

ZACK'S PLACE ENRICHMENT CENTER, INC.

(Compiled)

FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

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ACCOUNTANTS' COMPILATION REPORT

The Board of Directors
Zack's Place Enrichment Center, Inc.
Woodstock, Vermont

Management is responsible for the accompanying financial statements of Zack's Place Enrichment Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The supplementary information, statement of functional expenses for the year ended December 31, 2017 with comparative totals for the year ended December 2016 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and, accordingly, do not express an opinion or provide any assurance on the supplementary information.

Rowley & Associates, PC

Rowley & Associates, P.C.
Concord, New Hampshire
April 19, 2018

ZACK'S PLACE ENRICHMENT CENTER, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash, unrestricted	\$ 105,453	\$ 135,850
Accounts Receivable	541	942
Pledges Receivable	<u>4,000</u>	<u>9,500</u>
Total Current Assets	<u>109,994</u>	<u>146,292</u>
FIXED ASSETS		
Land and Building	391,340	391,340
Improvements	139,649	98,750
Furniture and Equipment	<u>8,241</u>	<u>8,241</u>
	539,230	498,331
Accumulated Depreciation	<u>(93,355)</u>	<u>(68,673)</u>
Fixed Assets, net	<u>445,875</u>	<u>429,658</u>
OTHER ASSETS		
Endowment	<u>244,966</u>	<u>23,309</u>
Total Assets	<u><u>800,835</u></u>	<u><u>599,259</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	5,647	3,917
Accrued Expenses	2,537	2,070
Deferred Income	4,671	12,784
Security Deposit	2,000	2,000
Payroll Liabilities	<u>3,278</u>	<u>4,657</u>
Total Current Liabilities	<u>18,133</u>	<u>25,428</u>
NET ASSETS		
Unrestricted		
Unrestricted, Undesignated	533,736	541,022
Unrestricted, Board designated	<u>244,966</u>	<u>23,309</u>
	778,702	564,331
Temporarily restricted	<u>4,000</u>	<u>9,500</u>
	<u>782,702</u>	<u>573,831</u>
Total Liabilities and Net Assets	<u><u>\$ 800,835</u></u>	<u><u>\$ 599,259</u></u>

See Accountants' Compilation Report and Notes to Financial Statements

ZACK'S PLACE ENRICHMENT CENTER, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Support and revenue			
Sustainability Campaign	\$ 139,000	\$ -	\$ 139,000
Contributions, cash	14,383	-	14,383
Contributions, non-cash	31,781	-	31,781
Grant Income	113,739	-	113,739
Special events, net expenses of \$50,203	129,548	-	129,548
	<u>428,451</u>	<u>-</u>	<u>428,451</u>
Non-operating revenue			
Rental Income	24,000	-	24,000
Interest Income	8	-	8
Investment Income	27,693	-	27,693
	<u>51,701</u>	<u>-</u>	<u>51,701</u>
 Total Revenue	 <u>480,152</u>	 <u>-</u>	 <u>480,152</u>
 Net assets released from donor imposed restrictions	 <u>5,500</u>	 <u>(5,500)</u>	 <u>-</u>
EXPENSES			
Program Services	173,946		173,946
General and Administrative	54,935	-	54,935
Fundraising	42,400	-	42,400
	<u>271,281</u>	<u>-</u>	<u>271,281</u>
 Change in net assets	 214,371	 (5,500)	 208,871
Net assets, beginning of year	<u>\$ 564,331</u>	<u>9,500</u>	<u>573,831</u>
 Net assets, end of year	 <u>\$ 778,702</u>	 <u>\$ 4,000</u>	 <u>\$ 782,702</u>

