

THE CARVER FOUNDATION OF NORWALK, INC.
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

**THE CARVER FOUNDATION OF NORWALK, INC.
FOR THE YEAR ENDED JUNE 30, 2019**

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THE CARVER FOUNDATION OF NORWALK, INC.

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Carver Foundation of Norwalk, Inc.

We have audited the accompanying financial statements of The Carver Foundation of Norwalk, Inc., (a non-profit organization), which comprise the statement of financial position as of June 30, 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. 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.

INDEPENDENT AUDITOR'S REPORT

Continued...

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Carver Foundation of Norwalk, Inc., as of June 30, 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.

A handwritten signature in blue ink that reads "Hope & Hernandez P.C." with a stylized flourish at the end.

Hope & Hernandez, P.C.
Bridgeport, Connecticut
October 4, 2019

THE CARVER FOUNDATION OF NORWALK, INC.

FINANCIAL STATEMENTS

THE CARVER FOUNDATION OF NORWALK, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 421,329	\$ 65,959	\$ 487,288
Investments	13,473	0	13,473
Accounts Receivable, Net	1,466	0	1,466
Contributions and Grants Receivable, Net	159,873	0	159,873
Prepaid Insurance & Services	<u>25,261</u>	<u>0</u>	<u>25,261</u>
Total Current Assets	<u>621,402</u>	<u>65,959</u>	<u>687,361</u>
Non-Current Assets:			
Fixed Assets, net of accumulated depreciation of \$565,371	<u>1,022,792</u>	<u>1,807,177</u>	<u>2,829,969</u>
TOTAL ASSETS	\$ <u>1,644,194</u>	\$ <u>1,873,136</u>	\$ <u>3,517,330</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities:			
Accounts Payable	\$ 19,352	\$ 0	\$ 19,352
Accrued Payroll	44,795	0	44,795
Deferred Revenue	203,090	0	203,090
Line of Credit	<u>0</u>	<u>0</u>	<u>0</u>
Total Current Liabilities	<u>267,237</u>	<u>0</u>	<u>267,237</u>
Net Assets			
Without Donor Restrictions	1,376,957	0	1,376,957
With Donor Restrictions	<u>0</u>	<u>1,873,136</u>	<u>1,873,136</u>
Total Net Assets	<u>1,376,957</u>	<u>1,873,136</u>	<u>3,250,093</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,644,194</u>	\$ <u>1,873,136</u>	\$ <u>3,517,330</u>

**THE CARVER FOUNDATION OF NORWALK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Contributions	\$ 404,624	\$ 194,035	\$ 598,659
Fundraisers	609,081	0	609,081
Grants	2,493,342	0	2,493,342
Program Fees	318,761	0	318,761
Interest & Dividend Income	3,058	0	3,058
In-Kind Revenue	31,544	0	31,544
Other Revenues	20	0	20
Net Assets Released From Restrictions	<u>212,035</u>	<u>(212,035)</u>	<u>0</u>
 Total Revenues	 <u>4,072,465</u>	 <u>(18,000)</u>	 <u>4,054,465</u>
 Expenses:			
Program Services	4,113,600	48,896	4,162,496
Management and General	0	0	0
Fundraising/Development	<u>0</u>	<u>0</u>	<u>0</u>
 Total Expenses	 <u>4,113,600</u>	 <u>48,896</u>	 <u>4,162,496</u>
 Changes in Net Assets from Operations	 (41,135)	 (66,896)	 (108,031)
 Non-Operating Activities:			
Investment Return, Net	<u>1,158</u>	<u>0</u>	<u>1,158</u>
 Changes in Net Assets	 (39,977)	 (66,896)	 (106,873)
Net Assets, Beginning of Year	<u>1,416,934</u>	<u>1,940,032</u>	<u>3,356,966</u>
 Net Assets, End of Year	 <u>\$ 1,376,957</u>	 <u>\$ 1,873,136</u>	 <u>\$ 3,250,093</u>

See accompanying notes and accountant's report.

THE CARVER FOUNDATION OF NORWALK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services					Fundraising/ Development	Totals
	After School Programs	Summer Programs	Community Programs	Total Program	Management and General		
Salaries	\$ 1,582,501	\$ 456,816	\$ 3,943	\$ 2,043,260	\$ 99,318	\$ 228,495	\$ 2,372,073
Payroll Taxes	134,512	43,626	377	178,515	9,485	21,917	209,917
Employee Benefits	148,667	14,346	118	163,131	23,312	7,037	193,480
Professional Fees	23,625	1,832	-	25,457	5,865	21,224	52,546
Supplies & Program Services	275,273	102,122	26,292	403,687	1,442	89,874	495,003
Voice & Data	15,385	2,007	386	17,778	773	773	19,324
Postage & Shipping	563	141	56	760	113	1,940	2,813
Occupancy	86,165	12,640	2,107	100,912	4,213	210	105,335
Travel	169	-	-	169	206	531	906
Meetings, Conferences & Training	882	2,350	-	3,232	2,078	4,103	9,413
Printing/Copying & Advertising	-	-	-	-	151	15,740	15,891
Stipends/Scholarships	49,500	-	-	49,500	-	-	49,500
Transportation	129,289	137,837	-	267,126	-	-	267,126
Insurance	86,511	11,284	2,126	99,921	2,126	4,251	106,298
Service Fees & Interest Expense	40,345	5,262	2,506	48,113	1,002	1,002	50,117
Dues, Subscriptions & Licenses	-	1,332	249	1,581	3,909	8,190	13,680
Bad Debt Expense	41,182	-	-	41,182	-	-	41,182
Depreciation	100,593	13,120	5,054	118,767	5,054	2,527	126,348
In-Kind Expenses	1,070	5,869	-	6,939	-	24,605	31,544
TOTALS	\$ 2,716,232	\$ 810,584	\$ 43,214	\$ 3,570,030	\$ 159,047	\$ 433,419	\$ 4,162,496

