

THE CAMPAGNA CENTER, INC.

(a not-for-profit organization)

**FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION**

Year Ended August 31, 2015

(with summarized comparative information for August 31, 2014)

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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, 2015, 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.

Auditors' 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 Center as of August 31, 2015, 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 Center's 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 16, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, the Schedule of Functional Expenses by Program, on page 24 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2015, on our consideration of 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 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 Center's internal control over financial reporting and compliance.

Renner and Company, CPA, P.C.

Alexandria, Virginia
December 28, 2015

THE CAMPAGNA CENTER, INC.

STATEMENT OF FINANCIAL POSITION

August 31, 2015 (with comparative information as of August 31, 2014)

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash	\$ 1,200	\$ 2,252
Receivables, net of allowance	872,586	640,129
Prepaid expense	<u>66,312</u>	<u>57,982</u>
TOTAL CURRENT ASSETS	<u>940,098</u>	<u>700,363</u>
PROPERTY AND EQUIPMENT , at cost, net of accumulated depreciation	<u>821,731</u>	<u>870,651</u>
OTHER ASSETS		
Investments	1,336,438	1,370,003
Security deposits	<u>1,000</u>	<u>1,000</u>
TOTAL OTHER ASSETS	<u>1,337,438</u>	<u>1,371,003</u>
TOTAL ASSETS	<u>\$ 3,099,267</u>	<u>\$ 2,942,017</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Overdraft of cash	\$ 54,343	\$ 278,191
Accounts payable and accrued expenses	445,097	444,591
Refundable advances	214,560	164,142
Deferred revenue	<u>25,770</u>	<u>20,265</u>
TOTAL LIABILITIES	<u>739,770</u>	<u>907,189</u>
COMMITMENT AND CONTINGENCIES		
NET ASSETS		
Unrestricted	2,289,279	1,958,686
Temporarily restricted	20,218	26,142
Permanently restricted	<u>50,000</u>	<u>50,000</u>
TOTAL NET ASSETS	<u>2,359,497</u>	<u>2,034,828</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,099,267</u>	<u>\$ 2,942,017</u>

See Notes to Financial Statements.

THE CAMPAGNA CENTER, INC.

STATEMENT OF ACTIVITIES
Year Ended August 31, 2015

(with summarized comparative information for the year ended August 31, 2014)

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE AND SUPPORT					
Program funds from					
government grants	\$ 7,043,631	\$ -	\$ -	\$ 7,043,631	\$ 6,655,973
Supplemental education fees	2,122,519	-	-	2,122,519	2,058,852
Contributions and grants	666,980	-	-	666,980	568,568
In-kind contributions	2,091,658	-	-	2,091,658	2,119,688
Special events and projects	410,497	-	-	410,497	228,901
Membership activities	18,900	-	-	18,900	19,690
Investment income (loss)	(27,641)	(5,924)	-	(33,565)	177,543
Other	18,218	-	-	18,218	28,437
TOTAL REVENUE AND SUPPORT	12,344,762	(5,924)	-	12,338,838	11,857,652
EXPENSES					
Program	11,524,037	-	-	11,524,037	11,139,193
Management and general	46,972	-	-	46,972	37,293
Fundraising	443,160	-	-	443,160	375,944
TOTAL EXPENSES	12,014,169	-	-	12,014,169	11,552,430
CHANGE IN NET ASSETS	330,593	(5,924)	-	324,669	305,222
NET ASSETS, beginning of year	1,958,686	26,142	50,000	2,034,828	1,729,606
NET ASSETS, end of year	\$ 2,289,279	\$ 20,218	\$ 50,000	\$ 2,359,497	\$ 2,034,828

See Notes to Financial Statements.

