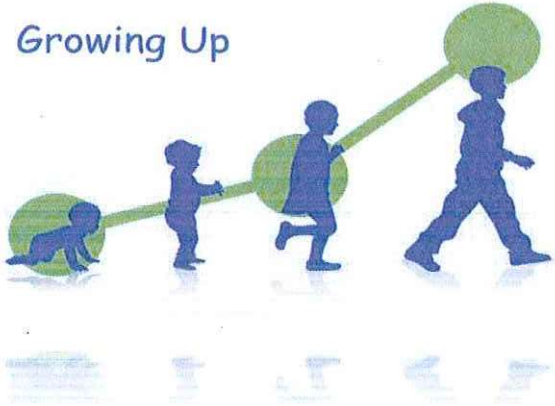


Growing Up



Little Flowers Early Childhood and Development Center Inc
Audited Financial Statements
December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Little Flowers Early Childhood and Development Center, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Little Flowers Early Childhood and Development Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows 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 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 above present fairly, in all material respects, the financial position of Little Flowers Early Childhood and Development Center, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Internal Controls

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2018, on our consideration of Little Flowers Early Childhood and Development Center, Inc. internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Little Flowers Early Childhood and Development Center, Inc. internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Little Flowers Early Childhood and Development Center, Inc. internal control over financial reporting and compliance.

Kim Taylor & Financial Services LLC

LITTLE FLOWERS CHILDHOOD AND DEVELOPMENT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

STATEMENTS OF FINANCIAL POSITIONS
December 31, 2018

ASSETS	2018
Current Assets	
Cash and Cash Equivalents	\$ 92,914.71
Accounts Receivable	\$ 74,059.31
Employee Loan	\$ 1,097.65
Security Deposits	\$ 4,000.00
Total Current Assets	\$ 172,071.67
Property and Equipment	
Baker Street-Building	\$ 84,700.00
Appliances	\$ 3,454.67
Computers	\$ 4,030.00
Equipment	\$ 17,388.56
Furniture and Fixtures	\$ 3,150.00
Leasehold Improvements	\$ 3,521.00
Vehicle	\$ 41,569.28
Loss on Disposal	\$ 4,400.00
Less: Accumulated Depreciation	\$ (51,608.86)
Total Fixed Assets	\$ 110,604.65
Total Assets	\$ 282,676.32

LITTLE FLOWERS CHILDHOOD AND DEVELOPMENT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

STATEMENTS OF ACTIVITIES
December 31, 2018

	Unrestricted	Temporarily Restrictec	Total
Revenue and Other Support			
Earned Revenue	\$ 892,896.95	\$ -	\$ 892,896.95
Grant Revenue	\$ 234,057.97	-	-
Contributed Revenue	<u>\$ 28,629.22</u>	-	\$ 28,629.22
Other unrestricted Income	<u>\$ 68,223.37</u>	-	\$ 68,223.37
Total Unrestricted Revenue	\$ 1,223,807.51	\$ -	\$ 1,223,807.51
Expenses			
Program Expenses	\$ 939,468.78	\$ -	\$ 939,468.78
Development Expenses	\$ 1,650.41	\$ -	\$ 1,650.41
Admin Expenses	\$ 1,836.98	\$ -	\$ 1,836.98
Manager and General Expense	<u>\$ 146,331.85</u>	-	\$ 146,331.85
Total Operating Expenses	<u>\$ 1,089,288.02</u>	<u>\$ -</u>	<u>\$ 1,089,288.02</u>
	<u>\$ 134,519.49</u>		
Net Assets at beginning of year			\$ 187,058.80
Change in net Assets			<u>\$ 95,617.52</u>
Net Assets at end of year			<u>\$ 282,676.32</u>

