Community Learning Center

Financial Statements
Year Ended June 30, 2020

1835 Market Street, 3rd Floor
Philadelphia, PA 19103

215/567-7770 | bbdcpa.com

COMMUNITY LEARNING CENTER

CONTENTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Learning Center
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of Community Learning Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. 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 Community Learning Center as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited Community Learning Center’s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 13, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BBD, LLP.

Philadelphia, Pennsylvania
February 3, 2021

COMMUNITY LEARNING CENTER

STATEMENT OF FINANCIAL POSITION

June 30, 2020 with comparative totals for 2019

	2020	**2019**
ASSETS		
Cash	$ 708,720	$ 435,103
Contributions receivable		
Grants receivable	35,589	41,180
Other	17,384	30,161
Prepaid expenses	37,153	31,628
Property and equipment, net of accumulated depreciation of $60,321 and $88,853 at June 30, 2020 and 2019, respectively	9,239	5,103
Total assets	$ 808,085	$ 543,175
LIABILITIES		
Loan payable - Paycheck Protection Program	$ 191,600	$ -
Accounts payable and accrued expenses	35,454	10,893
Total liabilites	227,054	10,893
NET ASSETS		
Without donor restrictions	298,295	303,182
With donor restrictions	282,736	229,100
Total net assets	581,031	532,282
Total liabilities and net assets	$ 808,085	$ 543,175

See accompanying notes

COMMUNITY LEARNING CENTER

STATEMENT OF ACTIVITIES

Year ended June 30, 2020 with comparative totals for 2019

	Without Donor Restrictions	With Donor Restrictions	Totals 2020	Totals 2019
REVENUE AND SUPPORT				
Grants				
Government	$ 818,498	$ -	$ 818,498	$ 850,089
Other	327,265	-	327,265	178,252
Contributions	167,295	115,622	282,917	166,434
Net assets released from restrictions	61,986	(61,986)	-	-
Total revenue and support	1,375,044	53,636	1,428,680	1,194,775
EXPENSES				
Program services				
Education	1,165,496	-	1,165,496	1,047,880
SSP - Student Services Program	31,913	-	31,913	32,156
Supporting services				
Fundraising	73,506	-	73,506	85,177
General and administrative	109,016	-	109,016	148,245
Total expenses	1,379,931	-	1,379,931	1,313,458
CHANGE IN NET ASSETS	(4,887)	53,636	48,749	(118,683)
NET ASSETS				
Beginning of year	303,182	229,100	532,282	650,965
End of year	$ 298,295	$ 282,736	$ 581,031	$ 532,282

See accompanying notes

COMMUNITY LEARNING CENTER

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2020 with comparative totals for 2019

	Program Services		Supporting Services		Totals	
	Education	SSP - Student Services Program	Fundraising	General and Administrative	2020	2019
Salaries	$ 786,483	$ 20,100	$ 16,743	$ 49,900	$ 873,226	$ 827,173
Fringe benefits	147,213	3,673	2,305	5,464	158,655	138,029
Occupancy expenses	112,617	900	-	452	113,969	107,882
Communication expenses	7,531	170	253	271	8,225	11,279
Consultants service fees	5,253	5,935	-	28,873	40,061	50,919
Professional fees	42,588	-	37,800	11,874	92,262	111,466
Supplies and materials	34,069	87	15,066	1,909	51,131	21,003
Insurance	16,434	248	-	882	17,564	20,461
Equipment leasing and maintenance	10,550	450	-	50	11,050	9,036
Travel expenses	1,402	22	156	141	1,721	1,826
Miscellaneous expenses	1,356	328	1,183	4,870	7,737	6,510
Depreciation expense	-	-	-	4,330	4,330	7,874
Total expenses	$ 1,165,496	$ 31,913	$ 73,506	$ 109,016	$ 1,379,931	$ 1,313,458

See accompanying notes

COMMUNITY LEARNING CENTER

STATEMENT OF CASH FLOWS

Year ended June 30, 2020 with comparative totals for 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 48,749	$ (118,683)
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities		
Depreciation expense	4,330	7,874
(Increase) decrease in		
Contributions receivable	18,368	54,682
Prepaid expenses	(5,525)	2,514
Increase (decrease) in		
Accounts payable and accrued expenses	24,561	(7,616)
Net cash provided by (used for) operating activities	90,483	(61,229)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(8,466)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable - Paycheck Protection Program	191,600	-
Net change in cash	273,617	(61,229)
CASH		
Beginning of year	435,103	496,332
End of year	$ 708,720	$ 435,103

See accompanying notes

(1) NATURE OF OPERATIONS

Founded in 1987, the Community Learning Center (the ***"Center"***) is an adult education organization serving students in Philadelphia. The Center provides disadvantaged adults with literacy, math, and life skills using a supportive and holistic approach, so that they can realize their fullest potential at home, in the workplace, and in the community.

(2) SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Center reports information regarding its financial position and activities according to the following classes of net assets:

Without donor restrictions

Net assets that are not subject to donor-imposed restrictions.

With donor restrictions

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Center and/or the passage of time. When a restriction is satisfied, 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.

Also included in this category are net assets subject to donor-imposed restrictions that require the net assets to be maintained indefinitely while permitting the Center to expend the income generated in accordance with the provisions of the contribution. The Center did not have this type of net assets with donor restrictions at June 30, 2020 and 2019.

Accounting Estimates

In preparing financial statements in conformity with U.S. generally accepted accounting principles (***"GAAP"***), management makes 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, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Summarized Prior Year Information

The financial statements include prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Center. Unobservable inputs reflect the Center’s assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Center has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Center's own assumptions.

