

FIVER CHILDREN'S  
FOUNDATION, INC.

For the Year Ending  
January 31, 2013

FINANCIAL STATEMENTS

**FIVER CHILDREN'S FOUNDATION, INC.**

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**Independent Auditor's Report**

To the Board of Directors of  
Fiver Children's Foundation, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of Fiver Children's Foundation, Inc. (the Foundation) (a nonprofit organization) which comprise the statements of financial position as of January 31, 2013 and 2012, and the related statements of activities, functional expenses, 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Foundation'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 Foundation'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 above present fairly, in all material respects, the financial position of Fiver Children's Foundation, Inc. as of January 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*D'Arcangelo + Co., LLP*

August 1, 2013

Syracuse, New York

**FIVER CHILDREN'S FOUNDATION, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**January 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 160,892	\$ 323,879
Prepaid Expenses	3,943	4,012
Pledges Receivable	270,000	0
Security Deposit	<u>73,070</u>	<u>73,070</u>
Total Current Assets	<u>507,905</u>	<u>400,961</u>
<b>Property</b>		
Land	278,275	278,275
Buildings and Improvements	3,856,464	3,853,223
Furniture and Equipment	<u>459,160</u>	<u>439,606</u>
Total Property	4,593,899	4,571,104
Less: Accumulated Depreciation	<u>1,553,864</u>	<u>1,410,397</u>
Net Property	<u>3,040,035</u>	<u>3,160,707</u>
<b>Total Assets</b>	<u>\$ 3,547,940</u>	<u>\$ 3,561,668</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Liabilities	\$ 45,519	\$ 37,004
Line of Credit	<u>260,000</u>	<u>0</u>
Total Current Liabilities	<u>305,519</u>	<u>37,004</u>
<b>Loan Payable</b>	400,000	400,000
<b>Net Assets</b>		
Unrestricted	<u>2,842,421</u>	<u>3,124,664</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 3,547,940</u>	<u>\$ 3,561,668</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**FIVER CHILDREN'S FOUNDATION, INC.**

**STATEMENTS OF ACTIVITIES**

**For the Years Ended January 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Unrestricted Public Support and Revenue</b>		
Fund-Raising	\$ 423,497	\$ 336,671
Contributions	1,120,898	1,268,695
Investment Income	62	121
Unrealized Gain (Loss) on Investments	12	(627)
Other Income	<u>40,943</u>	<u>64,004</u>
Total Public Support and Revenue	<u>1,585,412</u>	<u>1,668,864</u>
<b>Expenses</b>		
Program Services	1,429,749	1,474,535
Management and General	161,929	145,399
Fund-Raising	<u>275,977</u>	<u>210,022</u>
Total Expenses	<u>1,867,655</u>	<u>1,829,956</u>
<b>Decrease in Net Assets</b>	(282,243)	(161,092)
<b>Net Assets, Beginning of Year</b>	<u>3,124,664</u>	<u>3,285,756</u>
<b>Net Assets, End of Year</b>	<u>\$ 2,842,421</u>	<u>\$ 3,124,664</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**FIVER CHILDREN'S FOUNDATION, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Year Ended January 31, 2013**  
**With Comparative Totals for January 31, 2012**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2013</u>	<u>Total 2012</u>
<b>Personnel Costs</b>					
Salaries	\$ 683,769	\$ 60,176	\$ 65,407	\$ 809,352	\$ 846,452
Employee Benefits	75,532	7,450	4,505	87,487	86,175
Payroll Taxes	<u>57,987</u>	<u>5,785</u>	<u>3,498</u>	<u>67,270</u>	<u>71,860</u>
Total Personnel Costs	817,288	73,411	73,410	964,109	1,004,487
<b>Other Expenses</b>					
Summer Program	147,520	0	0	147,520	154,381
Supplies	13,926	1,322	799	16,047	16,876
Advertising and Promotion	10,122	1,010	13,287	24,419	15,790
Professional Fees	0	36,837	128	36,965	17,284
Telephone	6,538	652	394	7,584	7,369
Utilities	22,838	2,278	1,378	26,494	29,417
Postage	8,467	619	962	10,048	11,652
Rent	137,483	13,716	8,294	159,493	159,493
Professional Development	3,306	0	0	3,306	6,056
Year-Round Program Expense	15,655	0	0	15,655	16,379
Insurance	62,042	5,951	3,598	71,591	60,256
Repairs and Maintenance	38,143	0	0	38,143	45,645
Fiver Benefit	0	0	111,267	111,267	65,140
Miscellaneous	22,752	0	0	22,752	9,424
Bank Charges	<u>0</u>	<u>13,795</u>	<u>0</u>	<u>13,795</u>	<u>5,692</u>
Total Other Expenses	<u>488,792</u>	<u>76,180</u>	<u>140,107</u>	<u>705,079</u>	<u>620,854</u>
<b>Total Expenses Before Other Items</b>	1,306,080	149,591	213,517	1,669,188	1,625,341
<b>Other Items</b>					
Donated Marketing Services	0	0	55,000	55,000	55,000
Depreciation	<u>123,669</u>	<u>12,338</u>	<u>7,460</u>	<u>143,467</u>	<u>149,615</u>
Total Other Items	<u>123,669</u>	<u>12,338</u>	<u>62,460</u>	<u>198,467</u>	<u>204,615</u>
<b>Total Expenses</b>	<u>\$ 1,429,749</u>	<u>\$ 161,929</u>	<u>\$ 275,977</u>	<u>\$ 1,867,655</u>	<u>\$ 1,829,956</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**FIVER CHILDREN'S FOUNDATION, INC.**

