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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, 2019, 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, 2019, 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, 2019, 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.

Robert J. Miller 9/15/2020  
D. J. By 9/15/2020

**LITTLE FLOWERS CHILDHOOD AND DEVELOPMENT CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**STATEMENTS OF FINANCIAL POSITIONS**

<b>ASSETS</b>	<b>2019</b>
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 102,515.02
Accounts Receivable	\$ 87,234.77
Employee Loan	\$ 1,097.65
Security Deposits	\$ 4,000.00
<b>Total Current Assets</b>	<b>\$ 194,847.44</b>
 <b>Property and Equipment</b>	
Appliances	\$ 3,454.67
Office Equipment	\$ 2,783.97
Audio/Visual Equipment	\$ 14,604.59
Computer Software	\$ 4,030.00
Furniture and Fixtures	\$ 4,049.99
Leasehold Improvements	\$ 4,400.00
Vehicle	\$ 41,569.28
Loss on Disposal	\$ 4,249.00
Less: Accumulated Depreciation	\$ (52,907.28)
<b>Total Fixed Assets</b>	<b>\$ 26,234.22</b>
 <b>Total Assets:</b>	 <b>\$ 221,081.66</b>
 <b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Operations Loan-Founder	7,895.18
	<b>7,895.18</b>
 <b>Long Term Liabilities</b>	
Operations Loan	8,045.16
Auto Loan	2,273.33
Well Fargo Line of Credit	3,625.13
	<b>13,943.62</b>
 <b>Total Liabilities:</b>	 <b>21,838.80</b>
 <b>EQUITY</b>	
Capital	142,563.59
Net Income	12,902.48
Retained Earnings	43,776.79
<b>Total Equity:</b>	<b>199,242.86</b>
 <b>Total of Liabilities and Equity</b>	 <b>221,081.66</b>

**LITTLE FLOWERS CHILDHOOD AND DEVELOPMENT CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**STATEMENTS OF ACTIVITIES**

	Unrestricted	Temporarily Restricted	Total
<b>Revenue and Other Support</b>			
Earned Revenue	\$ 277,114.69	\$	277,114.69
Grant Revenue	\$ 215,293.17	\$	215,293.17
Contributed Revenue	\$ 727,829.08	\$	727,829.08
Other unrestricted Income		\$	-
<b>Total Unrestricted Revenue</b>	<b>\$ 1,220,236.94</b>	<b>\$ -</b>	<b>\$ 1,220,236.94</b>
<b>Expenses</b>			
Program Expenses	\$ 1,025,741.28	\$ -	1,025,741.28
Development Expenses	\$ 48,311.20	\$ -	48,311.20
Admin Expenses	\$ 7,176.80	\$ -	7,176.80
Manager and General Expenses	\$ 130,831.76	\$ -	130,831.76
<b>Total Operating Expenses</b>	<b>\$ 1,212,061.04</b>	<b>\$ -</b>	<b>\$ 1,212,061.04</b>
 Net Assets at beginning of year		\$	282,676.32
Change in net Assets		\$	(61,594.66)
Net Assets at end of year		<u>\$</u>	<u>221,081.66</u>

LITTLE FLOWERS CHILDHOOD AND DEVELOPMENT CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

STATEMENT OF FUNCTIONAL EXPENSES

Program Expense		Tax Expenses		Fundraising Expenses		Administrative Expenses		Management and General Expenses	
Accounting	\$ 10,889.00	Federal Taxes	\$ 32,540.97	Catering	\$ 1,200.00	Judy Center Expenses	\$ 3,500.00	Approved Operating Expense	\$ 28,047.59
Advertising & Marketing	\$ 8,796.26	State Taxes	\$ 26,771.82	Photography	\$ 370.00	Professional Services	\$ 3,300.00	Dues and Subscriptions	\$ 218.98
Appliances	\$ 340.25	FUTA/SUTA/MED	\$ 46,133.85	Stationary	\$ 55.00			Leased Property-3117 Baker St	\$ 21,823.83
Auto Fines	\$ 509.67			Special Events	\$ 8,810.16			Storage Fees	\$ 227.75
Auto Insurance	\$ 16,361.92							Travel	\$ 394.85
Background/Drug Check	\$ 151.25								
Building R & M	\$ 17,048.92								
Business Fees	\$ 3,643.73								
Business Lease Equip	\$ 6,274.27								
Computer Software	\$ 1,191.63								
Consulting	\$ 4,500.00								
Contractors 1099	\$ 70,059.35								
Credit Card fees	\$ 2,046.28								
Daycare Supplies	\$ 32,798.86								
Depreciation Expenses	\$ 10,188.40								
Donations	\$ 1,080.00								
Educational Materials	\$ 21,607.84								
Field Trips	\$ 11,079.38								
Freemont Facility Rent	\$ 30,000.00								
Fuel	\$ 9,349.76								
Furniture & Fixtures	\$ 105.99								
Gifts/Acknowledgment	\$ 1,396.72								
Health/Dental/Vision	\$ 3,742.44								
Interest Expense	\$ 1,220.72								
Liability Insurance	\$ 3,705.45								
Office Supplies	\$ 2,772.00								
Other R & M	\$ 6,093.71								
Parent Engagement	\$ 285.08								
Payroll	\$ 666,838.49								
Payroll Service Fee	\$ 9,531.00								
Procure	\$ 1,012.74								
Staff Development	\$ 464.00								
Summer Camp Supplies	\$ 1,344.00								
Telecommunications	\$ 14,896.05								
Uniforms	\$ 2,948.00								
Utilities	\$ 9,796.19								
Weekly Contract Labor	\$ 13,102.00								
Workers Compensation	\$ 3,314.62								
	\$ 1,000,485.97		\$ 105,446.64		\$ 10,435.16		\$ 6,800.00		\$ 50,713.00