See Accountants' Compilation Report and Notes to Financial Statements

ZACK'S PLACE ENRICHMENT CENTER, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT			
Support and revenue			
Capital campaign	\$ 44,408	\$ 9,500	\$ 53,908
Contributions	30,441	-	30,441
Contributions, in-kind	28,844	-	28,844
Grant income	109,325	-	109,325
Special events, net expenses of \$53,668	109,405	-	109,405
	<u>322,423</u>	<u>9,500</u>	<u>331,923</u>
Earned revenue			
Rental income	24,000	-	24,000
Interest Income	3	-	3
	<u>24,003</u>	<u>-</u>	<u>24,003</u>
 Total Revenue	 <u>346,426</u>	 <u>9,500</u>	 <u>355,926</u>
 Net assets released from donor imposed restrictions	 <u>1,197</u>	 <u>(1,197)</u>	 <u>-</u>
EXPENSES			
Program Services	203,066	-	203,066
General and Administrative	25,039	-	25,039
Fundraising	30,235	-	30,235
Total expenses	<u>258,340</u>	<u>-</u>	<u>258,340</u>
 Change in net assets	 89,283	 8,303	 97,586
Net assets, beginning of year	<u>475,048</u>	<u>1,197</u>	<u>476,245</u>
 Net assets, end of year	 <u>\$ 564,331</u>	 <u>\$ 9,500</u>	 <u>\$ 573,831</u>

See Accountants' Compilation Report and Notes to Financial Statements

ZACK'S PLACE ENRICHMENT CENTER, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets, current year	\$ 208,871	\$ 97,586
Adjustments to reconcile excess of revenue and support over expenses to net assets provided by operating activities		
Change in restricted cash	-	1,197
Change in investments	(27,693)	
Depreciation	24,682	22,045
(Increase) decrease in operating assets		
Pledges receivable	5,500	(9,500)
Accounts receivable	401	378
Prepaid expenses	-	186
Increase (decrease) in operating liabilities		
Accounts payable	1,730	404
Accrued expenses	467	805
Deferred revenue	(8,113)	2,661
Security deposits	-	-
Payroll liabilities	(1,379)	95
Net Cash Provided By Operating Activities	<u>204,466</u>	<u>115,857</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for building improvements	(40,899)	-
Purchases of investments	(193,964)	(23,209)
Net Cash Used by Investing Activities	<u>(234,863)</u>	<u>(23,209)</u>
Net Increase (Decrease) in Unrestricted Cash	(30,397)	92,648
Unrestricted Cash, Beginning of Year	<u>135,850</u>	<u>43,202</u>
Unrestricted Cash, End of Year	<u>\$ 105,453</u>	<u>\$ 135,850</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:

Interest	<u>\$ 107</u>	<u>\$ 361</u>
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SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS

Non-cash donations	<u>\$ 31,781</u>	<u>\$ 28,844</u>
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See Accountants' Compilation Report and Notes to Financial Statements

ZACK'S PLACE ENRICHMENT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

NOTE 1 NATURE OF ORGANIZATION

Zack's Place Enrichment Center, Inc. (ZPEC) is a nonprofit organization incorporated under the laws of the State of Vermont in 2006. Its mission is to provide a relaxed setting where people with special needs are free to explore art, music, dance, and exercise while developing life-long bonds of friendship and community.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of ZPEC is presented to assist in understanding the organization's financial statements. The financial statements and notes are representations of ZPEC's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The financial records for ZPEC are maintained on the accrual basis of accounting. Consequently, revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

Basis of Presentation: The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are comprised of operating revenues and expenses and contributions pledged which are not subject to any donor-imposed restrictions. ZPEC had \$782,702 and \$564,331 in unrestricted net assets as of December 31, 2017 and 2016, respectively.

Temporarily restricted net assets are comprised of contributions and gifts for which donor-imposed restrictions will be met either by the passage of time or the actions of ZPEC. ZPEC had \$0 and \$9,500 in temporarily restricted net assets as of December 31, 2017 and 2016, respectively.

Permanently restricted net assets include those assets for which donor-imposed restrictions stipulate that the asset be permanently maintained by ZPEC. ZPEC had no permanently restricted net assets as of December 31, 2017 and 2016.

ZACK'S PLACE ENRICHMENT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash equivalents

For purposes of the statement of cash flows, ZPEC considers cash on hand, deposits in banks and investments to be cash equivalents.

