

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

REPORT ON AUDIT OF FINANCIAL STATEMENTS

for the year ended August 31, 2013

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Campagna Center, Inc. (the Center) (a nonprofit organization) which comprise the statement of financial position as of August 31, 2013, and the related statements of activities, 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 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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.

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 Campagna Center, Inc. as of August 31, 2013, 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.

Report on Summarized Comparative Information

We have previously audited The Campagna Center, Inc.'s 2012 financial statements, and our report dated January 11, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 9, 2014, on our consideration of The Campagna Center, Inc.'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering The Campagna Center, Inc.'s internal control over financial reporting and compliance.

Renner and Company, CPA, P.C.

Alexandria, Virginia
January 9, 2014

THE CAMPAGNA CENTER, INC.

STATEMENTS OF FINANCIAL POSITION
August 31, 2013 and 2012 (summarized)

ASSETS

	<u>2013</u>	<u>2012</u> <u>(Summarized)</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 2,252	\$ 2,252
Receivables	644,601	615,884
Prepaid expense	53,928	59,701
<u>TOTAL CURRENT ASSETS</u>	<u>\$ 700,781</u>	<u>\$ 677,837</u>
 <u>PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation</u>	 <u>\$ 925,279</u>	 <u>\$ 980,463</u>
 <u>OTHER ASSETS</u>		
Investments	\$ 1,194,988	\$ 1,119,573
Security deposits	1,000	1,000
 <u>TOTAL OTHER ASSETS</u>	 <u>\$ 1,195,988</u>	 <u>\$ 1,120,573</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 2,822,048</u>	 <u>\$ 2,778,873</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Overdraft of cash	\$ 376,115	\$ 286,333
Accounts payable and accrued expenses	443,418	493,274
Refundable advances	174,545	168,063
Deferred revenue	26,398	68,145
Line of credit	71,966	325,938
<u>TOTAL LIABILITIES</u>	<u>\$ 1,092,442</u>	<u>\$ 1,341,753</u>
 <u>COMMITMENT AND CONTINGENCIES</u>		
 <u>NET ASSETS</u>		
Unrestricted	\$ 1,659,986	\$ 1,371,559
Temporarily restricted	19,620	15,561
Permanently restricted	50,000	50,000
<u>TOTAL NET ASSETS</u>	<u>\$ 1,729,606</u>	<u>\$ 1,437,120</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	 <u>\$ 2,822,048</u>	 <u>\$ 2,778,873</u>

See accompanying Independent Auditors' Report and Notes.

THE CAMPAGNA CENTER, INC.

STATEMENTS OF ACTIVITIES
for the years ended August 31, 2013 and 2012 (summarized)

	2013			2012
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total (Summarized)
<u>REVENUE AND SUPPORT</u>				
Program funds from				
government grants	\$ 6,753,358	\$ -	\$ -	\$ 6,753,358
Supplemental education fees	2,084,738	-	-	2,084,738
Contributions and grants	524,997	-	-	524,997
In-kind contributions	2,144,984	-	-	2,144,984
Special events and projects	210,072	-	-	210,072
Membership activities	17,075	-	-	17,075
Investment income	71,520	4,059	-	75,579
Other	23,991	-	-	23,991
<u>TOTAL REVENUE AND SUPPORT</u>	<u>\$ 11,830,735</u>	<u>\$ 4,059</u>	<u>\$ -</u>	<u>\$ 11,834,794</u>
<u>EXPENSES</u>				
Program	\$ 11,225,460	\$ -	\$ -	\$ 11,225,460
Management and general	62,885	-	-	62,885
Fundraising	253,963	-	-	253,963
<u>TOTAL EXPENSES</u>	<u>\$ 11,542,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,542,308</u>
<u>CHANGE IN NET ASSETS</u>	\$ 288,427	\$ 4,059	\$ -	\$ 292,486
<u>NET ASSETS, beginning of year</u>	<u>1,371,559</u>	<u>15,561</u>	<u>50,000</u>	<u>1,437,120</u>
<u>NET ASSETS, end of year</u>	<u>\$ 1,659,986</u>	<u>\$ 19,620</u>	<u>\$ 50,000</u>	<u>\$ 1,729,606</u>

See accompanying Independent Auditors' Report and Notes.

