THE CAMPAGNA CENTER, INC.
(a not-for-profit organization)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

for the year ended August 31, 2012

Renner & Company
Certified
Public
Accountants

- CONTENTS -

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A PROFESSIONAL CORPORATION

INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Campagna Center, Inc.
Alexandria, Virginia

We have audited the accompanying statement of financial position of The Campagna Center, Inc. (the Center) (a nonprofit organization) as of August 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Center's 2011 financial statements and, in our report dated January 13, 2012, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of August 31, 2012 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2013 on our consideration on the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Renner and Company, CPA, P.C.

January 11, 2013

THE CAMPAGNA CENTER, INC.

STATEMENTS OF FINANCIAL POSITION
August 31, 2012 and 2011 (Summarized)

ASSETS

	2012	2011 (summarized)
CURRENT ASSETS		
Cash	$ 2,252	$ 2,252
Receivables	615,884	319,705
Prepaid expense	59,701	51,464
TOTAL CURRENT ASSETS	$ 677,837	$ 373,421
PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation	$ 980,463	$ 1,038,144
OTHER ASSETS		
Investments	$ 1,119,573	$ 1,045,041
Security deposits	1,000	1,000
TOTAL OTHER ASSETS	$ 1,120,573	$ 1,046,041
TOTAL ASSETS	$ 2,778,873	$ 2,457,606

LIABILITIES AND NET ASSETS

	2012	2011 (summarized)
CURRENT LIABILITIES		
Overdraft of cash	$ 286,333	$ 258,026
Accounts payable and accrued expenses	493,274	463,500
Refundable advances	168,063	161,155
Deferred revenue	68,145	39,999
Line of credit	325,938	255,221
TOTAL LIABILITIES	$ 1,341,753	$ 1,177,901
COMMITMENT AND CONTINGENCIES		
NET ASSETS		
Unrestricted	$ 1,371,559	$ 1,217,678
Temporarily restricted	15,561	12,027
Permanently restricted	50,000	50,000
TOTAL NET ASSETS	$ 1,437,120	$ 1,279,705
TOTAL LIABILITIES AND NET ASSETS	$ 2,778,873	$ 2,457,606

See accompanying Independent Auditors' Report and Notes.

THE CAMPAGNA CENTER, INC.

STATEMENTS OF ACTIVITIES
for the years ended August 31, 2012 and 2011 (Summarized)

	2012				2011
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total (Summarized)
REVENUE AND SUPPORT					
Program funds from government grants	$ 6,696,042	$ -	$ -	$ 6,696,042	$ 6,737,493
Supplemental education fees	2,050,121	-	-	2,050,121	1,762,761
Contributions and grants	561,893	-	-	561,893	511,652
In-kind contributions	2,134,893	-	-	2,134,893	2,224,025
Special events and projects	239,644	-	-	239,644	186,174
Membership activities	19,025	-	-	19,025	14,400
Investment income (loss)	71,060	3,534	-	74,594	92,905
Other	28,356	-	-	28,356	13,252
TOTAL REVENUE AND SUPPORT	$11,801,034	$ 3,534	$ -	$11,804,568	$11,542,662
EXPENSES					
Program	$11,254,714	$ -	$ -	$11,254,714	$11,031,504
Management and general	107,244	-	-	107,244	99,223
Fundraising	285,195	-	-	285,195	274,533
TOTAL EXPENSES	$11,647,153	$ -	$ -	$11,647,153	$11,405,260
CHANGE IN NET ASSETS	$ 153,881	$ 3,534	$ -	$ 157,415	$ 137,402
NET ASSETS, beginning of year	1,217,678	12,027	50,000	1,279,705	1,142,303
NET ASSETS, end of year	$ 1,371,559	$ 15,561	$ 50,000	$ 1,437,120	$ 1,279,705

See accompanying Independent Auditors' Report and Notes.

