

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

**FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION**

Year Ended August 31, 2014
(with summarized comparative information for 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, 2014, 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, 2014, 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 2013 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 9, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2013, 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 16, 2015, 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 16, 2015

THE CAMPAGNA CENTER, INC.**STATEMENT OF FINANCIAL POSITION****August 31, 2014** *(with comparative information as of August 31, 2013)***ASSETS**

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash	\$ 2,252	\$ 2,252
Receivables	640,129	644,601
Prepaid expense	<u>57,982</u>	<u>53,928</u>
TOTAL CURRENT ASSETS	<u>700,363</u>	<u>700,781</u>
PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation	<u>870,651</u>	<u>925,279</u>
OTHER ASSETS		
Investments	1,370,003	1,194,988
Security deposits	<u>1,000</u>	<u>1,000</u>
TOTAL OTHER ASSETS	<u>1,371,003</u>	<u>1,195,988</u>
TOTAL ASSETS	<u><u>\$ 2,942,017</u></u>	<u><u>\$ 2,822,048</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Overdraft of cash	\$ 278,191	\$ 376,115
Accounts payable and accrued expenses	444,591	443,418
Refundable advances	164,142	174,545
Deferred revenue	20,265	26,398
Line of credit	<u>-</u>	<u>71,966</u>
TOTAL LIABILITIES	<u>907,189</u>	<u>1,092,442</u>
COMMITMENT AND CONTINGENCIES		
NET ASSETS		
Unrestricted	1,958,686	1,659,986
Temporarily restricted	26,142	19,620
Permanently restricted	<u>50,000</u>	<u>50,000</u>
TOTAL NET ASSETS	<u>2,034,828</u>	<u>1,729,606</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,942,017</u></u>	<u><u>\$ 2,822,048</u></u>

See Notes to Financial Statements.

THE CAMPAGNA CENTER, INC.

**STATEMENT OF ACTIVITIES
Year Ended August 31, 2014**

(with summarized comparative information for the year ended August 31, 2013)

	2014			2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Program funds from				
government grants	\$ 6,655,973	\$ -	\$ -	\$ 6,655,973
Supplemental education fees	2,058,852	-	-	2,058,852
Contributions and grants	568,568	-	-	568,568
In-kind contributions	2,119,688	-	-	2,119,688
Special events and projects	228,901	-	-	228,901
Membership activities	19,690	-	-	19,690
Investment income	171,021	6,522	-	177,543
Other	28,437	-	-	28,437
TOTAL REVENUE AND SUPPORT	11,851,130	6,522	-	11,857,652
EXPENSES				
Program	11,139,193	-	-	11,139,193
Management and general	37,293	-	-	37,293
Fundraising	375,944	-	-	375,944
TOTAL EXPENSES	11,552,430	-	-	11,552,430
CHANGE IN NET ASSETS	298,700	6,522	-	305,222
NET ASSETS, beginning of year	1,659,986	19,620	50,000	1,729,606
NET ASSETS, end of year	\$ 1,958,686	\$ 26,142	\$ 50,000	\$ 2,034,828

See Notes to Financial Statements.

THE CAMPAGNA CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2014

(with summarized comparative information for the year ended August 31, 2013)

	2014			2013	
	Program	Management and General	Fund- Raising	Total	Total
Salaries, taxes, and benefits	\$ 6,245,848	\$ 859,709	\$ 169,349	\$ 7,274,906	\$ 7,061,856
Professional services	457,620	65,499	8,699	531,818	571,308
In-kind	2,076,798	-	42,890	2,119,688	2,144,984
Food expense	439,173	1,438	57	440,668	458,227
Supplies	328,239	4,880	16,944	350,063	205,484
Special activities and events	1,198	27	72,524	73,749	75,767
Telephone and technology	187,121	36,021	9,892	233,034	286,736
Training and development	11,449	645	307	12,401	16,128
Insurance	10,014	41,272	-	51,286	50,362
Depreciation	-	54,629	-	54,629	55,185
Program activities	173,710	72	613	174,395	315,056
Travel	7,996	585	1,125	9,706	11,229
Equipment, repairs and maintenance	25,913	28,045	-	53,958	91,256
Advertising and publications	145	-	3,103	3,248	4,318
Postage	7,786	572	2,365	10,723	15,273
Printing	4,856	1,338	18,445	24,639	25,046
Licensing and permits	12,505	1,676	386	14,567	13,430
Interest	-	1,052	-	1,052	3,253
Contributions	-	6,452	-	6,452	4,689
Occupancy	1,807	34,715	8,965	45,487	42,852
Recognition	597	60	4	661	5,997
Other	49,753	9,017	6,530	65,300	83,872
	<u>10,042,528</u>	<u>1,147,704</u>	<u>362,198</u>	<u>11,552,430</u>	<u>11,542,308</u>
Allocated overhead costs	<u>1,096,665</u>	<u>(1,110,411)</u>	<u>13,746</u>	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u>\$ 11,139,193</u>	<u>\$ 37,293</u>	<u>\$ 375,944</u>	<u>\$ 11,552,430</u>	<u>\$ 11,542,308</u>

See Notes to Financial Statements.