THE CAMPAGNA CENTER, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
for the years ended August 31, 2013 and 2012 (summarized)

	2013			2012	
	Program	Management and General	Fund- Raising	Total	Total (Summarized)
Salaries, taxes, and benefits	\$ 6,180,514	\$ 829,329	\$ 52,013	\$ 7,061,856	\$ 7,268,685
Professional services	516,269	36,423	18,616	571,308	531,198
In-kind	2,120,740	-	24,244	2,144,984	2,134,893
Food expense	457,520	707	-	458,227	486,770
Supplies	185,809	5,271	14,404	205,484	233,574
Special activities and events	-	-	75,767	75,767	71,102
Telephone and technology	234,131	38,278	14,327	286,736	239,963
Training and development	14,040	1,408	680	16,128	16,857
Insurance	9,566	40,796	-	50,362	52,569
Depreciation	-	55,185	-	55,185	57,737
Program activities	313,080	326	1,650	315,056	271,518
Travel	10,485	690	54	11,229	12,024
Equipment, repairs and maintenance	65,331	25,925	-	91,256	63,850
Advertising and publications	1,143	-	3,175	4,318	3,781
Postage	9,698	553	5,022	15,273	11,788
Printing	7,276	228	17,542	25,046	31,415
Licensing and permits	9,822	978	2,630	13,430	15,952
Interest	-	3,253	-	3,253	9,287
Contributions	-	4,689	-	4,689	3,707
Occupancy	2,529	31,896	8,427	42,852	45,712
Recognition	4,977	1,020	-	5,997	442
Other	63,797	14,228	5,847	83,872	84,329
	<u>\$ 10,206,727</u>	<u>\$ 1,091,183</u>	<u>\$ 244,398</u>	<u>\$ 11,542,308</u>	<u>\$ 11,647,153</u>
Allocated overhead costs	<u>1,018,733</u>	<u>(1,028,298)</u>	<u>9,565</u>	<u>-</u>	<u>-</u>
<u>TOTAL EXPENSES</u>	<u>\$ 11,225,460</u>	<u>\$ 62,885</u>	<u>\$ 253,963</u>	<u>\$ 11,542,308</u>	<u>\$ 11,647,153</u>

See accompanying Independent Auditors' Report and Notes.

THE CAMPAGNA CENTER, INC.

STATEMENTS OF CASH FLOWS
for the years ended August 31, 2013 and 2012 (summarized)

	<u>2013</u>	<u>2012</u> (Summarized)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from operations		
Government grants, fees, contributions received	\$ 9,549,195	\$ 9,330,360
Investment income	40,560	25,328
Total cash received from operations	<u>\$ 9,589,755</u>	<u>\$ 9,355,688</u>
Cash disbursed by operations		
Payments to employees and suppliers	\$ 9,293,187	\$ 9,395,448
Interest paid	3,253	9,287
Total cash paid by operations	<u>\$ 9,296,440</u>	<u>\$ 9,404,735</u>
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>\$ 293,315</u>	<u>\$ (49,047)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	\$ (234,164)	\$ (286,109)
Proceeds from sale of investments	194,821	264,439
<u>NET CASH USED BY INVESTING ACTIVITIES</u>	<u>\$ (39,343)</u>	<u>\$ (21,670)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Borrowing from line of credit	\$ 1,935,025	\$ 3,900,758
Repayment on line of credit	(2,188,997)	(3,830,041)
<u>NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES</u>	<u>\$ (253,972)</u>	<u>\$ 70,717</u>
<u>NET INCREASE (DECREASE) IN CASH</u>	<u>\$ -</u>	<u>\$ -</u>
<u>CASH, beginning of year</u>	<u>2,252</u>	<u>2,252</u>
<u>CASH, end of year</u>	<u>\$ 2,252</u>	<u>\$ 2,252</u>

See accompanying Independent Auditors' Report and Notes.

THE CAMPAGNA CENTER, INC.