THE CAMPAGNA CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2015

(with summarized comparative information for the year ended August 31, 2014)

	2015			2014	
	Program	Management and General	Fund- Raising	Total	Total
Salaries, taxes, and benefits	\$ 6,399,377	\$ 968,100	\$ 184,125	\$ 7,551,602	\$ 7,274,906
Professional services	553,361	62,540	10,611	626,512	531,818
In-kind	2,076,051	-	15,607	2,091,658	2,119,688
Food expense	482,822	1,406	46	484,274	440,668
Supplies	326,388	7,946	14,561	348,895	350,063
Special activities and events	2,702	206	131,266	134,174	73,749
Telephone and technology	157,894	34,237	9,527	201,658	233,034
Training and development	13,033	450	412	13,895	12,401
Insurance	9,493	44,164	-	53,657	51,286
Depreciation	-	48,920	-	48,920	54,629
Program activities	133,923	35	-	133,958	174,395
Travel	10,169	913	91	11,173	9,706
Equipment, repairs and maintenance	60,007	34,658	-	94,665	53,958
Advertising and publications	343	-	24,310	24,653	3,248
Postage	9,459	705	4,019	14,183	10,723
Printing	20,738	143	15,602	36,483	24,639
Licensing and permits	10,724	1,370	665	12,759	14,567
Interest	-	63	-	63	1,052
Contributions	-	2,766	-	2,766	6,452
Occupancy	2,748	37,102	6,523	46,373	45,487
Recognition	540	568	-	1,108	661
Other	59,915	12,368	8,457	80,740	65,300
	<u>10,329,687</u>	<u>1,258,660</u>	<u>425,822</u>	<u>12,014,169</u>	<u>11,552,430</u>
Allocated overhead costs	<u>1,194,350</u>	<u>(1,211,688)</u>	<u>17,338</u>	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u><u>\$ 11,524,037</u></u>	<u><u>\$ 46,972</u></u>	<u><u>\$ 443,160</u></u>	<u><u>\$ 12,014,169</u></u>	<u><u>\$ 11,552,430</u></u>

See Notes to Financial Statements.

THE CAMPAGNA CENTER, INC.

STATEMENT OF CASH FLOWS

Year Ended August 31, 2015

(with comparative information for the year ended August 31, 2014)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations		
Government grants, fees, contributions received	\$ 12,145,451	\$ 9,535,924
Investment income	108,465	95,761
	<u>12,253,916</u>	<u>9,631,685</u>
Total cash received from operations		
Cash disbursed by operations		
Payments to employees and suppliers	12,146,440	9,477,866
Interest paid	63	1,052
	<u>12,146,503</u>	<u>9,478,918</u>
Total cash paid by operations		
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>107,413</u>	<u>152,767</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(362,846)	(135,969)
Proceeds from sale of investments	254,381	55,168
NET CASH USED BY INVESTING ACTIVITIES	<u>(108,465)</u>	<u>(80,801)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing from line of credit	141,127	1,103,409
Repayment of line of credit	(141,127)	(1,175,375)
NET CASH USED BY FINANCING ACTIVITIES	<u>-</u>	<u>(71,966)</u>
NET DECREASE IN CASH	(1,052)	-
CASH, beginning of year	<u>2,252</u>	<u>2,252</u>
CASH, end of year	<u>\$ 1,200</u>	<u>\$ 2,252</u>

See Notes to Financial Statements.

THE CAMPAGNA CENTER, INC.

STATEMENT OF CASH FLOWS

Year Ended August 31, 2015

(with comparative information for the year ended August 31, 2014)

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	<u>\$ 324,669</u>	<u>\$ 305,222</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	48,920	54,629
Realized and unrealized gains on investments	<u>142,030</u>	<u>(94,215)</u>
	<u>190,950</u>	<u>(39,586)</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH		
ASSETS		
Receivables	(232,457)	4,472
Prepaid expenses	<u>(8,330)</u>	<u>(4,054)</u>
	<u>(240,787)</u>	<u>418</u>
LIABILITIES		
Overdraft of cash	(223,848)	(97,924)
Accounts payable and accrued expenses	506	1,173
Refundable advances	50,418	(10,403)
Deferred revenue	<u>5,505</u>	<u>(6,133)</u>
	<u>(167,419)</u>	<u>(113,287)</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>(408,206)</u>	<u>(112,869)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 107,413</u>	<u>\$ 152,767</u>

See Notes to Financial Statements.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with summarized comparative information for the year ended August 31, 2014)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE

Nature of Activities

The Campagna Center, Inc. (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. The Center 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. The Center's Early Head Start program delivers services through various settings including center-based, home visiting, and family child care. The Center has 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.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with summarized comparative information for the year ended August 31, 2014)

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

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.