THE CAMPAGNA CENTER, INC.

STATEMENT OF CASH FLOWS

Year Ended August 31, 2014

(with comparative information for the year ended August 31, 2013)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations		
Government grants, fees, contributions received	\$ 9,535,924	\$ 9,549,195
Investment income	95,761	40,560
	<u>9,631,685</u>	<u>9,589,755</u>
Cash disbursed by operations		
Payments to employees and suppliers	9,477,866	9,293,187
Interest paid	1,052	3,253
	<u>9,478,918</u>	<u>9,296,440</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>152,767</u>	<u>293,315</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(135,969)	(234,164)
Proceeds from sale of investments	55,168	194,821
	<u>(80,801)</u>	<u>(39,343)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(80,801)</u>	<u>(39,343)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing from line of credit	1,103,409	1,935,025
Repayment on line of credit	(1,175,375)	(2,188,997)
	<u>(71,966)</u>	<u>(253,972)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(71,966)</u>	<u>(253,972)</u>
NET INCREASE (DECREASE) IN CASH	-	-
CASH, beginning of year	<u>2,252</u>	<u>2,252</u>
CASH, end of year	<u>\$ 2,252</u>	<u>\$ 2,252</u>

See Notes to Financial Statements.

THE CAMPAGNA CENTER, INC.

STATEMENT OF CASH FLOWS

Year Ended August 31, 2014

(with comparative information for the year ended August 31, 2013)

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	<u>\$ 305,222</u>	<u>\$ 292,486</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
Depreciation	54,629	55,185
Realized and unrealized gains on investments	(94,215)	(35,019)
Contributed securities	<u>-</u>	<u>(1,054)</u>
	<u>(39,586)</u>	<u>19,112</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH		
ASSETS		
Receivables	4,472	(28,717)
Prepaid expenses	<u>(4,054)</u>	<u>5,773</u>
	<u>418</u>	<u>(22,944)</u>
LIABILITIES		
Overdraft of cash	(97,924)	89,782
Accounts payable and accrued expenses	1,173	(49,856)
Refundable advances	(10,403)	6,482
Deferred revenue	<u>(6,133)</u>	<u>(41,747)</u>
	<u>(113,287)</u>	<u>4,661</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>(112,869)</u>	<u>(18,283)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 152,767</u></u>	<u><u>\$ 293,315</u></u>

See Notes to Financial Statements.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2014

(with summarized comparative information for the year ended August 31, 2013)

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. The 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.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2014

(with summarized comparative information for the year ended August 31, 2013)

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

School-Age Programs (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.

Summarized Information

The financial statements include certain summarized comparative information in total but not by each class of net assets. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended August 31, 2013, from which the summarized information was derived.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2014

(with summarized comparative information for the year ended August 31, 2013)

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

Cash and Cash Equivalents

As of August 31, 2014 and 2013, cash consisted of checking accounts and petty cash. There were no cash equivalents as of August 31, 2014 and 2013. 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.

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.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2014

(with summarized comparative information for the year ended August 31, 2013)

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

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.

In-kind Contributions

In-kind contributions of rent and professional volunteer services have been recorded 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, 2014 and 2013.

The Center's Federal Exempt Organization Business Income Tax Returns (Form 990) for the fiscal years 2012, 2013, and 2014 are subject to examination by the IRS, generally for three years after they are filed.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2014

(with summarized comparative information for the year ended August 31, 2013)

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

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.

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 2013 amounts have been reclassified to conform with the 2014 presentation.

2. CASH

Cash at August 31 consisted of the following:

	<u>2014</u>	<u>2013</u>
Petty cash	\$ 1,200	\$ 1,200
Checking	<u>1,052</u>	<u>1,052</u>
	<u>\$ 2,252</u>	<u>\$ 2,252</u>

As of August 31, 2014 and 2013, all cash was covered by the Federal Deposit Insurance Corporation.