Concentrations of Credit Risk

Financial instruments which potentially subject the Center to concentrations of credit risk are cash and contributions receivable. The Center maintains its cash at a quality financial institution. At times, such deposits may exceed federally-insured limits. Contributions receivable consists primarily of contributions from private foundations and grants and are expected to be collected in 2021.

Property and Equipment

Expenditures for purchases of property and equipment in excess of $500 are capitalized at cost. Donated assets are capitalized at the estimated fair market value at date of receipt. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

Revenue Recognition

The Center recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A portion of the Center’s revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Center has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

For the year ended June 30, 2020, the Center received $738,498 from the Pennsylvania Department of Education. For the year ended June 30, 2019, the Center received $740,089 from the Pennsylvania Department of Education.

Functional Allocation of Expenses

The costs of providing program and supporting services have been presented on a functional basis in the statements of activities and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Expenses not directly attributable to a specific functional area are allocated. Significant expenses that are allocated include salaries and fringe benefits, which are allocated based on estimates of time and effort.

Income Taxes

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain tax positions. GAAP prescribes a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. The Center believes that it had no uncertain tax positions as defined in GAAP.

Volunteers Services and Donated Materials

The Center receives certain donated services from volunteers in support of its programs and fundraising campaigns. Volunteers provide essential services that the Center would otherwise be unable to afford. The value of these donated services does not meet the criteria for recognition of donated services and, accordingly, is not reflected in the accompanying statements.

Accounting Pronouncements Adopted

In May 2014, the Financial Accounting Standards Board (***"FASB"***) issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Center adopted ASU 2014-09 on July 1, 2019 using the modified retrospective method approach.

The Center performed an analysis of revenue streams and transactions under ASU 2014-09, including applying the portfolio approach as a practical expedient to group contracts with similar characteristics such that revenue for a given portfolio would not be materially different than if it were evaluated on a contract-by-contract basis. The impact of adopting ASU 2014-09 was not material to total revenues without donor restrictions, excess of revenues and gains over expenses and losses, or total net assets. The Center’s revenue recognition policies are detailed within Note 2.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This ASU clarifies and improves the scope and accounting guidance for contributions received and made and assists entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance, and in determining whether a contribution is conditional. The Center adopted ASU 2018-08 on July 1, 2019. The adoption of this standard did not have a material impact on the Center.

(3) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

	Balance June 30, 2019	Additions	Releases	Balance June 30, 2020
Purpose restrictions				
Education	$ 72,019	$115,622	$(30,075)	$157,566
SSP – Student Services Program	157,081	-	(31,911)	125,170
	$229,100	$115,622	$(61,986)	$282,736

(4) LEASES

The Center leases its classroom facilities and certain office equipment under operating leases on an annual or month-to-month basis. The Center also leases additional classroom space from various community agencies under informal leasing arrangements.

The Center entered into a lease for office space which commenced on September 1, 2011 and expires September 30, 2021. The lease allows the Center to terminate the lease if its funding is reduced and it can no longer operate its programs.

Rent expense for classrooms and office space was $103,457 and $93,928 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments are as follows:

Years ending June 30,	
2021	$38,161
2022	6,360
	$44,521

(5) LINE OF CREDIT

The Center has a $75,000 revolving line of credit with Citizens Bank, which expires on February 18, 2021. Interest is payable at the bank's prime rate plus 2.25% (5.50% at June 30, 2020). There were no amounts outstanding on the line of credit as of June 30, 2020 and 2019.

(6) LOAN - PAYCHECK PROTECTION PROGRAM

On April 23, 2020, the Center received loan proceeds in the amount of $191,600 under the Paycheck Protection Program (***"PPP"***). Established as part of the Coronavirus Aid, Relief and Economic Security Act (***"Cares Act"***), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purpose, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period.

To the extent that the Center is not granted forgiveness, the Center will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date of April 2022. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event. In December 2020, the Center was granted forgiveness and legally released of the full loan obligation.

(7) RETIREMENT PLAN

The Center sponsors a qualified 403(b) plan. This plan covers all employees who meet the eligibility and service requirements as outlined in the plan document. The plan allows the Center to make discretionary contributions not to exceed 5% of employee compensation. There were no employer contributions to the plan in 2020 and 2019.

(8) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Center's financial assets as of the statement of financial position date, which has been reduced by financial assets not available within one year.

Cash	$ 708,720
Contributions receivable	52,973
Total financial assets	761,693
Less: financial assets not available for general operations within one year	
Restricted by donor for specific purposes	(282,736)
Total financial assets available within one year	$ 478,957

Liquidity Management

As part of the Center's liquidity management, it invests cash in excess of daily requirements in short-term investments, typically money market funds. The Center also has a line of credit at its disposal to meet its operating needs.

(9) SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 3, 2021, the date on which the financial statements were available to be issued. Pending approval from Philadelphia Orphans Court, the Center will merge with Center for Literacy (***"CFL"***), whereby the Center will transfer its assets to CFL and CFL shall be obligated to continue to operate the Center's services and programs. As of the effective date of the agreement, the Center will be dissolved. CFL shall continue its corporate existence as a Pennsylvania nonprofit corporation exempt from taxation pursuant to Code Section 501(c)(3). Also, in December 2020, the Center's loan under the Paycheck Protection Program was forgiven and the Center was legally released of the loan obligation ***(See Note 6)***. The extent of the impact of COVID-19 on the Center's operational and financial performance will depend on further developments, including the duration and spread of the outbreak, all of which cannot be predicted at this time. No other material subsequent events have occurred since June 30, 2020 that required recognition or disclosure in the financial statements.

Also, the extent of the impact of COVID-19 on the Center's operational and financial performance will depend on further developments, including the duration and spread of the outbreak, all of which cannot be predicted at this time. No other material subsequent events have occurred since June 30, 2020 that required recognition or disclosure in the financial statements.