STATEMENTS OF CASH FLOWS
for the years ended August 31, 2013 and 2012 (summarized)

	<u>2013</u>	<u>2012</u> (Summarized)
<u>RECONCILIATION OF CHANGE IN NET ASSETS TO</u> <u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
<u>CHANGE IN NET ASSETS</u>	\$ 292,486	\$ 157,415
<u>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS</u> <u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
Depreciation	\$ 55,185	\$ 57,737
Realized and unrealized gains on investments	(35,019)	(49,266)
Contributed securities	(1,054)	(3,596)
	<u>\$ 19,112</u>	<u>\$ 4,875</u>
<u>CHANGES IN ASSETS AND LIABILITIES AFFECTING</u> <u>OPERATIONS PROVIDING (USING) CASH</u>		
<u>ASSETS</u>		
Receivables	\$ (28,717)	\$ (296,235)
Prepaid expenses	5,773	(8,237)
	<u>\$ (22,944)</u>	<u>\$ (304,472)</u>
<u>LIABILITIES</u>		
Overdraft of cash	\$ 89,782	\$ 28,307
Accounts payable and accrued expenses	(49,856)	29,774
Refundable advances	6,482	6,908
Deferred revenue	(41,747)	28,146
	<u>\$ 4,661</u>	<u>\$ 93,135</u>
<u>NET CHANGES IN ASSETS AND LIABILITIES</u>	<u>\$ (18,283)</u>	<u>\$ (211,337)</u>
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>\$ 293,315</u>	<u>\$ (49,047)</u>

See accompanying Independent Auditors' Report and Notes.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

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 qualify 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.

See Independent Auditors' Report.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

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, 2013 and 2012, cash consisted of checking accounts and petty cash. There were no cash equivalents as of August 31, 2013 and 2012. 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.

See Independent Auditors' Report.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

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.

See Independent Auditors' Report.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2013 and 2012

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, 2013 and 2012.

The Center's Federal Exempt Organization Business Income Tax Returns (Form 990) for the fiscal years 2011, 2012, and 2013 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.

See Independent Auditors' Report.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2013 and 2012

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 2012 amounts have been reclassified to conform with the 2013 presentation.

2. CASH

Cash at August 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Petty cash	\$ 1,200	\$ 1,200
Checking	1,052	1,052
	<u>\$ 2,252</u>	<u>\$ 2,252</u>

As of August 31, 2013 and 2012, all cash was covered by the Federal Deposit Insurance Corporation.

The Center experienced a temporary book overdraft of cash in the amount of \$376,115 and \$286,333 as of August 31, 2013 and 2012, respectively.

3. RECEIVABLES

Receivables at August 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Program funds from governments		
Campagna Kids	\$ 96,945	\$ 119,318
Head Start	387,154	444,436
Early Head Start	73,023	15,333
21st Century	78,296	21,165
	<u>\$ 635,418</u>	<u>\$ 600,252</u>
Supplemental education fees	48,029	778
Other	-	37,405
	<u>\$ 683,447</u>	<u>\$ 638,435</u>
Less: Provision for doubtful accounts	<u>(38,846)</u>	<u>(22,551)</u>
	<u>\$ 644,601</u>	<u>\$ 615,884</u>

See Independent Auditors' Report.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

4. PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation at August 31, 2013 and 2012, and depreciation expense for the years then ended is as follows:

August 31, 2013				
	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	692,008	48,627
Furniture and equipment	3 to 10 years	124,788	116,006	6,558
Automobiles	5 years	73,794	73,794	-
		<u>\$ 1,957,010</u>	<u>\$ 1,031,731</u>	<u>\$ 55,185</u>
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	124,788	109,449	9,110
Automobiles	5 years	73,794	73,794	-
		<u>\$ 1,957,010</u>	<u>\$ 976,547</u>	<u>\$ 57,737</u>

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, 2013 and 2012 is as follows:

	2013	2012
Land	\$ 2,473,969	\$ 2,473,969
Building	1,454,440	1,454,440
	<u>\$ 3,928,409</u>	<u>\$ 3,928,409</u>

See Independent Auditors' Report.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