THE CAMPAGNA CENTER, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
for the years ended August 31, 2012 and 2011 (Summarized)

	2012				2011
	Program	Management and General	Fund-Raising	Total	Total (Summarized)
Salaries, taxes, and benefits	$ 6,370,033	$ 842,339	$ 56,313	$ 7,268,685	$ 7,091,553
Professional services	461,895	15,684	53,619	531,198	577,124
In-kind	2,109,449	2,405	23,039	2,134,893	2,224,025
Food expense	486,136	634	-	486,770	471,104
Supplies	215,303	2,947	15,324	233,574	95,319
Special activities and events	4,644	-	66,458	71,102	68,849
Telephone and technology	205,525	25,700	8,738	239,963	174,794
Training and development	14,642	2,215	-	16,857	15,196
Insurance	9,368	41,754	1,447	52,569	54,014
Depreciation	-	57,737	-	57,737	58,178
Program activities	271,214	304	-	271,518	304,753
Travel	10,985	1,005	34	12,024	13,439
Equipment, repairs and maintenance	38,975	24,875	-	63,850	62,961
Advertising and publications	572	-	3,209	3,781	4,315
Postage	7,317	709	3,762	11,788	12,726
Printing	4,855	202	26,358	31,415	25,800
Licensing and permits	14,444	1,388	120	15,952	23,709
Interest	-	9,287	-	9,287	15,405
Contributions	-	3,707	-	3,707	938
Occupancy	240	32,349	13,123	45,712	41,869
Recognition	-	442	-	442	1,221
Other	51,621	27,318	5,390	84,329	67,968
	$ 10,277,218	$ 1,093,001	$ 276,934	$ 11,647,153	$ 11,405,260
Allocated overhead costs	977,496	(985,757)	8,261	-	-
TOTAL EXPENSES	$ 11,254,714	$ 107,244	$ 285,195	$ 11,647,153	$ 11,405,260

See accompanying Independent Auditors' Report and Notes.

THE CAMPAGNA CENTER, INC.

STATEMENTS OF CASH FLOWS
for the years ended August 31, 2012 and 2011 (Summarized)

	2012	2011 (Summarized)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations		
Government grants, fees, contributions received	$ 9,330,360	$ 9,223,882
Investment income	25,328	29,213
Total cash received from operations	$ 9,355,688	$ 9,253,095
Cash disbursed by operations		
Payments to employees and suppliers	$ 9,395,448	$ 9,169,979
Interest paid	9,287	15,405
Total cash paid by operations	$ 9,404,735	$ 9,185,384
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (49,047)	$ 67,711
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	$ (286,109)	$ (39,786)
Proceeds from sale of investments	264,439	16,956
NET CASH USED BY INVESTING ACTIVITIES	$ (21,670)	$ (22,830)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing from line of credit	$ 3,900,758	$ 5,873,739
Repayment on line of credit	(3,830,041)	(5,918,954)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	$ 70,717	$ (45,215)
NET INCREASE (DECREASE) IN CASH	$ -	$ (334)
CASH, beginning of year	2,252	2,586
CASH, end of year	$ 2,252	$ 2,252
NON-CASH INVESTING ACTIVITIES		
Purchase of investments	$ (3,596)	$ (6,382)
Contributed securities	3,596	6,382
Increase in fair value of investments	(45,735)	(63,692)
Unrealized gain on investments	45,735	63,692
	$ -	$ -

See accompanying Independent Auditors' Report and Notes.

THE CAMPAGNA CENTER, INC.