Concentration of Credit Risk

ZPEC maintains cash balances at a financial institution. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to a minimum of \$250,000. At times during the year, funds carried in ZPEC's accounts exceed FDIC limits. ZPEC has not experienced any losses in such accounts and believes it is not exposed to any significant risk related to uninsured funds.

Support and revenue

Zack's Place Enrichment Center, Inc. receives support primarily through grants, contributions and special events. The major special events include a 5K road race on Thanksgiving Day "The Turkey Trot"; a mailing in June "The Stay at Home Tea"; and revenues from the production and printing of "Little Phone Book".

Functional allocation of items

The costs of providing various program, management and rental services have been summarized in the statement of activities. Accordingly, certain costs have been allocated among the programs.

Fixed Assets

Fixed assets are recorded at cost if purchased or at fair market value on the date of gift if donated. Disposals of fixed assets are removed from the financial records at net book value. Betterments or improvements are capitalized and repairs and maintenance are charged to current expenses. Asset additions are depreciated on a straight-line basis over their estimated useful lives.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

ZACK'S PLACE ENRICHMENT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax status

ZPEC is a not-for-profit corporation under Section 501(c) (3) of the Internal Revenue Code, is exempt from federal income taxes, and is classified as other than a private foundation. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A).

Donated Materials and Service

ZPEC recognizes the value of volunteer services and expenses when there is an objective basis available to measure their value relative to its various activities.

Investments

Investments are stated at fair-market value. The net realized and unrealized gains (losses) on investments are reflected in the statement of activities.

NOTE 3 SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 19, 2018, the date on which the financial statements were available to be issued to determine if any are of such significance to require disclosure. It has been determined that no subsequent events matching this criterion occurred during this period.

NOTE 4 TAX EXEMPT STATUS

ZPEC is a public charity exempt from Federal income tax under Section 501 (c)(3) of the Internal Revenue Code. The organization does not believe it has done anything during the past year that would jeopardize its tax exempt status at either the state or Federal level. The Organization reports its activities to the IRS in an annual information return. These filings are subject to review by the taxing authorities and the federal income tax returns for 2017, 2016, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

In accordance with FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, the Organization is under the opinion that there are no unsustainable positions that have been taken in regards to federal or state income tax reporting requirements. Accordingly, management is not aware of any unrecognized tax benefits or liabilities that should be recognized in the accompanying statements.

ZACK'S PLACE ENRICHMENT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

NOTE 5 FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, the Association is required to disclose certain information about its financial assets and liabilities. Fair values of assets measured on a recurring basis at December 31 were as follows:

	<u>Fair Value</u>	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)
<u>2017</u>			
Endowment	\$ 244,966	\$ 244,966	\$ -
Accounts receivable	541	-	541
Pledges receivable	<u>4,000</u>	<u>-</u>	<u>4,000</u>
	<u>\$ 249,507</u>	<u>\$ 244,966</u>	<u>\$ 4,541</u>
 <u>2016</u>			
Endowment	\$ 23,309	\$ 23,309	\$ -
Accounts receivable	942	-	942
Pledges receivable	<u>9,500</u>	<u>-</u>	<u>9,500</u>
	<u>\$ 33,751</u>	<u>\$ 23,309</u>	<u>\$ 10,442</u>

Fair values for investments were determined by reference to quoted market prices and other relevant information generated by market transactions. The fair market value of accounts receivable are estimated at the present value of expected future cash flows.

NOTE 6 RENTAL INCOME

ZPEC received \$24,000 and \$24,000 in rental income during the years ended December 31, 2017 and 2016, respectively. Rental income is derived from a tenant located in the building purchased under the option agreement in 2014.

NOTE 7 PLEDGES RECEIVABLE

ZPEC's pledges receivable consist of unconditional promises for contributions receivable in subsequent years. Total pledges receivable as of December 31, 2017 and 2016 totaled \$4,000 and \$9,500 and are expected to be collected within one fiscal year. Accordingly, they have been included in the accompanying Statement of Financial Position as a current asset.

ZPEC provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. As of December 31, 2017 and 2016, management deemed that no allowance for uncollectible pledges was necessary.