5. INVESTMENTS

The Center had the following investments as of August 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Mutual funds		
Foreign Large Value	\$ 161,167	\$ 76,240
Intermediate-Term Bond	166,679	225,013
Large Blend	94,139	155,076
Large Growth	313,047	355,483
Large Value/World Allocation	238,728	130,488
Short-Term Bond	67,992	67,695
Nontraditional Bond	52,257	-
Small Growth	96,780	64,525
Other	-	9,575
Money funds	4,199	35,478
	<u>\$ 1,194,988</u>	<u>\$ 1,119,573</u>

Investments are allocated to the following classes of net assets:

	<u>2013</u>	<u>2012</u>
Permanently restricted	\$ 50,000	\$ 50,000
Temporarily restricted	19,620	15,561
Unrestricted	1,125,368	1,054,012
	<u>\$ 1,194,988</u>	<u>\$ 1,119,573</u>

Investment income (loss) for the years ended August 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Dividend and interest income	\$ 40,560	\$ 25,328
Capital gain (loss), realized	11,152	3,531
Unrealized gain (loss) in market value	23,867	45,735
	<u>\$ 75,579</u>	<u>\$ 74,594</u>

See Independent Auditors' Report.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2013 and 2012

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.

See Independent Auditors' Report.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2013 and 2012

6. FAIR VALUE MEASUREMENTS (Continued)

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, 2013 and 2012:

Investments are categorized as follows:

	August 31, 2013			
	Total	Level 1	Level 2	Level 3
Mutual funds				
Foreign Large Value	\$ 161,167	\$ 161,167	\$ -	\$ -
Intermediate-Term Bond	166,679	166,679	-	-
Large Blend	94,139	94,139	-	-
Large Growth	313,047	313,047	-	-
Large Value/World Allocation	238,728	238,728	-	-
Short-Term Bond	67,992	67,992	-	-
Nontraditional Bond	52,257	52,257	-	-
Small Growth	96,780	96,780		
Money funds	4,199	4,199	-	-
	<u>\$ 1,194,988</u>	<u>\$ 1,194,988</u>	<u>\$ -</u>	<u>\$ -</u>
	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 Allocation	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	-	-
	<u>\$ 1,119,573</u>	<u>\$ 1,119,573</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditors' Report.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

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, 2013 and 2012 consisted of the following:

	2013	2012
Campagna Kids program	\$ 124,872	\$ 148,004
KAISER Foundation	6,987	6,987
Other	42,686	13,072
	\$ 174,545	\$ 168,063

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. The interest rate is Prime plus 1% based on the Wall Street Journal Prime Rate. For the years ended August 31, 2013 and 2012, the interest rate was 4.25% and 5%, respectively. The maturity date is January 31, 2014. The unused line of credit at August 31, 2013 and 2012 was \$1,128,034 and \$874,062, respectively. The outstanding balance on this line of credit was \$71,966 and \$325,938 at August 31, 2013 and 2012, respectively.

The interest expense related to this line of credit was \$3,253 and \$9,287 for the years ended August 31, 2013 and 2012, respectively.

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available as of August 31, 2013 and 2012 for the following purposes or time periods:

	2013			
	Balance at August 31, 2012	Revenue and Support	Released	Balance at August 31, 2013
Purpose restricted				
Sonosky income	\$ 15,561	\$ 4,059	\$ -	\$ 19,620
	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

See Independent Auditors' Report.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

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, 2013 and 2012.

13. MAJOR GRANTORS

Program funds from government grants totaled \$6,755,499 for the year ended August 31, 2013 and \$6,696,042 for the year ended August 31, 2012 which is approximately 57% of total revenue and support of the Center for both years. 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, 2013 and 2012 the amount outstanding from the above government grants was \$635,397 and \$600,252, respectively, which approximates 92% and 94% of total receivables, respectively.

See Independent Auditors' Report.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

14. CONDITIONAL GRANTS

The Center has been conditionally awarded the following grants for the year ending August 31, 2014:

Head Start	\$ 2,082,859
Early Head Start	<u>1,292,803</u>
	<u>\$ 3,375,662</u>

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:

2014	<u>\$ 13,318</u>
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Total rental expense for the copiers was \$19,786 and \$19,526 for the year ended August 31, 2013 and 2012, 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 9, 2014 the date the financial statements were available to be issued.