STATEMENTS OF CASH FLOWS
for the years ended August 31, 2012 and 2011 (Summarized)

	2012	2011 (Summarized)
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	$ 157,415	$ 137,402
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Depreciation	$ 57,737	$ 58,179
Realized and unrealized gain on investments	(49,266)	(63,692)
Contributed securities	(3,596)	(6,382)
	$ 4,875	$ (11,895)
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH		
ASSETS		
Receivables	$ (296,235)	$ 16,998
Prepaid expenses	(8,237)	14,068
	$ (304,472)	$ 31,066
LIABILITIES		
Overdraft of cash	$ 28,307	$ (89,807)
Accounts payable and accrued expenses	29,774	13,411
Refundable advances	6,908	23,397
Deferred revenue	28,146	(35,863)
	$ 93,135	$ (88,862)
NET CHANGES IN ASSETS AND LIABILITIES	$ (211,337)	$ (57,796)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (49,047)	$ 67,711

See accompanying Independent Auditors' Report and Notes.

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE

Nature of Activities

The Campagna Center, Inc. (TCC, the Center), is a community-based not-for-profit organization in Alexandria, VA. The Center operates a variety of programs to address the needs of children, youth and families. TCC provides early childhood education programs to children under five years-of-age, after school programs to children attending local elementary schools, youth development programs for high school students, and a family literacy program that includes a child development component for infants, toddlers and preschoolers.

A brief description of major programs include:

Early Childhood Programs

Early Head Start provides care for low-income infants and toddlers (birth - three years old) and expectant families. Early Head Start offers comprehensive services—educational, social, physical health, mental health, and nutrition—to ensure that children are getting off to the very best possible start in life. TCC's Early Head Start program delivers services through various settings including center-based, home visiting, and family child care. Our centers have earned accreditation through the National Association for the Education of Young Children (NAEYC).

Alexandria Head Start promotes school readiness for preschool children (ages 3 to 5) from low-income families living in the city of Alexandria. The program intentionally focuses on helping children develop skills in the areas of cognitive and language development, early reading, and mathematics, social emotional and physical development necessary for school readiness. Families collaborate with staff to foster these outcomes and work toward their own self-sufficiency goals. All but one recently funded Head Start classroom has been accredited through NAEYC; the newest classroom is targeted for accreditation in the coming school year.

Campagna Early Learning Center is a full day pre-school program created to provide more families with access to quality preschool programs, especially those “aging out” of the Early Head Start programs or those who no longer quality for Head Start Services. Like the Early Head Start and Head Start classrooms, this center is NAEYC accredited.

School-Age Programs

Campagna Kids provides recreational, social, and academic enrichment to nearly 1,000 children through its after school and summer camp program. Operated in partnership with the City of Alexandria and the Alexandria City Public Schools, it offers parents access to high quality enrichment programs for their children.

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE (Continued)

Building Better Futures provides tutoring, mentoring, leadership and life skills development to diverse youth (many of whom are immigrants) attending T.C. Williams High School, the only public high school in the City of Alexandria. The program has received numerous awards for its exemplary results.

Family Development Programs

New Neighbors Family Literacy Program provides educational programs and related services to assist 250 immigrant and refugee families living in our community. Specific services provided include research based literacy instruction, child care and child development services, and family literacy. The program is designed to increase self-sufficiency and support community integration.

Basis of Presentation

The Center reports 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.

Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents

As of August 31, 2012 and 2011, cash consisted of checking accounts and petty cash. There were no cash equivalents as of August 31, 2012 and 2011. Cash and money market funds held by investment custodians are considered investments.

Accounts Receivable

Supplemental education fees receivable from parents are billed two weeks prior to the month of service and are due by the first of each month. If the payments are not made by the seventh of the month of service, the Center shall have the right to notify parents and guardians that services will be terminated by the fifteenth of the month and a late charge will be incurred after the fifteenth of the month. The Center currently charges a flat fee of $10 on the past due invoices. The provision for doubtful accounts is based on management's evaluation of the collectability of existing receivables.

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE (Continued)

Property and Equipment

The Center capitalizes all property and equipment with a cost of $5,000 or more. Property and equipment are stated at cost, and are depreciated on the straight line basis over the estimated useful lives of 3 to 30 years. Betterments and improvements that extend the life of the asset are capitalized.