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. Unrestricted net assets represent resources that are available to support the Center's operations. Temporarily restricted net assets represent resources that are restricted by donors for a particular purpose or for use in a particular future period. Investment income and the unspent appreciation of the Center's donor restricted endowment funds is also reported as temporarily restricted net assets. Permanently restricted net assets represent resources in which use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. As described in Note 9, the Center's permanently restricted net assets constitute the original gift for the Sonosky Fund totalling \$50,000.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with summarized comparative information for the year ended August 31, 2014)

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

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 (US GAAP). Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended August 31, 2014, from which the summarized information was derived.

Cash and Cash Equivalents

As of August 31, 2015 and 2014, cash consisted of checking accounts and petty cash. Cash equivalents are considered to be highly liquid debt instruments with an initial maturity of 90 days or less. There were no cash equivalents as of August 31, 2015 and 2014. 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.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with summarized comparative information for the year ended August 31, 2014)

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 US 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.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with summarized comparative information for the year ended August 31, 2014)

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

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, 2015 and 2014.

The Center's Federal Exempt Organization Business Income Tax Returns (Form 990) for the years 2012, 2013, and 2014 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 management expenses 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.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with summarized comparative information for the year ended August 31, 2014)

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

Estimates

Management uses estimates and assumptions in preparing the financial statements in accordance with US GAAP. 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, goods, and services and the estimate that there are no significant unallowable costs as discussed in Notes 10 and 14, respectively.

Reclassification

Certain 2014 amounts have been reclassified to conform with the 2015 presentation.

2. CASH

Cash at August 31 consisted of the following:

	<u>2015</u>	<u>2014</u>
Petty cash	\$ 1,200	\$ 1,200
Checking	-	1,052
	<u>\$ 1,200</u>	<u>\$ 2,252</u>

As of August 31, 2015 and 2014, all cash was covered by the Federal Deposit Insurance Corporation.

The Center experienced a temporary book overdraft of cash in the amount of \$54,343 and \$278,191 as of August 31, 2015 and 2014, respectively.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with summarized comparative information for the year ended August 31, 2014)

3. RECEIVABLES

Receivables at August 31 consisted of the following:

	2015	2014
Program funds from governments		
Campagna Kids	\$ 122,781	\$ 161,783
Head Start	415,908	376,502
Early Head Start	255,975	79,646
Family Child Care Partnership Project	37,768	-
21st Century	41,008	37,809
	<u>873,440</u>	<u>655,740</u>
Supplemental education fees	<u>34,640</u>	<u>17,659</u>
	908,080	673,399
Less: Provision for doubtful accounts	<u>(35,494)</u>	<u>(33,270)</u>
	<u>\$ 872,586</u>	<u>\$ 640,129</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, 2015			
	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	789,260	48,626
Furniture and equipment	3 to 10 years	124,788	122,302	294
Automobiles	5 years	<u>73,794</u>	<u>73,794</u>	-
		<u>\$ 1,957,010</u>	<u>\$ 1,135,279</u>	<u>\$ 48,920</u>

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with summarized comparative information for the year ended August 31, 2014)

4. PROPERTY AND EQUIPMENT (Continued)

	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>

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:

	2015	2014
Land	\$ 2,845,064	\$ 2,473,969
Building	1,454,440	1,454,440
	<u>\$ 4,299,504</u>	<u>\$ 3,928,409</u>

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with summarized comparative information for the year ended August 31, 2014)

5. INVESTMENTS

The Center had the following investments as of August 31:

	<u>2015</u>	<u>2014</u>
Mutual funds		
Foreign Large Value	\$ 152,363	\$ 185,338
Intermediate-Term Bond	56,169	120,388
Large Blend	104,432	119,308
Large Growth	323,708	376,425
Large Value/World Allocation	261,731	281,517
Short-Term Bond	66,629	68,209
Nontraditional Bond	46,023	103,540
Income Fund	154,004	-
Small Growth	91,513	113,719
Money funds	<u>79,866</u>	<u>1,559</u>
	<u>\$ 1,336,438</u>	<u>\$ 1,370,003</u>