See Independent Auditors' Report.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of The Campagna Center, Inc. (the Center) as of and for the year ended August 31, 2013, and have issued our report thereon dated January 9, 2014, 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 supplementary 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 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.

Alexandria, Virginia
January 9, 2014

THE CAMPAGNA CENTER, INC.

FUNCTIONAL EXPENSES BY PROGRAM
for the years ended August 31, 2013 and 2012(Summarized)

	2013					2012			Total (Summarized)	
	Program Services					Support Services				
	Campagna Kids	Early Childhood Education	Building Better Futures	New Neighbors	Other	Total Program	Management and General	Fund- Raising		Total
Salaries, taxes, and benefits	\$ 2,704,203	\$ 3,233,043	\$ 78,971	\$ 81,834	\$ 82,463	\$ 6,180,514	\$ 829,329	\$ 52,013	\$ 7,061,856	\$ 7,268,685
Professional services	301,068	115,455	16,454	1,509	81,783	516,269	36,423	18,616	571,308	531,198
In-kind	1,005,880	1,114,660	-	200	-	2,120,740	-	24,244	2,144,984	2,134,893
Food expense	119,706	336,503	90	-	1,221	457,520	707	-	458,227	486,770
Supplies	73,707	88,899	292	18,244	4,667	185,809	5,271	14,404	205,484	233,574
Special activities and events	-	-	-	-	-	-	-	75,767	75,767	71,102
Telephone and technology	128,805	95,984	4,544	2,044	2,754	234,131	38,278	14,327	286,736	239,963
Training and development	1,639	12,401	-	-	-	14,040	1,408	680	16,128	16,857
Insurance	3,719	5,644	-	203	-	9,566	40,796	-	50,362	52,569
Depreciation	-	-	-	-	-	-	55,185	-	55,185	57,737
Program activities	234,221	45,545	12,104	1,801	19,409	313,080	326	1,650	315,056	271,518
Travel	1,988	5,582	1,892	37	986	10,485	690	54	11,229	12,024
Equipment, repairs and maintenance	41,263	24,068	-	-	-	65,331	25,925	-	91,256	63,850
Advertising and publications	793	-	-	-	350	1,143	-	3,175	4,318	3,781
Postage	5,573	3,399	62	192	472	9,698	553	5,022	15,273	11,788
Printing	5,476	1,595	-	156	49	7,276	228	17,542	25,046	31,415
Licensing and permits	3,103	6,650	-	42	27	9,822	978	2,630	13,430	15,952
Interest	-	-	-	-	-	-	3,253	-	3,253	9,287
Contributions	-	-	-	-	-	-	4,689	-	4,689	3,707
Occupancy	-	2,529	-	-	-	2,529	31,896	8,427	42,852	45,712
Recognition	-	32	-	-	4,945	4,977	1,020	-	5,997	442
Other	57,360	4,002	-	-	2,435	63,797	14,228	5,847	83,872	84,329
	<u>\$ 4,688,504</u>	<u>\$ 5,095,991</u>	<u>\$ 114,409</u>	<u>\$ 106,262</u>	<u>\$ 201,561</u>	<u>\$ 10,206,727</u>	<u>\$ 1,091,183</u>	<u>\$ 244,398</u>	<u>\$ 11,542,308</u>	<u>\$ 11,647,153</u>
Allocated overhead costs	512,585	473,686	11,484	11,416	9,562	1,018,733	(1,028,298)	9,565	-	-
TOTAL EXPENSES	<u>\$ 5,201,089</u>	<u>\$ 5,569,677</u>	<u>\$ 125,893</u>	<u>\$ 117,678</u>	<u>\$ 211,123</u>	<u>\$ 11,225,460</u>	<u>\$ 62,885</u>	<u>\$ 253,963</u>	<u>\$ 11,542,308</u>	<u>\$ 11,647,153</u>

See Independent Auditor's Report on Additional Information.