The Manhattan Childrens Center

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
AUGUST 31, 2018

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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Manhattan Childrens Center
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of The Manhattan Childrens Center, which comprise the statement of financial position as of August 31, 2018, and the related statements of activities and changes in net assets, 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.

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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 The Manhattan Childrens Center as of August 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.

Respectfully submitted,

Roth & Company LLP

Roth & Company LLP
Brooklyn, New York
January 31, 2019

The Manhattan Childrens Center
Statement of Financial Position
August 31, 2018

ASSETS

CURRENT ASSETS		
Cash	$ 680,233	
Tuition receivable	1,318,763	
Due from related parties	384,658	
Prepaid expenses	81,841	
TOTAL CURRENT ASSETS		$ 2,465,495
FIXED ASSETS		
Leasehold improvements	3,530,138	
Furniture and equipment	421,430	
Fixed assets at cost	3,951,568	
Accumulated depreciation	(1,262,040)	
NET FIXED ASSETS		2,689,528
OTHER ASSET		
Security deposit		61,423
TOTAL ASSETS		$ 5,216,446

The Manhattan Childrens Center
Statement of Financial Position
August 31, 2018

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$ 124,962	
Accrued expenses	79,533	
Deferred revenue	1,013,949	
TOTAL CURRENT LIABILITIES		$ 1,218,444
LONG-TERM LIABILITIES		
Deferred rent		1,089,665
TOTAL LIABILITIES		2,308,109
UNRESTRICTED NET ASSETS		2,908,337
TOTAL LIABILITIES AND NET ASSETS		$ 5,216,446

The Manhattan Childrens Center
Statement of Activities and Changes in Net Assets
For the Year Ended August 31, 2018

REVENUES		
Tuition	$ 14,336,697	
Contributions	553,616	
License fee	49,680	
TOTAL REVENUES		$ 14,939,993
OPERATING EXPENSES		
Program expenses	11,257,776	
General and administrative expenses	3,474,245	
Fundraising expenses	172,582	
TOTAL OPERATING EXPENSES		14,904,603
CHANGE IN NET ASSETS FROM OPERATIONS		35,390
UNRESTRICTED NET ASSETS - BEGINNING		2,872,947
UNRESTRICTED NET ASSETS - ENDING		$ 2,908,337

The Manhattan Childrens Center
Statement of Functional Expenses
For the Year Ended August 31, 2018

	Program	General and Administrative	Fundraising	Total
EXPENSES				
Salaries and wages	$ 7,087,168	$ 2,297,205	$ 112,128	$ 9,496,501
Payroll taxes and employee benefits	1,345,051	435,979	21,280	1,802,310
Contracted services	221,618	-	-	221,618
Activities	8,240	-	-	8,240
Advertising	-	-	26,758	26,758
Depreciation	270,387	27,087	1,547	299,021
Food supplies	1,825	-	-	1,825
Insurance	36,238	3,630	207	40,075
Office expense	-	182,029	-	182,029
Professional fees	-	235,305	-	235,305
Property taxes	202,306	20,266	1,157	223,729
Rent	1,439,827	223,010	8,236	1,671,073
Repair and maintenance	115,397	11,560	660	127,617
Staff development	77,620	-	-	77,620
Supplies	77,062	10,098	-	87,160
Telephone and internet	46,446	4,653	266	51,365
Travel	-	17,422	-	17,422
Tuition processing fees	268,687	-	-	268,687
Utilities	59,904	6,001	343	66,248
TOTAL OPERATING EXPENSES	$ 11,257,776	$ 3,474,245	$ 172,582	$ 14,904,603

The Manhattan Childrens Center
Statement of Cash Flows
For the Year Ended August 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets		$ 35,390
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
Depreciation	$ 299,021	
Deferred rent	86,112	
Changes in operating assets and liabilities		
Tuition receivable	(385,443)	
Due from related parties	200,920	
Prepaid expenses	(81,841)	
Accounts payable	(52,747)	
Accrued expenses	(75,467)	
Deferred revenue	102,757	
Total adjustments		93,312
NET CASH PROVIDED BY OPERATING ACTIVITIES		128,702
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(216,342)	
NET CASH USED IN INVESTING ACTIVITIES		(216,342)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on line of credit	(300,000)	
NET CASH USED IN FINANCING ACTIVITIES		(300,000)
NET DECREASE IN CASH		(387,640)
CASH AT BEGINNING OF YEAR		1,067,873
CASH AT END OF YEAR		$ 680,233

