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ACTION FOR BRIDGEPORT COMMUNITY DEVELOPMENT, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2015 AND 2014

ACTION FOR BRIDGEPORT COMMUNITY DEVELOPMENT, INC.

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Independent Auditors' Report

To the Board of Directors
Action for Bridgeport Community Development, Inc.
Bridgeport, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of Action for Bridgeport Community Development, Inc., which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities 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.

Auditors' 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 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 audits 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 auditors' 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 auditors consider 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 Action for Bridgeport Community Development, Inc., as of September 30, 2015 and 2014, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 16, 2016 on our consideration of Action for Bridgeport Community Development, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 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 Action for Bridgeport Community Development, Inc.'s internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
March 16, 2016

ACTION FOR BRIDGEPORT COMMUNITY DEVELOPMENT, INC.

STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 4,241,559	\$ 3,468,904
Investments	33,338	32,264
Grants and accounts receivable	2,339,166	2,501,911
Inventory and other current assets	15,945	22,094
Total current assets	<u>6,630,008</u>	<u>6,025,173</u>
Property and Equipment		
Land	235,266	235,266
Buildings and improvements	4,645,351	3,808,892
Machinery and equipment	332,160	369,067
Furniture and fixtures	40,070	44,522
Vehicles	570,272	570,272
	<u>5,823,119</u>	<u>5,028,019</u>
Less accumulated depreciation	4,568,276	4,363,586
Net property and equipment	<u>1,254,843</u>	<u>664,433</u>
Total Assets	<u>\$ 7,884,851</u>	<u>\$ 6,689,606</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,686,670	\$ 1,790,525
Due to funding source	5,535	5,535
Deferred revenue	62,377	72,663
Total liabilities	<u>1,754,582</u>	<u>1,868,723</u>
Unrestricted Net Assets	<u>6,130,269</u>	<u>4,820,883</u>
Total Liabilities and Net Assets	<u>\$ 7,884,851</u>	<u>\$ 6,689,606</u>

The accompanying notes are an integral part of the financial statements

ACTION FOR BRIDGEPORT COMMUNITY DEVELOPMENT, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Changes in Unrestricted Net Assets		
Revenues, gains and other support:		
Federal and state grants	\$ 30,355,069	\$ 28,790,359
Program income	1,744,507	2,055,874
Local grants	1,261,451	1,058,622
Donated goods and services	1,173,480	958,714
Contributions	15,876	7,345
Other income	7,741	10,839
Total revenues, gains and other support	<u>34,558,124</u>	<u>32,881,753</u>
Expenses:		
Salaries	12,253,852	11,848,327
Payroll taxes and fringe benefits	3,995,886	4,161,869
Direct client assistance	9,140,573	9,282,915
Professional and contractual services	2,053,170	2,331,122
Materials and supplies	2,413,711	2,073,998
Occupancy	1,853,170	1,519,652
Other	870,042	576,943
Delegate agencies	287,222	286,179
Depreciation	246,049	246,562
Travel and transportation	135,063	111,495
Total expenses	<u>33,248,738</u>	<u>32,439,062</u>
Change in Net Assets	1,309,386	442,691
Net Assets - Beginning of Year	<u>4,820,883</u>	<u>4,378,192</u>
Net Assets - End of Year	<u>\$ 6,130,269</u>	<u>\$ 4,820,883</u>

The accompanying notes are an integral part of the financial statements

ACTION FOR BRIDGEPORT COMMUNITY DEVELOPMENT, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 1,309,386	\$ 442,691
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	246,049	246,562
Unrealized investment gain	(1,074)	(5,039)
(Increase) decrease in operating assets:		
Grants and accounts receivable	162,745	(1,598,004)
Inventory and other current assets	6,149	2,109
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(103,855)	371,219
Due to funding source	-	(410)
Deferred revenue	(10,286)	(153,156)
Net cash provided by (used in) operating activities	<u>1,609,114</u>	<u>(694,028)</u>
Cash Flows from Investing Activities		
Outlay for property improvements	<u>(836,459)</u>	<u>(34,639)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	772,655	(728,667)
Cash and Cash Equivalents - Beginning of Year	<u>3,468,904</u>	<u>4,197,571</u>
Cash and Cash Equivalents - End of Year	<u>\$ 4,241,559</u>	<u>\$ 3,468,904</u>

The accompanying notes are an integral part of the financial statements

ACTION FOR BRIDGEPORT COMMUNITY DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Action for Bridgeport Community Development, Inc. (ABCD) provides food, training and services to the economically disadvantaged in the greater Bridgeport area, and also provides some services in the Norwalk area. ABCD is funded by city, state and federal agencies, donations and program fees. Principal federally funded programs include Headstart, which educates children four to six years of age, and the Connecticut Energy Assistance Program, which funds participants' energy costs and weatherizes housing occupied by renters and homeowners. Principal state funded programs include the Child Daycare and School Readiness programs, which provide daycare services to children whose parents work.