LITTLE FLOWERS CHILDHOOD AND DEVELOPMENT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

STATEMENTS OF FUNCTIONAL EXPENSES
December 31, 2018

Accounting	\$	9,106.50	Health/Dental/Vision	\$	2,963.34
Advertising & Marketing	\$	3,750.12	Interest Expense	\$	8,371.05
Appliances	\$	325.00	Judy Center Grant Expenses	\$	1,171.98
Approved Operating Expense	\$	47,660.49	Leased Property-3117 Baker St	\$	7,737.31
Auto Fines	\$	234.00	Liability Insurance	\$	5,710.83
Auto Insurance	\$	11,792.26	Meeting & Conferences	\$	3,744.16
Background/Drug Check	\$	1,150.00	Office Supplies	\$	2,316.90
Building R & M	\$	23,920.15	Other R & M	\$	9,275.57
Business Fees	\$	73.50	Pay Pal Trans Fee	\$	3.50
Business Lease Equip	\$	10,370.57	Payroll	\$	556,733.53
Consulting	\$	98.95	Payroll Service Fee	\$	8,452.68
Contractors 1099	\$	101,710.64	Payroll Taxes	\$	82,626.31
Credit Card fees	\$	2,903.97	Photography	\$	200.00
Freemont Rent	\$	30,000.00	Procure	\$	1,215.28
Daycare Supplies	\$	292.46	Porcare Fees	\$	60.00
Depcraition Expenses	\$	16,167.29	Professional Services	\$	665.00
Dues and Subscriptions	\$	185.05	Special Events	\$	3,781.16
Educational Materials	\$	20,477.24	Staff Development	\$	3,737.00
Exec Dir Exepense Reimbursement	\$	380.00	Storage	\$	2,102.20
Fees	\$	1,524.34	Student Stipend	\$	437.00
Field Trips	\$	9,422.63	Telecommunications	\$	15,223.74
Food Progam	\$	31,363.88	Uniforms	\$	413.37
Fuel	\$	7,790.76	Utilities	\$	3,220.15
Furniture & Fixtures	\$	2,007.09	Weekly Contract Labor	\$	31,512.25
Gifts/Acknowledgment	\$	1,822.40	Workers Compensation	\$	3,084.42
				\$	<u><u>1,089,288.02</u></u>

Program Expense	Tax Expenses	Fundraising Expenses	Administrative Expenses	Management and General Expenses
Accounting				
Advertising & Marketin	Federal Taxe: \$	Catering	Judy Center Expenses \$	Approved Operating Expense \$
Appliances	State Taxes \$	Decorations	Professional Services \$	Dues and Subscriptions \$
Auto Insurance		Photography		Exec Dir Expense Reimbursemer \$
Background/Drug Che		Stationary		Fees \$
Building R & M				Gifts/Acknowledgment \$
Business Fees				Leased Property-3117 Baker St \$
Business Lease Equip				Meals \$
Consulting				Storage \$
Contractors 1099				Storage Fees \$
Credit Card fees				Travel \$
Daycare Supplies				
Deprcaition Expenses				
Educational Materials				
Field Trips				
Food Program				
Freemont Facility Rent				
Fuel				
Furniture & Fixtures				
Health/Dental/Vision				
Interest Expense				
Liability Insurance				
Office Supplies				
Other R & M				
Pay Pal Trans Fee				
Payroll				
Payroll Service Fee				
Porcare Fees				
Procure				
Special Events				
Staff Development				
Student Stipend				
Telecommunications				
Uniforms				
Utilities				
Weekly Contract Labo				
Workers Compensatio				
\$ 939,468.78	\$ 82,626.31	\$ 1,650.41	\$ 1,836.98	\$ 63,705.54

LITTLE FLOWERS CHILDHOOD AND DEVELOPMENT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

STATEMENTS OF CASH FLOW
December 31, 2018

Change in net assets	95,617.52
<i>Operating Activities</i>	
Depreciation	(16,167.29)
Decrease (Increase) in operation assets	
Contributions and grants receivable	62,240.15
Account receivable	43,622.02
Increase (decrease) in operating liabilities	
Account payable and accrued expenses	<u>(38,481.97)</u>
Net Cash Provided By Operating Activities	146,830.43
<i>Investing Activities</i>	
Purchase of Equipment	(5,922.54)
<i>Financing Activities</i>	
Retained Earnings	(420.00)
Cash and Cash Equivalents at the end of period	140,487.89

LITTLE FLOWERS CHILDHOOD AND DEVELOPMENT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization

Little Flowers Early Childhood and Development Center, Inc. is a 501(c)(3) non-profit organization in Baltimore, Md. Their mission is to provide low-income children and families in the community with quality childcare services through comprehensive early learning and intervention programs, including before-school, after-school and weekend enrichment program.

Basis of Accounting

The *Accounting Standards Codification*TM (*the Codification*) issued by the Financial Accounting Standards Board (FASB), is the single source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP).

Basis of Presentation

The financial statements of the Organization are prepared on the accrual basis of accounting. Under this method, revenues of the Organization are recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support. This is determined based on the existence and/or nature of any grantor and donor-imposed restrictions.

The Organization reports financial position and activates according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has had no temporarily or permanently restricted net assets as of December 31, 2018.

Income Recognition

Contributions and grant income are recognized when the grantor makes a promise to give to the Organization that is, in substance, unconditional. Contributions which are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the same 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 assets are reclassified to unrestricted net assets.