**THE CARVER FOUNDATION OF NORWALK, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

	Amount
<u>Operating Activities:</u>	
Change in Net Assets	\$ (106,873)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation Expense	126,348
Unrealized Gain on Investments	(1,226)
<u>Change in Fund Assets and Liabilities:</u>	
Increase in Accounts Receivable	(266)
Increase in Contributions and Grants Receivable	(155,625)
Decrease in Prepaid Insurance and Services	10,770
Decrease in Accounts and Payroll Payable	(121,345)
Decrease in Deferred Revenue	(103,573)
Net Cash Used by Operating Activities	(351,790)
<u>Investing Activities:</u>	
Purchase of Fixed Assets	(161,934)
Net Investment Activity	(539)
Net Cash Used by Investing Activities	(162,473)
Decrease in Cash	(514,263)
Cash at Beginning of Year	1,001,551
Cash at End of Year	\$ 487,288
<u>Supplementary Disclosures of Cash Flow Information:</u>	
Cash paid for:	
Interest	\$ 12,792
Income Taxes	\$ -

THE CARVER FOUNDATION OF NORWALK, INC.

NOTES TO THE FINANCIAL STATEMENTS

**THE CARVER FOUNDATION OF NORWALK, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Founded in 1938 as a neighborhood community center, named the 2013 *“Nonprofit of the Year”* by the Norwalk Chamber of Commerce, Carver today is the largest provider of free after-school programs for elementary, middle and high school students in Norwalk, Connecticut. Carver’s mission is to close opportunity gaps for all vulnerable children and ensure they graduate high school on time and college-ready. To achieve its mission, Carver combines a set of key partnerships between school districts and their highly skilled educators, community organizations and parents to deliver after school, summer and community programs that consistently demonstrate striking results. Carver’s reach includes almost all Norwalk Public Schools, Carver Community Center in Norwalk and the Classical Studies Magnet Academy in Bridgeport. Carver’s vision, strategies for impact, resource development, organizational effectiveness and program activities are consistently linked to carefully evaluated student outcomes. Carver’s after school students grow faster academically than the national average in each grade. Since 2005, 100% of Carver seniors have graduated high school on time and almost all become first generation college students. Carver also offers college scholarship funds, winning basketball travel teams, a parent leadership academy, spring and fall college tours, community food drives and holiday events, and more for the benefit of the Norwalk community.

Summary of Significant Accounting Policies

Basis of Presentation

The Foundation’s financial statements have been prepared in accordance with U.S. generally accepted accounting principles, which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation’s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions can be perpetual in nature, where by the donor has stipulated that the funds be maintained in perpetuity.

**THE CARVER FOUNDATION OF NORWALK, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued**

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of Operations

The statement of activities reports all changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Foundation's ongoing programs and interest and dividends earned on investments. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

In-kind Contributions

In-kind contributions represent the value of donated materials and are recorded when these contributions are both specifically identifiable and can be objectively valued in monetary terms (fair market value, as determined by management).

Support and Revenue Recognition

Revenues and expenses are recognized on the accrual basis of accounting which recognizes revenues when earned and expenses when incurred.

**THE CARVER FOUNDATION OF NORWALK, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued**

Accounting Policies

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. These assumptions include but are not limited to the depreciable lives of long-lived assets and allocation of functional expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Fixed Assets and Accumulated Depreciation

Fixed assets are recorded at cost and include expenditures that naturally increase values or extend useful lives. Contributed assets are recorded at their fair market value at the date of receipt as determined by the Foundation. Depreciation is computed over the estimated useful lives of the assets, which range from 5 to 39 years, using the straight-line method for financial and tax reporting purposes. Expenditures in the nature of normal repairs and maintenance are charged to operations as incurred.

Subsequent Events

Date of Management Evaluation - Management has evaluated subsequent events through October 4, 2019, the date on which the financial statements were available to be issued.