**LITTLE FLOWERS CHILDHOOD AND DEVELOPMENT CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**STATEMENTS OF CASH FLOW**

**OPERATING ACTIVITIES**

Net Income	8,175.90
Adjustments to reconcile Net Income to Net Cash provided by operations:	
Accounts Receivable	13,175.46
Undespaired Payments	439.52
Revenue	29,583.93
Grant/Donation Expense	<u>(20,423.14)</u>
	22,775.77
 Net Cash Provided by operations	 30,951.67

**INVESTING ACTIVITIES**

Accum Depr Appliances	(138.10)
Furniture	899.99
Accum Depr Furniture	(120.00)
Building	(84,700.00)
Accum Depr Building	889.98
Accum Depr Audio/Visual Equipment	(1,392.11)
Accum Depr Computer Software	(550.14)
Leasehold improvements	728.00
Accum Depr Leasehold Improvements	<u>(704.20)</u>
	(85,086.58)

**FINANCING ACTIVITIES**

Retained Earnings	(75,810.02)
Loan Founder	7,895.18
Auto Loan	(5,349.05)
Wells Fargo Line of Credit	<u>3,625.13</u>
	(69,638.76)

<b>Cash at End of Period</b>	<b><u><u>(123,773.67)</u></u></b>
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**LITTLE FLOWERS CHILDHOOD AND DEVELOPMENT CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**STATEMENT OF FUNCTIONAL EXPENSES**

Accounting	\$ 10,889.00	Interest Expense	\$ 1,220.72
Advertising & Marketing	\$ 8,796.26	Judy Center Grant Expenses	\$ 3,500.00
Appliances	\$ 340.25	Leased Property-3117 Baker St	\$ 21,823.83
Approved Operating Expense	\$ 28,047.59	Liability Insurance	\$ 3,705.45
Auto Fines	\$ 509.67	Office Supplies	\$ 2,772.00
Auto Insurance	\$ 16,361.92	Other R & M	\$ 6,093.71
Background/Drug Check	\$ 151.25	Parent Engagement	\$ 285.08
Building R & M	\$ 17,048.92	Payroll	\$ 666,838.49
Business Fees	\$ 3,643.73	Payroll Service Fee	\$ 9,531.00
Business Lease Equip	\$ 6,274.27	Photography	\$ 370.00
Catering	\$ 1,200.00	Procure	\$ 1,012.74
Consulting	\$ 4,500.00	Professional Services	\$ 3,300.00
Contractors 1099	\$ 70,059.35	Rent	\$ 30,000.00
Credit Card fees	\$ 2,046.28	Shipping	\$ 55.00
Computer Software	\$ 1,191.63	Special Events	\$ 8,810.16
Daycare Supplies	\$ 32,798.86	Storage	\$ 227.75
Depcraition Expenses	\$ 10,188.40	Staff Training	\$ 464.00
Donations	\$ 1,080.00	Summer Camp Supplies	\$ 1,344.00
Dues and Subscrtpions	\$ 218.98	Taxes	\$ 105,446.64
Educational Materials	\$ 21,607.84	Telecommunications	\$ 14,896.05
Field Trips	\$ 11,079.38	Travel	\$ 394.85
Fuel	\$ 9,349.76	Uniforms	\$ 2,948.00
Furniture & Fixtures	\$ 105.99	Utilities	\$ 9,796.19
Gifts/Acknowledgment	\$ 1,396.72	Weekly Contract Labor	\$ 13,102.00
Health/Dental/Vision	\$ 3,742.44	Workers Compensation	\$ 3,314.62
			<hr/>
			<b>\$ 1,173,880.77</b>

**LITTLE FLOWERS CHILDHOOD AND DEVELOPMENT CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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*<sup>TM</sup> (*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, 2019.

**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, 2019**

**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 lives used in determine depreciation 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 activities. 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, 2019. Consequently, there is no provision for income taxes.

**LITTLE FLOWERS CHILDHOOD AND DEVELOPMENT CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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 2017 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 \$87,234.77.

**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, 2019**

**NOTE 2 – CASH AND CONCENTRATIONS OF CREDIT RISK**

Cash and cash equivalents are insured by FDIC up to \$250,000. As of December 31, 2019, 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 Baker Street location on July 1, 2018. The lease provides for payments of \$2,500 - \$3,000 per month.

As of December 31, 2019, the future minimum lease payments for the Baker Street location follow:

	<u><b>Total</b></u>
Lease 1	<u>\$86,176.17</u>
	<b>\$86,176.17</b>

Total rent expense for the year ended December 31, 2019 was \$21,823.83

**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, 2019, child care services account for approximately \$956,153.58 or 78% of total revenues.

**NOTE 6 – LONG TERM OBLIGATION**

For the year ended December 31, 2019 the organization have three long term obligations. There is a 60-month equipment lease agreement with Advance to provide a printer and accessories. A 5-year loan payable to Nationwide Nissan with interest of 17.66% APR. The

**LITTLE FLOWERS CHILDHOOD AND DEVELOPMENT CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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. There is a Wells Fargo line of credit with a 11.5% APR.

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

For the year ended December 31, 2019, program expenses, management and general expenses, and fundraising expense were approximately 85%, 14%, and 1%, respectively, of total expenses.

**NOTE 8 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 31, 2019. No significant subsequent events have been identified that would require adjustments of or disclosure in the accompanying financial statements.