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization
The Manhattan Childrens Center (the organization), a not-for-profit educational institution, was formed in March 2007, under the laws of the State of New York. The organization, which is located in New York, provides educational services to children aged six (6) to twenty-one (21) who are diagnosed with autism spectrum disorder. Programs are funded by service fees and contributions.

Income Taxes
The organization is exempt from income tax under section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting
The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) and accordingly reflect all significant receivables, payables and other assets and liabilities.

Cash and Cash Equivalents
Cash and cash equivalents consist primarily of cash on deposit, certificates of deposit, money market accounts, and investment grade commercial paper that are readily convertible into cash and purchased with original maturities of three months or less.

Tuition Receivable
The organization does not require collateral in support of its tuition receivable. Estimated provisions for losses on this receivable are recorded each period as bad debt expense on the statement of activities. In evaluating the collectability of tuition receivable, the organization considers the age of the account's past history and the financial condition of the liable party. Any changes in these factors or in the actual collections of this receivable in subsequent periods may require changes in the estimated allowance for doubtful accounts. Changes in these estimates are charged or credited to the results of operation in the period of change. There has been no experience of significant credit losses and management believes that no material credit risk exists.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets
Fixed assets valued at more than $1,000 are recorded at cost. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. Management reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future discounted cash flows is less than the carrying amount of the assets, the organization recognizes an impairment loss. No impairment losses were recognized for the year ended August 31, 2018. Depreciation is computed using straight line depreciation over the estimated useful lives of the assets.

Revenue Recognition
Tuition revenues are recognized in the fiscal year in which they are incurred. An allowance for uncollectible contributions is provided based on management’s evaluation of potential uncollectible amounts receivable at year end.

Contributions are recognized as support when received or when evidenced by a written promise to give. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor–restricted contributions whose restrictions are met in the same reporting period in which the contribution is recognized are recorded as unrestricted support.

Advertising Expense
The organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred.

Functional Presentation of Expenses
The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with the accrual basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies, if any, at the date of the financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Operating Leases

The organization has entered into lease agreements for its educational facilities and administrative offices, some of which contain provisions for future rent increases or periods in which rent payments are reduced or abated. In accordance with GAAP, the organization records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent, which is reflected as a separate line item in the accompanying statement of financial position.

NOTE 2 TUITION RECEIVABLE

The organization considers the full amount of receivables to be collectible and has not established an allowance for uncollectability.

NOTE 3 DEFERRED REVENUE

Deferred revenue represents amounts billed and collected before the services are performed.

NOTE 4 DEFINED CONTRIBUTION PLAN

The organization established a defined contribution plan covering all employees with at least six months of 20 or more weekly hours of service. No contributions were made or accrued for the year ended August 31, 2018.

NOTE 5 LEASE COMMITMENTS

The organization leases its education facilities and administrative offices for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates with expiration dates between May 2027 and March 2030. Future lease commitments are:

Year ending August 31,	Amount
2019	$ 1,658,177
2020	1,684,159
2021	1,727,986
2022	1,773,001
2023	1,819,084
Thereafter	11,629,821
Total	$ 20,292,228

NOTE 6 RELATED PARTY TRANSACTIONS

The organization incurred expenses for related organizations that share common officers, which are unsecured, due on demand and bear no interest. At August 31, 2018 the outstanding balance due from the related parties was $384,658. Subsequent to year end the amount due from the related party was repaid in full.

NOTE 7 CONCENTRATIONS OF CREDIT RISK

Cash

At times, the organization maintains cash balances in excess of the Federal Deposit Insurance Corporation's insured limits. The organization has not experienced any losses in such accounts and does not believe it is exposed to any significant risk of loss on cash.

NOTE 8 SUBSEQUENT EVENTS

The organization has evaluated subsequent events through January 31, 2019, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.