Basis of Accounting and Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the accounts of ABCD are considered to be unrestricted.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

ABCD considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Other income includes ABCD's gains and losses on investments bought and sold as well as held during the year.

Inventories

Inventories consist of weatherization materials and the cost of work in process and are stated at the lower of cost or market, cost being determined substantially by the first-in, first-out method of inventory valuation.

ACTION FOR BRIDGEPORT COMMUNITY DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

Property and Equipment

Property and equipment acquisitions and improvements thereon that exceed \$5,000 are capitalized at cost and depreciated on a straight-line basis over their estimated useful lives. Leasehold improvements are amortized over the life of the improvement or the remaining lease term, whichever is shorter. Repairs and maintenance are charged to expense as incurred.

Grants and Contracts

Governmental grants and contracts are generally considered to be exchange transactions rather than contributions. Revenue from cost-reimbursement grants and contracts is recognized to the extent of costs incurred. Revenue from performance-based grants and contracts is recognized to the extent of performance achieved. Grant and contract receipts in excess of revenue recognized on open grants are presented as deferred revenue.

Contributions

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. ABCD reports nongovernmental contributions of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor 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 statements of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented with unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in Note 5. Accordingly, costs have been allocated among the programs and supporting services benefited.

Income Taxes

ABCD is exempt from federal and state income taxes on exempt function income as a public charity under Section 501(c)(3) of the Internal Revenue Code. Consequently, no provision for income taxes has been made in the accompanying financial statements.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through March 16, 2016, which represents the date the financial statements were available to be issued.

ACTION FOR BRIDGEPORT COMMUNITY DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CONCENTRATIONS

Cash and Cash Equivalents

ABCD's deposits in financial institutions exceed federal depository insurance limits. However, ABCD has not experienced any losses in this area, and management believes that ABCD's deposits are not subject to significant credit risk.

Grants and Contracts

Based on historical experience, management believes grant and contract receivables represent negligible credit risk. ABCD receives a significant portion of its total support from the United States Department of Health and Human Services and the State of Connecticut Department of Social Services and Office of Early Childhood. As with all government funding, these grants and contracts may not be renewed or may be renewed in reduced amounts in future years. In addition, grants and contracts currently in effect are subject to reduction prior to the end of the grant or contract period. Any significant reduction in these grants and contracts could have an adverse effect on ABCD's program services.

NOTE 3 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that ABCD has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

ACTION FOR BRIDGEPORT COMMUNITY DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

ABCD's financial instrument measured at fair value consists of a single stock, which is valued using the closing price reported in the active market in which the individual security is traded, which represents Level 1 inputs. The valuation methodology did not change from the prior year.

NOTE 4 - DONATED GOODS AND SERVICES

Contributed services recognized in the financial statements totaled \$971,263 and \$906,767 for the years ended September 30, 2015 and 2014, respectively, and were used in connection with early childhood learning programs. Donated goods totaling \$202,217 and \$51,947 for the years ended September 30, 2015 and 2014, respectively, were also used in connection with early childhood learning programs.

NOTE 5 - EXPENSES BY FUNCTION

Expenses by function consisted of the following:

	<u>2015</u>	<u>2014</u>
Program:		
Education	\$ 15,167,869	\$ 15,003,513
Health and welfare	14,561,125	14,570,984
Housing	<u>1,626,966</u>	<u>1,001,489</u>
	31,355,960	30,575,986
Management and general	<u>1,892,778</u>	<u>1,863,076</u>
	<u>\$ 33,248,738</u>	<u>\$ 32,439,062</u>

NOTE 6 - PENSION PLAN

ABCD sponsors a defined contribution pension plan covering substantially all of the employees. ABCD matches employees' contributions to the pension plan up to 5% of their compensation. Pension expense totaled \$256,085 and \$271,101 for the years ended September 30, 2015 and 2014, respectively.

NOTE 7 - LEASE COMMITMENTS

Operating Leases

ABCD leases facilities for childcare and Head Start classrooms under leases with terms of one year or less. ABCD also leases office equipment and facilities under noncancelable operating leases with terms of more than one year. Rental expense amounted to \$464,573 and \$533,619 during the years ended September 30, 2015 and 2014, respectively.

ACTION FOR BRIDGEPORT COMMUNITY DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

The following is a schedule of future minimum rental payments required under the above leases as of September 30, 2015:

Year Ending September 30

2016	\$	117,644
2017		72,200
2018		<u>23,728</u>
Total	\$	<u><u>213,572</u></u>

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Grants

ABCD participates in federal and state assisted grant programs. These grants are subject to audits by grantor agencies, which could result in disallowed costs due back to the grantor. ABCD has recognized all known audit liabilities.

Property Acquired with Grant Funds

Funding sources generally retain a reversionary right to certain property acquired with grant funds, although no grant programs are expected to end prior to the end of the respective properties' useful lives that would require return of such assets. In addition, state bonding grants for property improvements require execution of a 10-year lien, which declines by 10% each year that the property continues to be used for its original purpose.