Management has not identified any significant subsequent events requiring disclosure.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities and presented in detail in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

**THE CARVER FOUNDATION OF NORWALK, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The expenses that are allocated include the following:

Expense	Method of Allocation
Executive Director's Salary	Time and Effort
Finance Manager	Time and Effort
Chief Operating Officer's Salary	Time and Effort
Executive Administrative Assistant's Salary	Time and Effort
Manager of Administration's Salary	Time and Effort
Payroll Taxes	Time and Effort
Employee Benefits	Time and Effort
Occupancy	Square Footage

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-4, Not-For-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Reclassifications

Beginning net asset amounts have been reclassified to conform to the current year presentation.

NOTE 2 - INCOME TAXES

The Foundation operates as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Pursuant to Section 501(c)(3) of the Internal Revenue Code, the activities engaged in by the Foundation are not subject to federal or state income taxes. The tax years 2015 through 2018 remain open to examination by the Internal Revenue Service.

**THE CARVER FOUNDATION OF NORWALK, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 3 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentration of credit risk consists principally of cash. The Foundation at June 30, 2019, maintained \$89,213 in cash balances in excess of Federal Deposit Insurance Corporation (FDIC) limits. The Foundation has not incurred any losses in the past and it believes it is not exposed to any significant credit risk.

NOTE 4 – AVAILABILTY AND LIQUIDITY

The following represents the Foundation’s financial assets at June 30, 2019.

Financial assets at year end:

Cash and cash equivalents	\$ 487,288
Investments	13,473
Accounts Receivable	1,466
Contributions and grants receivable	<u>159,873</u>
Total Financial Assets	\$ <u>662,100</u>

Less amounts not available to be used within one year -0-

Financial assets available to meet general expenditures
over the next twelve months \$ 662,100

The Foundation has a \$500,000 line of credit available to meet cash flow needs.

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable and contributions and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. The allowance balances at June 30, 2019 are \$0.

NOTE 6 - INVESTMENTS - FAIR VALUE MEASUREMENTS

The Foundation’s investments are reported at fair value in accordance with FASB ASC 820 in the accompanying statement of financial position at June 30, 2019 as follows:

**THE CARVER FOUNDATION OF NORWALK, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 6 - INVESTMENTS - FAIR VALUE MEASUREMENTS - Continued

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets Level 1</u>
Cash & Cash Equivalents	\$ 557	\$ 557
Stocks	<u>12,916</u>	<u>12,916</u>
	<u>\$ 13,473</u>	<u>\$ 13,473</u>

FASB ASC 820 Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurements and unobservable.

Level 1 - Fair Value Measurements

The fair value of the Foundation's stocks are based on quoted net asset values of the shares held by the Foundation in an active market.

NOTE 7 - FIXED ASSETS

Below is a summary of fixed assets at June 30, 2019:

<u>Without Donor Restrictions</u>	
Building Improvements	\$ 1,247,018
Furniture and Fixtures	8,459
Vehicles	89,641
Machinery and Equipment	<u>138,212</u>
Sub-Total Depreciable Assets	1,483,330

**THE CARVER FOUNDATION OF NORWALK, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 - FIXED ASSETS - Continued

Less: Accumulated Depreciation	(465,538)
Net Book Value of Depreciable Assets	1,017,792
Land	5,000
TOTAL	<u>\$ 1,022,792</u>

With Donor Restrictions

Building	\$1,907,010
Less: Accumulated Depreciation	(99,833)
TOTAL	<u>\$1,807,177</u>

On June 22, 2017, the City of Norwalk gifted the building located at 7 Academy Street to The Carver Foundation of Norwalk. The gift is classified as With Donor Restrictions. If the Foundation ceases using the building as a neighborhood community center, ownership of the building reverts back to the City of Norwalk.

NOTE 8 - DEFERRED REVENUE

During the year ended June 30, 2019, the Foundation received fees and grants for programs to be run subsequent to year end. These fees and grants have been deferred and will be recognized as revenue in the year earned.

NOTE 9 - LINE OF CREDIT

The Foundation has a \$500,000 line of credit with Patriot National Bank, secured by a first security interest on Carver's business assets. Interest on the outstanding balance is payable monthly at a 6% annual interest rate. The credit line expires September 1, 2019. As of June 30, 2019, the credit line balance outstanding is \$0.

NOTE 10 - NET ASSETS

Net assets with donor restrictions are as follows for the year ended June 30, 2019:

Specific Purpose	
Completion of Technical Center	\$ 65,959
Use Building as a Community Center	1,807,177
Total	<u>\$ 1,873,136</u>

**THE CARVER FOUNDATION OF NORWALK, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 11 - EMPLOYEE BENEFITS

Deferred Compensation Plan - The Foundation maintains a 457(b)(7) plan open to all full time employees. The Foundation makes no contributions to the plan which is administered through the Vanguard Group.

NOTE 12 - OPERATING LEASES

The Foundation entered into a 42 month lease for a postage machine on June 7, 2010. The lease expired December 7, 2013 and has continued on a month-to-month basis at a rate of \$182 per quarter.

The Foundation entered into a 63 month operating lease for two copiers in March, 2016. Minimum lease payments are as follows:

2020	\$ 8,028
2021	7,359
2022	-0-
2023	-0-
2024	-0-
	<u>\$ 15,387</u>