Fair Value Measurements

The Center applies generally accepted accounting principles (GAAP) for fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis.

Investments

Investments are stated at fair value based on quoted market prices. Unrealized gains and losses are included in investment income in the statement of activities.

The Center invests in a professionally managed portfolio that contains stocks, bonds, and mutual funds. Such investments are exposed to various risks such as market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Restricted and Unrestricted Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted revenue, depending on the existence and/or nature of any donor restrictions.

All donor-restricted revenue is reported as an increase in temporarily restricted 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 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 restriction.

Revenue related to third-party reimbursement arrangements is recognized in the period in which the reimbursable costs are incurred.

Deferred revenue represents fees collected in advance for future services.

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE (Continued)

In-kind Contributions

In-kind contributions of rent and professional volunteer services have been reflected for the Campagna Kids and Head Start programs based on estimated fair value. In-kind items donated for various special events are recorded based on estimated fair value.

Advertising

Advertising costs are expensed as incurred.

Income Taxes

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. In addition, the Center qualifies for the charitable contributions deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The Center had no taxable unrelated business income for the years ended August 31, 2012 and 2011.

The Center's Federal Exempt Organization Business Income Tax Returns (Form 990) for the fiscal years 2010, 2011, and 2012 are subject to examination by the IRS, generally for three years after they are filed.

Allocated Expenses

Direct costs associated with specific programs are recorded as program expenses. Administrative staff and staff working on multiple programs use time sheets to capture actual hours devoted to project areas.

The Center's policy is to allocate allocable general operating expenses and reallocated management expense to certain programs based on the direct costs of the Center's functions. Allocated management and general expenses not reimbursed by grant programs are borne by the Center.

Estimates

Management uses estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE (Continued)

The significant estimates affecting the financial statements include the estimated fair value of the in-kind support of donated facilities and the estimate that there are no significant unallowable costs as discussed in Notes 11 and 15, respectively.

Reclassification

Certain 2011 amounts have been reclassified to conform with the 2012 presentation.

2. CASH

Cash at August 31, 2012 and 2011 consisted of the following:

	2012	2011
Petty cash	$ 1,200	$ 1,200
Checking	1,052	1,052
	$ 2,252	$ 2,252

As of August 31, 2012 and 2011, all cash was covered by the Federal Deposit Insurance Corporation.

The Center experienced a temporary book overdraft of cash in the amount of $286,333 and $258,026 as of August 31, 2012 and 2011, respectively.

3. RECEIVABLES

Receivables at August 31, 2012 and 2011 consisted of the following:

Program funds from governments	2012	2011
Campagna Kids	$ 119,318	$ 49,897
Head Start	444,436	181,161
Early Head Start	15,333	71,030
21st Century	21,165	23,670
	$ 600,252	$ 325,758
Supplemental education fees	778	1,701
Other	37,405	18,634
	$ 638,435	$ 346,093
Less: Provision for doubtful accounts	(22,551)	(26,388)
	$ 615,884	$ 319,705

See Independent Auditors' Report.

4. PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation at August 31, 2012 and 2011, and depreciation expense for the years then ended is as follows:

	August 31, 2012			
	Estimated Lives	Cost	Accumulated Depreciation	Depreciation Expense
Land	-	$ 364,217	$ -	$ -
Building	25 to 30 years	149,923	149,923	-
Building improvements	5 to 25 years	1,244,288	643,381	48,627
Furniture and equipment	3 to 10 years	124,787	109,447	9,110
Automobiles	5 years	73,794	73,795	-
		$ 1,957,009	$ 976,546	$ 57,737

	August 31, 2011			
	Estimated Lives	Cost	Accumulated Depreciation	Depreciation Expense
Land	-	$ 364,217	$ -	$ -
Building	25 to 30 years	149,923	149,923	-
Building improvements	5 to 25 years	1,244,288	594,755	48,611
Furniture and equipment	3 to 10 years	144,787	120,393	9,567
Automobiles	5 years	73,794	73,794	-
		$ 1,977,009	$ 938,865	$ 58,178

The Center's property is recorded at historical cost in accordance with generally accepted accounting principles. The assessed market value of the Center's land and building based on the City of Alexandria's Department of Real Estate Assessments at August 31, 2012 and 2011 is as follows:

	2012	2011
Land	$ 2,473,969	$ 2,473,969
Building	1,454,440	1,454,440
	$ 3,928,409	$ 3,928,409

See Independent Auditors' Report.

