The Manhattan Childrens Center

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
AUGUST 31, 2019

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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, 2019, 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, 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.

Respectfully submitted,

Roth & Company LLP

Roth & Company LLP
Brooklyn, New York
May 22, 2020

The Manhattan Childrens Center
Statement of Financial Position
August 31, 2019

<u>ASSETS</u>

CURRENT ASSETS		
Cash	$ 1,143,545	
Tuition receivable	2,150,784	
Due from related parties	117,333	
Prepaid expenses	93,217	
TOTAL CURRENT ASSETS		$ 3,504,879
FIXED ASSETS		
Leasehold improvements	3,556,030	
Furniture and equipment	495,655	
Fixed assets at cost	4,051,685	
Accumulated depreciation	(1,567,190)	
NET FIXED ASSETS		2,484,495
OTHER ASSET		
Security deposit		57,690
TOTAL ASSETS		$ 6,047,064

The Manhattan Childrens Center
Statement of Financial Position
August 31, 2019

LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 97,288	
Accrued expenses	80,098	
Deferred revenue	1,600,098	
TOTAL CURRENT LIABILITIES		$ 1,777,484
LONG-TERM LIABILITIES		
Deferred rent		1,173,929
TOTAL LIABILITIES		2,951,413
NET ASSETS		
Net assets without donor restrictions		3,095,651
TOTAL LIABILITIES AND NET ASSETS		$ 6,047,064

The Manhattan Childrens Center
Statement of Activities and Changes in Net Assets
For the Year Ended August 31, 2019

REVENUES		
Tuition	$ 16,064,412	
Contributions	206,291	
Other income	65,827	
TOTAL REVENUES		$ 16,336,530
OPERATING EXPENSES		
Program expenses	12,949,285	
General and administrative expenses	3,199,931	
TOTAL OPERATING EXPENSES		16,149,216
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		187,314
NET ASSETS - BEGINNING		2,908,337
NET ASSETS - ENDING		$ 3,095,651

The Manhattan Childrens Center
Statement of Functional Expenses
For the Year Ended August 31, 2019

	Program	General and Administrative	Total
EXPENSES			
Salaries and wages	$ 8,301,856	$ 2,125,865	$ 10,427,721
Payroll taxes and employee benefits	1,497,944	508,919	2,006,863
Contracted services	352,579	-	352,579
Activities	27,843	-	27,843
Depreciation	278,546	26,604	305,150
Food supplies	1,498	-	1,498
Insurance	42,708	4,103	46,811
Office expense	-	154,309	154,309
Professional fees	-	167,866	167,866
Property taxes	227,979	21,901	249,880
Rent	1,588,985	152,649	1,741,634
Repair and maintenance	111,456	10,707	122,163
Staff development	82,983	-	82,983
Supplies	50,242	5,548	55,790
Telephone and internet	38,309	3,680	41,989
Travel	-	11,970	11,970
Tuition processing fees	285,879	-	285,879
Utilities	60,478	5,810	66,288
TOTAL OPERATING EXPENSES	$ 12,949,285	$ 3,199,931	$ 16,149,216

The Manhattan Childrens Center

Statement of Cash Flows

For the Year Ended August 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets		$ 187,314
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
Depreciation	$ 305,150	
Deferred rent	84,264	
Changes in operating assets and liabilities		
Tuition receivable	(832,021)	
Due from related parties	267,325	
Prepaid expenses	(11,376)	
Security deposit	3,733	
Accounts payable	(14,123)	
Accrued expenses	(12,986)	
Deferred revenue	586,149	
Total adjustments		376,115
NET CASH PROVIDED BY OPERATING ACTIVITIES		563,429
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(100,117)	
NET CASH PROVIDED BY INVESTING ACTIVITIES		(100,117)
NET INCREASE IN CASH		463,312
CASH AT BEGINNING OF YEAR		680,233
CASH AT END OF YEAR		$ 1,143,545

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 tuition 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.

Tuition Receivable
The organization does not require collateral in support of its tuition receivable. Estimated provisions for losses on this receivable are recorded annually as bad debt expense in the statement of activities. In evaluating the collectability of tuition receivable, the organization considers the age of the account 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 operations in the period of change. There has been no experience of significant credit losses and management believes that no material credit risk exists.

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, 2019. Depreciation is computed using straight line depreciation over the estimated useful lives of the assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The organization recognizes tuition revenue and the related receivable monthly during the school year based on the contract amount. An allowance for uncollectible tuition 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.

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 restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions are recorded as unrestricted support if such restrictions are met in the same reporting period in which the contribution is recognized.

Functional Presentation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, insurance, property taxes, rent, repair and maintenance, supplies, telephone and internet, and utilities, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimated time spent on each function

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classes of Net Assets

The organization classifies its net assets in the accompanying financial statements based on the absence or existence of donor-imposed restrictions as follows:

- Net Assets Without Donor Restrictions represent net assets that are not subject to donor-imposed restrictions. All of the organization's net assets are comprised of such net assets.

- Net Assets With Donor Restrictions represent net assets that are subject to legal or donor imposed stipulations that require that resources be used in a later period or after a specified date (time restrictions), or that resources be used for a specified purpose (purpose restrictions), or both. Also included in this category are net assets limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization. Generally, the donors of such assets permit the organization to use all or part of the income earned on the assets. As of August 31, 2019, there were no net assets with donor restrictions.

Operating Leases

The organization has entered into operating 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.

Recent Accounting Pronouncement

In August 2016, the Financial Accounting Services Board (FASB) published Accounting Standards Update (ASU) No. 2016-14, which changes the presentation and disclosures of Not for Profit (NFP) Financial Statements. The major changes require an NFP to:

Present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than the previously required three classes.

Present on the face of the statement of activities the amount of the change in each of the two classes of net assets rather than the previously required three classes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncement (continued)

Provide enhanced disclosures about governing board designations of net assets, the composition of net assets with donor restrictions and qualitative and quantitative information about how an NFP manages its liquid resources to meet cash needs for general expenditures within one year of the balance sheet date.

Report expenses by both their natural classification and their functional classification and disclose the method(s) used to allocate costs among program and support functions.

This change in presentation has no effect on the reported change in net assets

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, 2019.

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
2020	$ 1,684,159
2021	1,727,986
2022	1,773,001
2023	1,819,084
2024	1,866,166
Thereafter	9,763,655
Total	$ 18,634,051

NOTE 6 RELATED PARTY TRANSACTIONS

The organization incurred expenses for shared space and services of related organizations, which are unsecured, due on demand and bear no interest. Additionally, the related organization provides applied behavior analysis (ABA) and digital data management and analytics to the MCC's school-based ABA programming. These services are provided based on an agreement between the two entities. At August 31, 2019 the outstanding balance due from the related parties was $117,333.

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 May 22, 2020, the date on which these financial statements were available to be issued. Other than the item noted below, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

Coronavirus Pandemic:
In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. In accordance with the NYS on Pause executive order, our schools and offices are closed, and we continue operations remotely. At this time, it is not possible to estimate the effect this will have on our financial position or results of operations for the year. Future potential impacts may include further disruptions or restrictions on our employees' ability to work or our grantors' and students' ability to pay. Changes to the operating environment may increase operating costs. The future effects of these issues are unknown.

NOTE 9 LIQUIDITY AND AVAILABILITY

The organization has the following financial assets available within one year of the balance sheet date to meet cash needs for general expenditures:

Cash	$ 1,143,545
Accounts Receivable	2,268,117
Total	$ 3,411,662

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the balance sheet date.