates principally to the Organizations collection of fees for the summer program, which begins after the fiscal year end. Revenue is recognized in the period the services are provided.

#### **Reclassifications**

Certain amounts in the prior year have been reclassified to conform to current year presentation.

#### **Advertising Costs**

During the fiscal years ending 2010 and 2009, the Organization incurred advertising costs of \$2,465 and \$2,489, respectively, to run ads for employment opportunities. Advertising costs are expensed as incurred.

#### **Financial Statement Presentation**

Under Generally Accepted Accounting Standards, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted grants that fulfilled the restrictions and were expended in the fiscal year are reported as unrestricted income. As permitted by the statement, the Organization does not use fund accounting. In addition, the Organization is required to present a statement of cash flows.

#### **Income Taxes**

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

#### **Fair Value of Financial Instruments**

The carrying amounts reflected in the statement of financial position for cash and cash equivalents, accounts and grant receivables, prepaid expenses, accounts payable, accrued expenses, line of credit and deferred revenue approximate fair value due to their short-term maturities. Our long-term debt obligations are carried at historical cost (see Notes III for fair value information).

#### **NOTE II – LINE OF CREDIT**

The Organization has a line of credit with the Greater Hartford Business Development Center, Inc. through October 30, 2010 with an available credit line of \$20,000. Interest is due monthly on the prior months balance at an annual rate of four percent (4%). There was an outstanding balance as of June 30, 2010 in the amount of \$5,000. There was no outstanding balance as of June 30, 2009.

Educational Resources for Children, Inc.  
Notes to Financial Statements  
June 30, 2010 and 2009

**NOTE III – LONG-TERM DEBT**

In August 2005, the Organization entered into a seven year, uncollateralized commercial term loan for \$45,000, payable in monthly installments of \$660.63 including interest at 6.15% per annum. The term-loan matures in August 2012. The outstanding balance as of June 30, 2010 is classified on the Statement of Financial Position as follows:

Total outstanding	\$ 16,064
Less current portion	<u>7,145</u>
Long-term debt	<u><u>\$ 8,919</u></u>

Maturities of long-term debt are as follows:

<b>Year Ending</b>	<b>Amount</b>
<u>June 30</u>	<u>          </u>
2011	7,145
2012	7,591
2013	<u>1,328</u>
	<u><u>\$ 16,064</u></u>

**NOTE IV – CONCENTRATIONS**

During the fiscal years 2010 and 2009, the Organization received approximately 71% and 72%, respectively, of its total support (excluding in-kind support) and revenues from various government grants, with 35% and 69%, respectively, as total support being provided by one granting agency.

As of June 30, 2010, the Foundations balance of cash and cash equivalents at a financial banking institution did not exceed the federally insured limit of \$250,000. These balances fluctuate greatly during the year and can exceed this \$250,000 limit at any time. Management monitors regularly the financial condition of the banking institution, along with their balances in cash and cash equivalents, and tries to keep this potential risk to a minimum.

**NOTE V – NET ASSETS**

Temporarily restricted net assets are so classified because the donor has indicated the specific purpose the donation shall serve. Restricted net assets arise from grants received that carry over the Organization's fiscal year end. As these funds are utilized in future periods for the specified purpose, the funds are released from restriction.

The Organization has not received any permanently restricted contributions as of June 30, 2010.

Educational Resources for Children, Inc.  
Notes to Financial Statements  
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**NOTE VI – LONG-TERM LEASE**

On February 1, 2006, the Organization entered into a three-year lease for office space with monthly payments of \$1,150 beginning May 1, 2006 and ending April 30, 2009. There is an option to renew for an additional two years through April 30, 2011. Management exercised the additional two-year option; however, management determined that they need additional space and negotiated a three-year lease at a separate site beginning January 1, 2011. Monthly payments under the new lease are \$1,000 per month for the entire duration of the lease. The Organization's existing landlord agreed to terminate the current lease effective December 31, 2010.

Future lease payments, including the exercised two-year option, are as follows:

<b>Year Ending</b>	<b>Amount</b>
<u>June 30</u>	
2011	12,900
2012	12,000
2013	12,000
2014	6,000
	6,000
	\$ 42,900

**NOTE VII – FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and activities have been summarized on a functional basis below:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Program Expenses	\$ 1,206,862	\$ 1,081,423
Administrative Expenses	119,692	78,987
	119,692	78,987
Total Expenses	\$ 1,326,554	\$ 1,160,410

**NOTE VIII – EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through November 4, 2010, the date which the financial statements were available to be issued.