Investments are allocated to the following classes of net assets:

	<u>2015</u>	<u>2014</u>
Permanently restricted	\$ 50,000	\$ 50,000
Temporarily restricted	20,218	19,620
Unrestricted	<u>1,266,220</u>	<u>1,300,383</u>
	<u>\$ 1,336,438</u>	<u>\$ 1,370,003</u>

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

	<u>2015</u>	<u>2014</u>
Dividend and interest income	\$ 122,898	\$ 95,761
Capital gain, realized	12,656	341
Unrealized gain (loss) in market value	(154,686)	93,874
Investment management fees	<u>(14,433)</u>	<u>(12,433)</u>
	<u>\$ (33,565)</u>	<u>\$ 177,543</u>

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with summarized comparative information for the year ended August 31, 2014)

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, 2015

(with summarized comparative information for the year ended August 31, 2014)

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:

	August 31, 2015			
	Total	Level 1	Level 2	Level 3
Mutual funds				
Foreign Large Value	\$ 152,363	\$ 152,363	\$ -	\$ -
Intermediate-Term Bond	56,169	56,169	-	-
Large Blend	104,432	104,432	-	-
Large Growth	323,708	323,708	-	-
Large Value/World Allocation	261,731	261,731	-	-
Short-Term Bond	66,629	66,629	-	-
Nontraditional Bond	46,023	46,023	-	-
Income Fund	154,004	154,004	-	-
Small Growth	91,513	91,513	-	-
Money funds	79,866	79,866	-	-
	<u>\$ 1,336,438</u>	<u>\$ 1,336,438</u>	<u>\$ -</u>	<u>\$ -</u>
	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>

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with summarized comparative information for the year ended August 31, 2014)

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>2015</u>	<u>2014</u>
Campagna Kids program	\$ 95,722	\$ 112,158
Other	<u>118,838</u>	<u>51,984</u>
	<u>\$ 214,560</u>	<u>\$ 164,142</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, 2015 and 2014, the interest rate was 4%. The maturity date is March 28, 2019. The unused line of credit at August 31, 2015 and 2014 was \$1,200,000. The outstanding balance on this line of credit was \$0 at August 31, 2015 and 2014, respectively.

The interest expense related to this line of credit was \$63 and \$1,052 for the years ended August 31, 2015 and 2014, respectively.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with summarized comparative information for the year ended August 31, 2014)

9. ENDOWMENTS

The Center's endowments represent funds received for the Sonosky Fund that were established for scholarships via donor restriction. As required by US GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Center has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Center, and (7) the Center's investment policies.

The Center has adopted investment and spending policies, approved by the Center's board, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes mutual funds. The Center expects its endowment assets, over time, to produce an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with summarized comparative information for the year ended August 31, 2014)

9. ENDOWMENTS (Continued)

Endowment funds as of August 31, 2015 and 2014 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Balance as of September 1, 2014	\$ 26,142	\$ 50,000	\$ 76,142
Investment income	6,852	-	6,852
Change in fair value of investments	(12,776)	-	(12,776)
Balance as of August 31, 2015	<u>\$ 20,218</u>	<u>\$ 50,000</u>	<u>\$ 70,218</u>
Balance as of September 1, 2013	\$ 19,620	\$ 50,000	\$ 69,620
Investment income	6,522	-	6,522
Balance as of August 31, 2014	<u>\$ 26,142</u>	<u>\$ 50,000</u>	<u>\$ 76,142</u>

10. DONATED GOODS AND SERVICES

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. The Center also receives various donated goods for its Early Head Start and Head Start programs as well as its various events. Donated professional services are also received throughout the fiscal year.

Donated goods and services recorded as revenue and expenses as of August 31, 2015 and 2014 are as follows:

	2015	2014
Donated rent and facilities	\$ 2,043,944	\$ 2,053,611
Donated goods - events	5,263	34,760
Donated goods - programs	33,451	29,717
Donated professional services	9,000	1,600
	<u>\$ 2,091,658</u>	<u>\$ 2,119,688</u>

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with summarized comparative information for the year ended August 31, 2014)

11. 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, 2015 and 2014.