**STATEMENTS OF CASH FLOWS**

**For the Years Ended January 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Cash Flows from (Used by) Operating Activities</b>		
Decrease in Net Assets	\$ (282,243)	\$ (161,092)
Adjustments for Noncash Transactions		
Realized Loss on Investments	0	627
Depreciation	143,467	149,615
Donated Investments and Other Assets	(38,405)	(532,437)
(Increase) Decrease in Assets		
Security Deposit	0	684
Prepaid Expenses	69	3,053
Pledges Receivable	(270,000)	0
Increase in Liabilities		
Accounts Payable and Accrued Liabilities	<u>8,515</u>	<u>5,672</u>
Net Cash (Used by) Operating Activities	<u>(438,597)</u>	<u>(533,878)</u>
<b>Cash Flows from (Used by) Investing Activities</b>		
Proceeds from Sale of Investments	20,075	528,910
Purchase of Property and Equipment	<u>(4,465)</u>	<u>(3,935)</u>
Net Cash from Investing Activities	<u>15,610</u>	<u>524,975</u>
<b>Cash Flows from Financing Activities</b>		
Increase in Short-Term Borrowings	<u>260,000</u>	<u>0</u>
Net Cash from Financing Activities	<u>260,000</u>	<u>0</u>
<b>Net (Decrease) in Cash and Cash Equivalents</b>	(162,987)	(8,903)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>323,879</u>	<u>332,782</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 160,892</u>	<u>\$ 323,879</u>
<b>Noncash Operating Activities</b>		
Donated Equipment	<u>\$ 18,330</u>	<u>\$ 2,900</u>
<b>Supplemental Cash Flow Disclosures</b>		
Cash Paid During the Year For:		
Interest	<u>\$ 5,367</u>	<u>\$ 0</u>
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>

The Accompanying Notes are an Integral Part of These Financial Statements.



# FIVER CHILDREN'S FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of the Organization**

The Fiver Children's Foundation, Inc. (the Foundation), is a comprehensive youth development organization that empowers children from underserved communities to develop life skills and to reach their full potential. Fiver's ten year commitment to each child includes year-round mentoring and counseling programs, a character building residential summer camp, and partnerships with schools and community based organizations.

#### **Basis of Presentation**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These financial statements, presented on the accrual basis of accounting, have been prepared to focus on the Foundation as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by reporting information regarding its financial position and activities according to three classes of net assets: permanently restricted, temporarily restricted, or unrestricted.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash held in checking accounts and certificates of deposit with maturities of less than 90 days. Included in cash is a money market mutual fund held in an investment account. Donations of stock are deposited into this account; however, it is Management's policy to sell the stock as soon as practicably possible.