5. INVESTMENTS

The Center had the following investments as of August 31, 2012 and 2011:

	2012	2011
Mutual funds		
Foreign Large Value	$ 76,240	$ 43,702
Intermediate-Term Bond	225,013	233,991
Large Blend	155,076	144,612
Large Growth	355,483	312,581
Large Value/World Alloc.	130,488	56,748
Large/Mid Growth	-	24,980
Short-Term Bond	67,695	94,427
Small Growth	64,525	35,333
Other	9,575	10,660
Corporate bonds	-	14,948
Money funds	35,478	73,059
	$ 1,119,573	$ 1,045,041

Investments are allocated to the following classes of net assets:

	2012	2011
Permanently restricted	$ 50,000	$ 50,000
Temporarily restricted	15,561	12,027
Unrestricted	1,054,012	983,014
	$ 1,119,573	$ 1,045,041

Investment income (loss) for the years ended August 31, 2012 and 2011 consisted of the following:

	2012	2011
Dividend and interest income	$ 25,328	$ 29,213
Capital gain (loss), realized	3,531	-
Unrealized gain (loss) in market value	45,735	63,692
	$ 74,594	$ 92,905

See Independent Auditors' Report.

6. FAIR VALUE MEASUREMENTS

The Center records investments based on fair value on a recurring basis. Financial accounting and reporting standards define 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. The standard emphasizes that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the standards established a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent from the reporting entity (observable inputs that are classified within level 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within level 3 of the hierarchy).

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

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Center's assessment of the significance of the particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the assets and liabilities.

The following summarizes investments, measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, as of August 31, 2012 and 2011:

6. FAIR VALUE MEASUREMENTS (Continued)

Investments are categorized as follows:

	August 31, 2012			
	Total	Level 1	Level 2	Level 3
Mutual funds				
Foreign Large Value	$ 76,240	$ 76,240	$ -	$ -
Intermediate-Term Bond	225,013	225,013	-	-
Large Blend	155,076	155,076	-	-
Large Growth	355,483	355,483	-	-
Large Value/World Alloc.	130,488	130,488	-	-
Short-Term Bond	67,695	67,695	-	-
Small Growth	64,525	64,525	-	-
Other	9,575	9,575	-	-
Money funds	35,478	35,478	-	-
	$ 1,119,573	$ 1,119,573	$ -	$ -

	August 31, 2011			
	Total	Level 1	Level 2	Level 3
Mutual funds				
Foreign Large Value	$ 43,702	$ 43,702	$ -	$ -
Intermediate-Term Bond	233,991	233,991	-	-
Large Blend	144,612	144,612	-	-
Large Growth	312,581	312,581	-	-
Large Value/World Alloc.	56,748	56,748	-	-
Large/Mid Growth	24,980	24,980	-	-
Short-Term Bond	94,427	94,427	-	-
Small Growth	35,333	35,333	-	-
Other	10,660	10,660	-	-
Corporate bonds	14,948	-	14,948	-
Money funds	73,059	73,059	-	-
	$ 1,045,041	$ 1,030,093	$ 14,948	$ -

See Independent Auditors' Report.