LITTLE FLOWERS CHILDHOOD AND DEVELOPMENT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION – continued

Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated for financial statement purposes using straight-line depreciation method based on property's estimated life. Additions and improvements that add materially to productive capacity or extend the life of an asset are capitalized. Normal repairs and maintenance are charged against income. When facilities are retired or sold, their cost and accumulated depreciation are removed from the accounts and related gains or losses are included in income. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The estimated lived used in determine deprecation are:

Building and building improvements	7-30 years
Automobiles	8 years
Personal property	5-7 years

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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activates. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization allocates certain indirect costs to program support. Certain grantors do not allow for indirect cost reimbursement. The Organization, in these instances, pays for unallowable indirect costs from unrestricted funds.

Income Taxes

The Organization is exempt from income taxes under 501(c)(3) of the Internal Revenue Code on all but its unrelated business income. The Organization is not classified as a private foundation by the Internal Revenue Service. The Organization had no unrelated business income for the years ended December 31, 2018. Consequently, there is no provision for income taxes.

LITTLE FLOWERS CHILDHOOD AND DEVELOPMENT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION – continued

The Organization adopted the provisions of FASB ASC Accounting Standard Codification 740-10, “Accounting for Uncertainty in Income Taxes,” having no significant impact on its financial statements.

Tax return filings are subject to examination by the IRS, generally for three years after they are filed. The Organization tax returns for tax years before 2016 are no longer subject to examination.

Cash and Cash Equivalents

For purposes of the statements of financial positions and cash flows, the Organization considers all unrestricted highly liquid investments, with an initial maturity of three months or less, to be considered cash.

Accounts Receivable

The Organization has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed. The Organization accounts receivable was \$74,059.31.

Net Asset Classifications

Permanently restricted net assets include contribution which donors have specified must be maintained in perpetuity. The related income from the related investments may be expended for such purposes as specified by the donor or, if none, then for any purpose of the Organization. The donors have stipulated that the revolving fund balance and net realized gains on investment transaction must be maintained in perpetuity. However, interest earned on investment of such funds may be used for any purpose.

Temporarily restricted net assets are comprised of funds, which are restricted by donors for specific purposes, which are not in the ordinary course of the Organization’s operations and are comprised of cash and pledges receivable. Upon the expiration of either donor-imposed time or purpose restrictions, temporarily restricted net assets are transferred to unrestricted net assets.

Unrestricted net assets represent funds, which are fully available, at the discretion of management and the Board of Directors, for the Organization to utilize in any of its programs or supporting services.

LITTLE FLOWERS CHILDHOOD AND DEVELOPMENT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 – CASH AND CONCENTRATIONS OF CREDIT RISK

Cash and cash equivalents are insured by FDIC up to \$250,000. As of December 31, 2018, the Organization had \$0, in one financial institution that exceeded FDIC limits.

NOTE 3 – OPERATING LEASE

The Organization entered into a thirty-six month operating lease with St. Peters Claver's Roman Catholic Congregation, Incorporated, with rent payable to the Roman Catholic Archbishop of Baltimore, for its Fremont Avenue location on June, 30 2015. The lease provides for payments of \$2,500 - \$3,000 per month through June 2018. The lease will expire June 30, 2018. A New Lease was started on July 1, 2018 that provides payments of \$2,000-\$2,500 per month.

As of December 31, 2018, the future minimum lease payments for the Fremont Avenue location follow:

	<u>Total</u>
Lease 1	\$18,000.00
Lease 2	<u>\$12,000.00</u>
	\$30,000.00

Total rent expense for the year ended December 31, 2018 was \$30,000.00

NOTE 4 – CONTINGENCIES

Grants

The Organization receives grants in varying amounts. Expenditures from certain grants are subject to audit by the grantor, and the Organization is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the Organization's management, no material refunds will be required as a result of disallowed expenditures.

The Organization act as a pass-through entity for the Judy Center Grant.

NOTE 5 – CONTINGENCIES OF REVENUES AND RECEIVABLES

As of December 31, 2018, child care services account for approximately \$892,896.95 or 73% of total revenues.

NOTE 6 – LONG TERM OBLIGATION

For the year ended December 31, 2018 the organization have three long term obligations. There is a 60-month equipment lease agreement with Advance to provide a printer and

LITTLE FLOWERS CHILDHOOD AND DEVELOPMENT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

accessories. A 5-year loan payable to Nationwide Nissan with interest of 17.66% APR. The loan is for a vehicle used for the Organization. A 0% operations 5-year operations loan. This loan was used to help with the functions of Organization.

NOTE 7 – PROGRAM, MANAGEMENT AND GENERAL, AND FUNDRAISING EXPENSES

For the year ended December 31, 2018, program expenses, management and general expenses, and fundraising expense were approximately 93%, 6%, and 1%, respectively, of total expenses.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 31, 2018. No significant subsequent events have been identified that would require adjustments of or disclosure in the accompanying financial statements.