12. MAJOR GRANTORS

Program funds from government grants totaled \$7,043,631 for the year ended August 31, 2015 and \$6,655,973 for the year ended August 31, 2014 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, 2015 and 2014 the amount outstanding from the above government grants was \$873,440 and \$655,740, respectively, which approximates 96% and 97% of total receivables, respectively.

13. CONDITIONAL GRANTS

The Center has been conditionally awarded the following grants for the year ending August 31, 2016:

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

14. COMMITMENT AND CONTINGENCIES

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.

THE CAMPAGNA CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with summarized comparative information for the year ended August 31, 2014)

15. SUBSEQUENT EVENTS

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through December 28, 2015, the date the financial statements were available to be issued.

THE CAMPAGNA CENTER, INC.

SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNCTIONAL EXPENSES BY PROGRAM

Year Ended August 31, 2015

(with summarized comparative information for the year ended August 31, 2014)

	2015								2014	
	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	\$ 2,750,814	\$ 3,369,014	\$ 79,086	\$ 105,713	\$ 94,750	\$ 6,399,377	\$ 968,100	\$ 184,125	\$ 7,551,602	\$ 7,274,906
Professional services	314,687	180,906	12,679	2,374	42,715	553,361	62,540	10,611	626,512	531,818
In-kind	908,920	1,166,901	-	230	-	2,076,051	-	15,607	2,091,658	2,119,688
Food expense	124,232	356,047	1,029	-	1,514	482,822	1,406	46	484,274	440,668
Supplies	158,183	149,673	389	15,391	2,752	326,388	7,946	14,561	348,895	350,063
Special activities and events	-	-	2,360	93	249	2,702	206	131,266	134,174	73,749
Telephone and technology	88,970	65,393	1,286	1,214	1,031	157,894	34,237	9,527	201,658	233,034
Training and development	1,795	11,094	144	-	-	13,033	450	412	13,895	12,401
Insurance	3,465	4,923	433	672	-	9,493	44,164	-	53,657	51,286
Depreciation	-	-	-	-	-	-	48,920	-	48,920	54,629
Program activities	117,191	9,139	1,548	635	5,410	133,923	35	-	133,958	174,395
Travel	1,240	4,458	1,582	66	2,823	10,169	913	91	11,173	9,706
Equipment, repairs and maintenance	41,132	18,875	-	-	-	60,007	34,658	-	94,665	53,958
Advertising and publications	343	-	-	-	-	343	-	24,310	24,653	3,248
Postage	6,958	1,657	153	79	612	9,459	705	4,019	14,183	10,723
Printing	10,850	9,023	324	541	-	20,738	143	15,602	36,483	24,639
Licensing and permits	4,010	6,642	20	52	-	10,724	1,370	665	12,759	14,567
Interest	-	-	-	-	-	-	63	-	63	1,052
Contributions	-	-	-	-	-	-	2,766	-	2,766	6,452
Occupancy	-	2,748	-	-	-	2,748	37,102	6,523	46,373	45,487
Recognition	-	-	529	-	11	540	568	-	1,108	661
Other	48,010	11,905	-	-	-	59,915	12,368	8,457	80,740	65,300
	<u>4,580,800</u>	<u>5,368,398</u>	<u>101,562</u>	<u>127,060</u>	<u>151,867</u>	<u>10,329,687</u>	<u>1,258,660</u>	<u>425,822</u>	<u>12,014,169</u>	<u>11,552,430</u>
Allocated overhead costs	<u>586,888</u>	<u>565,886</u>	<u>15,757</u>	<u>13,584</u>	<u>12,235</u>	<u>1,194,350</u>	<u>(1,211,688)</u>	<u>17,338</u>	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u>\$ 5,167,688</u>	<u>\$ 5,934,284</u>	<u>\$ 117,319</u>	<u>\$ 140,644</u>	<u>\$ 164,102</u>	<u>\$ 11,524,037</u>	<u>\$ 46,972</u>	<u>\$ 443,160</u>	<u>\$ 12,014,169</u>	<u>\$ 11,552,430</u>

See Independent Auditors' Report.