7. REFUNDABLE ADVANCE

The Center has an operating advance from the City of Alexandria to facilitate the Center's ongoing performance of reimbursable contract work for the Campagna Kids program. Refundable advances as of August 31, 2012 and 2011 consisted of the following:

	2012	2011
Campagna Kids program	$ 148,004	$ 55,890
Mount Vernon VPI classroom	-	35,000
KAISER Foundation	6,987	53,025
Other	13,072	17,240
	$ 168,063	$ 161,155

8. LINE OF CREDIT

The Center has a $1,200,000 line of credit secured by the property located at 418 and 418A South Washington Street. Bank advances on the credit line are payable on demand and carry an interest rate of 5% based on the Wall Street Journal Prime rate. The unused line of credit at August 31, 2012 and 2011 was $874,062 and $944,779, respectively. The outstanding balance on this line of credit was $325,938 and $255,221 at August 31, 2012 and 2011, respectively.

The interest expense related to this line of credit was $9,287 and $15,405 for the years ended August 31, 2012 and 2011, respectively.

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available as of August 31, 2012 and 2011 for the following purposes or time periods:

	2012			
	Balance at August 31, 2011	Revenue and Support	Released	Balance at August 31, 2012
Purpose restricted				
Sonosky income	$ 12,027	$ 3,534	$ -	$ 15,561

	2011			
	Balance at August 31, 2010	Revenue and Support	Released	Balance at August 31, 2011
Purpose restricted				
Leap grant	$ 3,966	$ -	$ (3,966)	$ -
Sonosky income	6,987	5,040	-	12,027
	$ 10,953	$ 5,040	$ (3,966)	$ 12,027

See Independent Auditors' Report.

10. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets relate to the Sonosky Fund, to be held indefinitely, the income from which is expendable to support programs specified by the donor or to be reinvested in the Fund to maintain corpus at $50,000.

Permanently restricted net assets are held in the investment portfolio.

11. RENT FREE SPACE

The Center occupies designated space for its Head Start and Campagna Kids programs that is provided without charge by the City of Alexandria and the Alexandria City Public School System. The Center estimates the value of this rent-free space based on prevailing market conditions in the area of its operations and has recognized this as support and occupancy expense in the statement of activities.

12. RETIREMENT PLAN

The Center has a 403(b) defined contribution plan. The Plan has been amended and restated as of July 1, 2011. With respect to elective deferrals, the Plan covers all employees working at least 20 hours per week. With respect to employer contributions, the employee must work at least 1,000 hours during the year. Both the employer and employee deferral contributions are limited by the tax laws. The Center can make annual discretionary contributions to the Plan. There was no employer contributions to the Plan for the years ended August 31, 2012 and 2011.

13. MAJOR GRANTORS

Program funds from government grants totaled $6,696,042 for the year ended August 31, 2012 and $6,737,493 for the year ended August 31, 2011 which is approximately 57% and 58% of total revenue and support of the Center, respectively. These grants consist of funds from the federal government, the Commonwealth of Virginia, the City of Alexandria, Virginia, and the Alexandria City Public Schools. A significant reduction in the level of this revenue and support, if this were to occur, might have a significant effect on the Center's programs and activities.

As of August 31, 2012 and 2011 the amount outstanding from the above government grants was $600,252 and $325,758, respectively, which approximates 94% of total receivables for both years.

14. CONDITIONAL GRANTS

The Center has been conditionally awarded the following grants for the year ending August 31, 2013:

Head Start	$ 2,197,051
Early Head Start	1,362,875
	$ 3,559,926

See Independent Auditors' Report.

15. COMMITMENT AND CONTINGENCIES

Equipment Lease

The Center leases copiers under a long-term lease agreement classified as operating lease. Minimum lease payments are as follows:

For the year ended August 31,		
2013	$	15,981
2014		13,318
	$	29,299

Total rental expense for the copiers was $19,526 and $18,134 for the year ended August 31, 2012 and 2011, respectively.

Government Contracts and Grants

The Center participates in a number of federally assisted programs which are subject to financial and compliance audits by the federal agencies or their representatives. As such, there is a possibility that questioned costs might result from such an audit. Management does not anticipate any significant adjustments as a result of such an audit for the current year costs.