The Center experienced a temporary book overdraft of cash in the amount of \$278,191 and \$376,115 as of August 31, 2014 and 2013, respectively.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2014

(with summarized comparative information for the year ended August 31, 2013)

3. RECEIVABLES

Receivables at August 31 consisted of the following:

Program funds from governments	2014	2013
Campagna Kids	\$ 161,783	\$ 96,945
Head Start	376,502	387,154
Early Head Start	79,646	73,023
21st Century	37,809	78,296
	<u>655,740</u>	<u>635,418</u>
Supplemental education fees	17,659	48,029
	<u>673,399</u>	<u>683,447</u>
Less: Provision for doubtful accounts	<u>(33,270)</u>	<u>(38,846)</u>
	<u><u>\$ 640,129</u></u>	<u><u>\$ 644,601</u></u>

4. PROPERTY AND EQUIPMENT

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

	August 31, 2014			
	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	740,634	48,626
Furniture and equipment	3 to 10 years	124,788	122,008	6,003
Automobiles	5 years	73,794	73,794	-
		<u>\$ 1,957,010</u>	<u>\$ 1,086,359</u>	<u>\$ 54,629</u>

	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>

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2014

(with summarized comparative information for the year ended August 31, 2013)

4. PROPERTY AND EQUIPMENT (Continued)

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 is as follows:

	<u>2014</u>	<u>2013</u>
Land	\$ 2,473,969	\$ 2,473,969
Building	<u>1,454,440</u>	<u>1,454,440</u>
	<u>\$ 3,928,409</u>	<u>\$ 3,928,409</u>

5. INVESTMENTS

The Center had the following investments as of August 31:

	<u>2014</u>	<u>2013</u>
Mutual funds		
Foreign Large Value	\$ 185,338	\$ 161,167
Intermediate-Term Bond	120,388	166,679
Large Blend	119,308	94,139
Large Growth	376,425	313,047
Large Value/World Allocation	281,517	238,728
Short-Term Bond	68,209	67,992
Nontraditional Bond	103,540	52,257
Small Growth	113,719	96,780
Money funds	<u>1,559</u>	<u>4,199</u>
	<u>\$ 1,370,003</u>	<u>\$ 1,194,988</u>

Investments are allocated to the following classes of net assets:

	<u>2014</u>	<u>2013</u>
Permanently restricted	\$ 50,000	\$ 50,000
Temporarily restricted	26,142	19,620
Unrestricted	<u>1,293,861</u>	<u>1,125,368</u>
	<u>\$ 1,370,003</u>	<u>\$ 1,194,988</u>

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2014

(with summarized comparative information for the year ended August 31, 2013)

5. INVESTMENTS (Continued)

Investment income for the years ended August 31 consisted of the following:

	2014	2013
Dividend and interest income	\$ 95,761	\$ 40,560
Capital gain, realized	341	11,152
Unrealized gain in market value	93,874	23,867
Investment management fees	(12,433)	-
	<u>\$ 177,543</u>	<u>\$ 75,579</u>

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 CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2014

(with summarized comparative information for the year ended August 31, 2013)

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:

Investments are categorized as follows:

	August 31, 2014			
	Total	Level 1	Level 2	Level 3
Mutual funds				
Foreign Large Value	\$ 185,338	\$ 185,338	\$ -	\$ -
Intermediate-Term Bond	120,388	120,388	-	-
Large Blend	119,308	119,308	-	-
Large Growth	376,425	376,425	-	-
Large Value/World Allocation	281,517	281,517	-	-
Short-Term Bond	68,209	68,209	-	-
Nontraditional Bond	103,540	103,540	-	-
Small Growth	113,719	113,719	-	-
Money funds	1,559	1,559	-	-
	<u>\$ 1,370,003</u>	<u>\$ 1,370,003</u>	<u>\$ -</u>	<u>\$ -</u>
	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>

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2014

(with summarized comparative information for the year ended August 31, 2013)

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 consisted of the following:

	<u>2014</u>	<u>2013</u>
Campagna Kids program	\$ 112,158	\$ 124,872
KAISER Foundation	-	6,987
Other	<u>51,984</u>	<u>42,686</u>
	<u>\$ 164,142</u>	<u>\$ 174,545</u>

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, 2014 and 2013, the interest rate was 4% and 4.25%, respectively. The maturity date is March 28, 2019. The unused line of credit at August 31, 2014 and 2013 was \$1,200,000 and \$1,128,034, respectively. The outstanding balance on this line of credit was \$0 and \$71,966 at August 31, 2014 and 2013, respectively.

The interest expense related to this line of credit was \$1,052 and \$3,253 for the years ended August 31, 2014 and 2013, respectively.

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available as of August 31, 2014 and 2013 for the following purposes or time periods:

	<u>2014</u>			
	<u>Balance at August 31, 2013</u>	<u>Revenue and Support</u>	<u>Released</u>	<u>Balance at August 31, 2014</u>
Purpose restricted Sonosky income	<u>\$ 19,620</u>	<u>\$ 6,522</u>	<u>\$ -</u>	<u>\$ 26,142</u>

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2014

(with summarized comparative information for the year ended August 31, 2013)

9. TEMPORARILY RESTRICTED NET ASSETS (Continued)

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

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. 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 were no employer contributions to the Plan for the years ended August 31, 2014 and 2013.

