The Manhattan Childrens Center

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

AUGUST 31, 2017

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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, 2017, 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, 2017, 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 23, 2018

The Manhattan Childrens Center
Statement of Financial Position
August 31, 2017

ASSETS

CURRENT ASSETS		
Cash	$ 1,067,873	
Tuition receivable	933,320	
Due from related parties	585,578	
TOTAL CURRENT ASSETS		$ 2,586,771
FIXED ASSETS		
Leasehold improvements	3,451,864	
Furniture and equipment	283,362	
Fixed assets at cost	3,735,226	
Accumulated depreciation	(963,019)	
NET FIXED ASSETS		2,772,207
OTHER ASSETS		
Security deposits		61,423
TOTAL ASSETS		$ 5,420,401

The Manhattan Childrens Center
Statement of Financial Position
August 31, 2017

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES				
Line of credit	$	300,000		
Accounts payable		177,709		
Accrued expenses		155,000		
Deferred revenue		911,192		
TOTAL CURRENT LIABILITIES			$	1,543,901
LONG-TERM LIABILITIES				
Deferred rent				1,003,553
TOTAL LIABILITIES				2,547,454
UNRESTRICTED NET ASSETS				2,872,947
TOTAL LIABILITIES AND NET ASSETS			$	5,420,401

The Manhattan Childrens Center
Statement of Activities and Changes in Net Assets
For the Year Ended August 31, 2017

REVENUES		
Tuition	$ 13,611,139	
Contributions	400,186	
TOTAL REVENUES		$ 14,011,325
OPERATING EXPENSES		
Program expenses	10,027,621	
General and administrative expenses	3,002,374	
Fundraising expenses	135,808	
TOTAL OPERATING EXPENSES		13,165,803
CHANGE IN NET ASSETS FROM OPERATIONS		845,522
UNRESTRICTED NET ASSETS - BEGINNING		2,027,425
UNRESTRICTED NET ASSETS - ENDING		$ 2,872,947

The Manhattan Childrens Center
Statement of Functional Expenses
For the Year Ended August 31, 2017

	Program	General and Administrative	Fundraising	Total
EXPENSES				
Salaries and wages	$ 6,631,586	$ 1,889,800	$ 113,053	$ 8,634,439
Payroll taxes and employee benefits	981,579	263,651	9,946	1,255,176
Contracted services	215,355	-	-	215,355
Advertising	-	6,238	-	6,238
Automobile expense	-	10,197	-	10,197
Bank & cc processing charges	-	246,410	-	246,410
Depreciation	268,828	23,261	1,614	293,703
Insurance	27,772	2,403	167	30,342
Office expense	-	183,294	-	183,294
Professional fees	-	163,744	-	163,744
Property taxes	131,151	11,348	787	143,286
Rent	1,551,742	134,267	9,317	1,695,326
Repair and maintenance	55,900	4,837	335	61,072
Supplies	65,635	54,438	-	120,073
Telephone and internet	41,330	3,576	248	45,154
Utilities	56,743	4,910	341	61,994
TOTAL OPERATING EXPENSES	$ 10,027,621	$ 3,002,374	$ 135,808	$ 13,165,803

The Manhattan Childrens Center
Statement of Cash Flows
For the Year Ended August 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets		$ 845,522
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
Depreciation	$ 293,703	
Deferred rent	86,113	
Changes in operating assets and liabilities		
Tuition receivable	(228,782)	
Due from related parties	(21,317)	
Accounts payable	(42,228)	
Accrued expenses	152,793	
Deferred revenue	(126,387)	
Total adjustments		113,895
NET CASH PROVIDED BY OPERATING ACTIVITIES		959,417
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(265,397)	
NET CASH USED IN INVESTING ACTIVITIES		(265,397)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowing under line of credit agreement	300,000	
NET CASH PROVIDED BY FINANCING ACTIVITIES		300,000
NET INCREASE IN CASH		994,020
CASH AT BEGINNING OF YEAR		73,853
CASH AT END OF YEAR		$ 1,067,873

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 and Contribution Receivable
The organization does not require collateral in support of its tuition and contributions receivable. Estimated provisions for losses on these receivables are recorded each period as bad debt expense on the statement of activities. In evaluating the collectability of tuition and contributions 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 these receivables 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, 2017. 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 uncollectibility.

NOTE 3 LINE OF CREDIT

The organization has a bank revolving line of credit agreement expiring June 6, 2018, under the terms of which it may borrow up to $300,000 with interest at 0.5% above the bank's prime rate (prime was 4.25% at August 31, 2017) with a minimum rate of 4%. The organization owed $300,000 of the line at August 31, 2017.

NOTE 4 UNEARNED REVENUE

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

NOTE 5 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, 2017.

NOTE 6 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
2018	$ 1,647,283
2019	1,658,177
2020	1,684,159
2021	1,727,986
2022	1,773,001
Thereafter	13,448,905
Total	$ 21,939,511

NOTE 7 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, 2017 the outstanding balance due from the related parties was $585,578.

NOTE 8 CONCENTRATIONS OF CREDIT RISK

Cash

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

NOTE 9 SUBSEQUENT EVENTS

The organization has evaluated subsequent events through January 23, 2018, 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.