16. SUBSEQUENT EVENTS

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through January 11, 2013 the date the financial statements were available to be issued.

See Independent Auditors' Report.

ADDITIONAL INFORMATION

Renner & Company Certified Public Accountants
700 NORTH FAIRFAX STREET, SUITE 400, ALEXANDRIA, VIRGINIA 22314 TEL 703.535.1200 FAX 703.535.1205 www.rennercpa.com
A PROFESSIONAL CORPORATION

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

The Board of Directors
The Campagna Center, Inc.
Alexandria, Virginia

We have audited the financial statements of The Campagna Center (the Center) as of and for the year ended August 31, 2012, and have issued our report thereon dated January 11, 2013, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying additional information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Renner and Company, CPA, P.C.

January 11, 2013

THE CAMPAGNA CENTER, INC.

SCHEDULES OF FUNCTIONAL EXPENSES BY PROGRAM
for the years ended August 31, 2012 and 2011(Summarized)

	2012								2011
	Program Services					Support Services			
	Campagna Kids	Head Start	Building Better Futures	Other	Total Program	Management and General	Fund-Raising	Total	Total (Summarized)
Salaries, taxes, and benefits	$ 2,729,026	$ 3,230,433	$ 160,644	$ 249,930	$ 6,370,033	$ 842,339	$ 56,313	$ 7,268,685	$ 7,091,553
Professional services	209,523	128,793	44,982	78,597	461,895	15,684	53,619	531,198	577,124
In-kind	996,150	1,106,074	-	7,225	2,109,449	2,405	23,039	2,134,893	2,224,025
Food expense	129,685	328,553	654	27,244	486,136	634	-	486,770	471,104
Supplies	134,355	69,102	2,335	9,511	215,303	2,947	15,324	233,574	95,319
Special activities and events	-	-	3,102	1,542	4,644	-	66,458	71,102	68,849
Telephone and technology	111,839	85,615	4,935	3,136	205,525	25,700	8,738	239,963	174,794
Training and development	989	13,653	-	-	14,642	2,215	-	16,857	15,196
Insurance	3,579	5,561	-	228	9,368	41,754	1,447	52,569	54,014
Depreciation	-	-	-	-	-	57,737	-	57,737	58,178
Program activities	160,813	74,302	18,863	17,236	271,214	304	-	271,518	304,753
Travel	2,276	4,392	2,314	2,003	10,985	1,005	34	12,024	13,439
Equipment, repairs and maintenance	21,728	17,247	-	-	38,975	24,875	-	63,850	62,961
Advertising and publications	572	-	-	-	572	-	3,209	3,781	4,315
Postage	4,675	1,610	390	642	7,317	709	3,762	11,788	12,726
Printing	2,706	1,380	-	769	4,855	202	26,358	31,415	25,800
Licensing and permits	3,234	10,937	214	59	14,444	1,388	120	15,952	23,709
Interest	-	-	-	-	-	9,287	-	9,287	15,405
Contributions	-	-	-	-	-	3,707	-	3,707	938
Occupancy	120	120	-	-	240	32,349	13,123	45,712	41,869
Recognition	-	-	-	-	-	442	-	442	1,221
Other	48,276	3,345	-	-	51,621	27,318	5,390	84,329	67,968
	$ 4,559,546	$ 5,081,117	$ 238,433	$ 398,122	$ 10,277,218	$ 1,093,001	$ 276,934	$ 11,647,153	$ 11,405,260
Allocated overhead costs	500,147	454,365	7,681	15,303	977,496	(985,757)	8,261	-	-
TOTAL EXPENSES	$ 5,059,693	$ 5,535,482	$ 246,114	$ 413,425	$ 11,254,714	$ 107,244	$ 285,195	$ 11,647,153	$ 11,405,260

See Independent Auditor's Report on Additional Information.