13. MAJOR GRANTORS

Program funds from government grants totaled \$6,655,973 for the year ended August 31, 2014 and \$6,753,358 for the year ended August 31, 2013 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.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2014

(with summarized comparative information for the year ended August 31, 2013)

13. MAJOR GRANTORS (Continued)

As of August 31, 2014 and 2013 the amount outstanding from the above government grants was \$655,740 and \$635,418, respectively, which approximates 97% and 93% of total receivables, respectively.

14. CONDITIONAL GRANTS

The Center has been conditionally awarded the following grants for the year ending August 31, 2015:

Head Start	\$ 2,225,220
Early Head Start	<u>1,380,160</u>
	<u>\$ 3,605,380</u>

15. COMMITMENT AND CONTINGENCIES

Equipment Lease

The Center leases copiers under a long-term lease agreement classified as operating lease. Total rental expense for the copiers was \$19,755 and \$19,786 for the years ended August 31, 2014 and 2013, 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 16, 2015 the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' 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, 2014, and have issued our report thereon dated January 16, 2015, which contained an unmodified 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, the Schedule of Functional Expenses by Program 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.

Renner and Company, CPA, P.C.

Alexandria, Virginia
January 16, 2015

THE CAMPAGNA CENTER, INC.

SCHEDULE OF FUNCTIONAL EXPENSES BY PROGRAM

Year Ended August 31, 2014

(with summarized comparative information for the year ended August 31, 2013)

	2014						2013			
	Program Services					Support Services			Total	Total
	Campagna Kids	Early Childhood Education	Building Better Futures	New Neighbors	Other	Total Program	Management and General	Fund-Raising		
Salaries, taxes, and benefits	\$ 2,747,093	\$ 3,228,076	\$ 69,860	\$ 101,057	\$ 99,762	\$ 6,245,848	\$ 859,709	\$ 169,349	\$ 7,274,906	\$ 7,061,856
Professional services	286,875	103,345	10,715	1,542	55,143	457,620	65,499	8,699	531,818	571,308
In-kind	910,100	1,165,893	-	805	-	2,076,798	-	42,890	2,119,688	2,144,984
Food expense	109,491	327,945	38	-	1,699	439,173	1,438	57	440,668	458,227
Supplies	143,728	169,488	540	11,901	2,582	328,239	4,880	16,944	350,063	205,484
Special activities and events	-	-	1,198	-	-	1,198	27	72,524	73,749	75,767
Telephone and technology	103,530	78,769	2,101	1,077	1,644	187,121	36,021	9,892	233,034	286,736
Training and development	1,665	9,784	-	-	-	11,449	645	307	12,401	16,128
Insurance	3,978	5,819	-	217	-	10,014	41,272	-	51,286	50,362
Depreciation	-	-	-	-	-	-	54,629	-	54,629	55,185
Program activities	147,661	16,757	5,438	420	3,434	173,710	72	613	174,395	315,056
Travel	1,214	3,421	2,473	110	778	7,996	585	1,125	9,706	11,229
Equipment, repairs and maintenance	7,488	18,425	-	-	-	25,913	28,045	-	53,958	91,256
Advertising and publications	145	-	-	-	-	145	-	3,103	3,248	4,318
Postage	4,910	2,053	234	94	495	7,786	572	2,365	10,723	15,273
Printing	2,141	1,771	315	629	-	4,856	1,338	18,445	24,639	25,046
Licensing and permits	4,876	7,481	-	118	30	12,505	1,676	386	14,567	13,430
Interest	-	-	-	-	-	-	1,052	-	1,052	3,253
Contributions	-	-	-	-	-	-	6,452	-	6,452	4,689
Occupancy	-	1,807	-	-	-	1,807	34,715	8,965	45,487	42,852
Recognition	-	-	399	-	198	597	60	4	661	5,997
Other	44,529	5,224	-	-	-	49,753	9,017	6,530	65,300	83,872
	<u>4,519,424</u>	<u>5,146,058</u>	<u>93,311</u>	<u>117,970</u>	<u>165,765</u>	<u>10,042,528</u>	<u>1,147,704</u>	<u>362,198</u>	<u>11,552,430</u>	<u>11,542,308</u>
Allocated overhead costs	541,669	515,102	12,905	13,484	13,505	1,096,665	(1,110,411)	13,746	-	-
TOTAL EXPENSES	<u>\$ 5,061,093</u>	<u>\$ 5,661,160</u>	<u>\$ 106,216</u>	<u>\$ 131,454</u>	<u>\$ 179,270</u>	<u>\$ 11,139,193</u>	<u>\$ 37,293</u>	<u>\$ 375,944</u>	<u>\$ 11,552,430</u>	<u>\$ 11,542,308</u>

See Independent Auditors' Report on Supplementary Information.