ZACK'S PLACE ENRICHMENT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

NOTE 8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Sustainability Campaign	<u>\$ -</u>	<u>\$ 9,500</u>

NOTE 9. RECLASSIFICATION

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 10. ENDOWMENT

Investments are unrestricted and are presented in the financial statements at fair-market value and are composed of the following as of December 31, 2017:

	<u>Market Value</u>	<u>Cost</u>
Marketable equity securities	\$ 243,482	\$ 221,983
Global cash	<u>1,484</u>	<u>1,484</u>
	<u>\$ 244,966</u>	<u>\$ 223,467</u>

FASB Accounting Standards Codification Topic 820-10 *Fair Value Measurements* defines fair value, requires expanded disclosures about fair value measurements, and establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Fair value is defined as 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. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurement).

Under Topic 820-10, the three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.

Level 3 inputs are unobservable inputs for the assets or liabilities.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

ZACK'S PLACE ENRICHMENT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

NOTE 10. ENDOWMENT (Continued)

All investments are measured at Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets. None of the investments are Level 2 or Level 3 investments.

The Organization maintains individual investments containing unrestricted and unrestricted, board designated funds. Investments in marketable equity securities and marketable debt securities are carried at fair market value determined by "quoted market prices" per unit (share) as of the balance sheet date. All other investments are stated at cost. Donated investments are recorded at the mean of the high and low price as of the date of receipt. Investment income, realized and unrealized gains, losses, dividends and interest unrestricted activities are recorded as non-operating activities.

Investment Return Objectives, Risk Parameters and Strategies

The Endowment was established to provide a source of continued support for the service provided by the Organization. The investment committee has the authority to invest in cash or cash equivalents, marketable securities or bonds in proportions determined at their discretion.

Spending Policy

The Organization complies with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The State of New Hampshire adopted UPMIFA effective July 1, 2009. Implementation of the provisions of UPMIFA have no impact on the existence or adherence to any related restrictions on the funds. The provisions of UPMIFA that are of most relevance to Zack's Place are those relating to calculation of release of restrictions on net assets.

The composition of endowment net assets and the changes in endowment net assets as of December 31, 2017 and 2016 are as follows:

Endowment net assets, December 31, 2015	\$ -
Net, contributions/withdrawals	23,309
Investment income	-
Withdrawals in accordance with spending policy	<u>-</u>
Endowment net assets, December 31, 2016	<u>\$ 23,309</u>
Net, contributions/withdrawals	193,964
Investment income	27,693
Withdrawals in accordance with spending policy	<u>-</u>
Endowment net assets, December 31, 2017	<u>\$ 244,966</u>

ZACK'S PLACE ENRICHMENT CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2016

	<u>Program</u> <u>Services</u>	<u>General &</u> <u>Administrative</u>	<u>Fundraising</u>	<u>2017</u> <u>Total</u>	<u>2016</u> <u>Total</u>
Salaries & wages	\$ 101,146	\$ 2,115	\$ 18,467	\$ 121,728	\$ 110,068
Employee benefits/payroll fees	4,472	862	266	5,600	5,703
Payroll taxes	8,622	162	1,526	10,310	11,943
Occupancy expense	10,625	2,171	-	12,796	13,074
Program supplies & expenses	4,696	-	-	4,696	5,619
Professional fees	18,589	7,503	509	26,601	25,017
Insurance expense	-	4,904	-	4,904	4,803
Field trips	14,571	-	-	14,571	25,242
Program transportation	17,148	-	-	17,148	13,060
Office expenses	1,545	3,900	3,830	9,275	7,806
Advertising & promotion	-	-	4,305	4,305	4,503
Printing	911	-	10,723	11,634	3,378
Graphic & web design	75	-	1,709	1,784	718
Depreciation expense	-	24,682	-	24,682	22,045
Conferences, conventions & meetings	-	100	-	100	-
Investment Management Fees	-	-	1,040	1,040	5,000
Interest expense	-	82	25	107	361
	<u>\$ 182,400</u>	<u>\$ 46,481</u>	<u>\$ 42,400</u>	<u>\$ 271,281</u>	<u>\$ 258,340</u>

See Accountants' Compilation Report and Notes to Financial Statements