#### **Receivables**

Pledges receivable as of January 31, 2013 in the amount of \$270,000 represents an unconditional promise to give that is due in one year.

The Foundation considers its receivables, which are recorded at cost, to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

**FIVER CHILDREN'S FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property**

Purchased property is recorded at cost, less an allowance for depreciation. Contributed property is recorded at fair value at the date of donation. If donors stipulate how long the asset must be used, the contributions are recorded as restricted support. In the absence of such stipulations, property contributions are recorded as unrestricted support. Depreciation is provided on the straight-line method over the estimated useful lives of the assets as follows:

Buildings and Improvements	40 Years
Furniture and Equipment	5-10 Years

The Foundation capitalizes all expenditures for property and equipment in excess of \$1,000.

**Contributions and Donations**

The Foundation reports contributions as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions are received in the form of cash, and property and equipment. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Donations other than cash are recorded at fair market value at the date of the gift.

**Donated Services**

The Foundation pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific programs.

During 2012, the Foundation received \$55,000 of marketing services as a donation, which is presented separately on the statement of functional expenses.

**Advertising**

The cost of advertising is charged to expense as incurred.

**FIVER CHILDREN'S FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses were allocated according to specific identification and management estimates.

**NOTE 2 INCOME TAX STATUS**

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and utilizes January 31 as its fiscal year end. The Foundation has also been determined to be other than a private foundation as described in Section 509(a)(1) of the Code.

The Foundation's returns for tax years prior to 2009 are no longer subject to examination by the respective tax authorities.

**NOTE 3 PROPERTY**

Property consists of the following at January 31:

	<u>2013</u>	<u>2012</u>
Land	\$ 278,275	\$ 278,275
Buildings and Improvements	3,856,464	3,853,223
Furniture and Equipment	459,160	439,606
Less: Accumulated Depreciation	<u>(1,553,864)</u>	<u>(1,410,397)</u>
Net Property	<u>\$ 3,040,035</u>	<u>\$ 3,160,707</u>

**NOTE 4 LINE OF CREDIT**

In April 2012, the Foundation obtained a \$400,000 line of credit from a bank. The line carries an interest rate equal to the Prime Rate plus 1.00% and is secured by property located in Madison County, New York, equipment, and accounts receivable. There was \$260,000 outstanding on this line as of January 31, 2013.

**FIVER CHILDREN'S FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 LOAN PAYABLE**

Loan payable represents unsecured loans from a Board Member made to the Foundation through a series of advances. No repayment terms have been specified. The holder has waived all rights to interest during the year.

**NOTE 6 DEFINED CONTRIBUTION RETIREMENT BENEFIT PLAN**

The Foundation maintains a 403(b) retirement plan allowing for pre-tax employee contributions and an elective employer match. The plan covers substantially all full-time permanent employees. During the years ended January 31, 2013 and 2012 matching contributions to the plan were \$7,758 and \$9,100, respectively.

**NOTE 7 OPERATING LEASE**

The Foundation leases office space under a non-cancelable agreement that expires in December 2016. The lease calls for agreed upon monthly payments, escalating each year. Rent expense is recorded on a straight line basis over the lease term. The cumulative difference between lease payments and rent expense of \$17,286 and \$17,036 is reflected in the statement of financial position in accrued liabilities as of January 31, 2013 and 2012, respectively. The Foundation is also required to pay annually, an amount equal to 2% of any increase in real estate taxes over the amount of taxes in the first year of the agreement. Rent expense under this agreement was \$159,493 for both years.

The annual future minimum lease payments for the years ended January 31, are as follows:

2014	\$ 151,510
2015	\$ 155,297
2016	\$ 159,180
2017	\$ 149,252

**NOTE 8 CONCENTRATION OF CREDIT RISK**

The Foundation maintains its cash balances (including money market account balances) with several financial institutions, which act as custodians for these accounts. Cash balances occasionally exceed the amounts insured by the Federal Deposit Insurance Corporation. The amount in excess of the FDIC limits totaled \$22,472 and \$166,680 as of January 31, 2013 and 2012, respectively.

**NOTE 9 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 1, 2013, the date on which the financial statements were available to be issued.