

COVENANT TO CARE FOR CHILDREN, INC.

**REPORT ON AUDIT
JUNE 30, 2020 AND 2019**



Kircaldie, Randall & McNab LLC

Certified Public Accountants

81 Wolcott Hill Road
Wethersfield, Connecticut 06109-1242

Members
American Institute of
Certified Public Accountants

Offices
Wethersfield - North Haven

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Covenant to Care for Children, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Covenant to Care for Children, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 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 auditor's 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 Covenant to Care for Children, Inc. as of June 30, 2020 and 2019, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2021 on our consideration of Covenant to Care for Children, 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 Covenant to Care for Children, Inc.'s internal control over financial reporting and compliance.

Karcaldia, Randall, & Merble LLC

Wethersfield, Connecticut
February 17, 2021

COVENANT TO CARE FOR CHILDREN, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30,

	2020	2019
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 101,426	\$ 97,780
Grants receivable	6,860	6,860
Prepaid expenses	4,364	4,159
Inventory	209	556
Total Current Assets	112,859	109,355
Other Assets:		
Fixed assets, net	16,350	31,217
Security deposits	3,005	3,005
Total Other Assets	19,355	34,222
Total Assets	132,214	143,577
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	6,628	7,322
Accrued payroll & payroll taxes	1,804	7,906
Accrued vacation	7,498	6,367
Accrued expenses	1,837	0
Total Current Liabilities	17,767	21,595
Net Assets:		
Without Donor Restrictions	42,104	44,826
With Donor Restrictions	72,343	77,156
Total Net Assets	114,447	121,982
Total Liabilities and Net Assets	\$ 132,214	\$ 143,577

The accompanying notes are an integral part of these financial statements.

COVENANT TO CARE FOR CHILDREN, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Donated goods and services	\$ 344,150	\$ 0	\$ 344,150	\$ 305,197	\$ 0	\$ 305,197
Government grants	256,687	0	256,687	256,687	0	256,687
Foundations	6,500	81,750	88,250	21,750	79,560	101,310
Individuals	32,356	0	32,356	23,831	0	23,831
Corporations	13,529	0	13,529	14,883	0	14,883
Religious community	11,240	0	11,240	11,276	0	11,276
Special projects	6,832	0	6,832	1,788	0	1,788
Events	2,185	0	2,185	1,708	0	1,708
United Way	127	0	127	280	0	280
Support for food pantry	0	0	0	6,300	0	6,300
Miscellaneous	0	0	0	141	0	141
Interest and dividend income	1,027	0	1,027	1,654	0	1,654
Net assets released from restriction:						
Satisfaction of program restrictions	86,563	(86,563)	0	115,168	(115,168)	0
Total Support and Revenue	761,196	(4,813)	756,383	760,663	(35,608)	725,055
Expenses:						
Program services	717,619	0	717,619	684,567	0	684,567
Management and general	30,602	0	30,602	31,053	0	31,053
Fundraising	15,697	0	15,697	16,482	0	16,482
Total Expenses	763,918	0	763,918	732,102	0	732,102
Change in Net Assets	(2,722)	(4,813)	(7,535)	28,561	(35,608)	(7,047)
Net Assets, Beginning of Year	44,826	77,156	121,982	16,265	112,764	129,029
Net Assets, End of Year	\$ 42,104	\$ 72,343	\$ 114,447	\$ 44,826	\$ 77,156	\$ 121,982

The accompanying notes are an integral part of these financial statements.

COVENANT TO CARE FOR CHILDREN, INC.

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30,**

	2020			2019			
	Program Services	Management and General	Fundraising	Program Services	Management and General	Fundraising	Total
Salaries and Related Expenses:							
Payroll	\$ 193,849	\$ 16,266	\$ 7,010	\$ 176,339	\$ 13,983	\$ 7,799	\$ 198,121
Payroll taxes	14,076	1,466	1,556	17,401	1,380	769	19,550
Employee benefits	13,114	675	1,012	11,063	853	569	12,485
Total Salaries and Related Expenses	<u>221,039</u>	<u>18,407</u>	<u>9,578</u>	<u>204,803</u>	<u>16,216</u>	<u>9,137</u>	<u>230,156</u>
Direct Assistance:							
Clothing and donated goods	344,150	0	0	305,197	0	0	305,197
Food pantry	16,483	0	0	6,576	0	0	6,576
Total Direct Assistance	<u>360,633</u>	<u>0</u>	<u>0</u>	<u>311,773</u>	<u>0</u>	<u>0</u>	<u>311,773</u>
Operating Expenses:							
Foundation expenditures	39,151	0	0	49,279	0	0	49,279
Rents	27,299	3,900	0	26,922	3,846	0	30,768
Insurance	17,077	2,439	0	19,052	2,722	0	21,774
Depreciation	13,628	1,239	0	17,240	1,567	0	18,807
Professional fees	10,881	1,554	0	24,932	3,562	0	28,494
Dues and subscriptions	7,134	648	0	6,695	609	0	7,304
Printing / copying	856	122	5,207	322	46	6,084	6,452
Telephone	4,954	450	0	5,194	472	0	5,666
Travel	3,414	310	0	7,087	644	0	7,731
Utilities	2,298	328	0	2,495	357	0	2,852
Remote access	2,081	297	0	2,439	222	0	2,661
Postage	1,002	143	912	666	95	1,261	2,022
Office supply and expense	1,576	224	0	2,040	292	0	2,332
Miscellaneous	1,221	174	0	121	17	0	138
Repairs & maintenance	1,251	114	0	0	0	0	0
Payroll service	1,101	157	0	1,050	149	0	1,199
Equipment rental	965	88	0	842	77	0	919
Training and meetings	58	8	0	263	37	0	300
Interest	0	0	0	1,352	123	0	1,475
Total Operating Expenses	<u>135,947</u>	<u>12,195</u>	<u>6,119</u>	<u>167,991</u>	<u>14,837</u>	<u>7,345</u>	<u>190,173</u>
Total Expenses	<u>\$ 717,619</u>	<u>\$ 30,602</u>	<u>\$ 15,697</u>	<u>\$ 684,567</u>	<u>\$ 31,053</u>	<u>\$ 16,482</u>	<u>\$ 732,102</u>

The accompanying statements are an integral part of these financial statements.

COVENANT TO CARE FOR CHILDREN, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,**

	2020	2019
Cash Flows From Operating Activities:		
Increase (Decrease) in net assets	\$ (7,535)	\$ (7,047)
Adjustments to reconcile increase (decrease) in net assets to net cash flows from operating activities:		
Depreciation	14,867	18,807
(Increase) Decrease in operating assets:		
Grants receivable	0	(360)
Prepaid expenses	(205)	(46)
Inventory	347	3,189
Increase (Decrease) in operating liabilities:		
Accounts payable	(694)	1,780
Accrued expenses	(3,134)	(6,843)
Net Cash Provided (Used) By Operating Activities	3,646	9,480
Cash Flows From Investing Activities:		
Purchases of fixed assets	0	(2,806)
Net Cash Provided (Used) By Investing Activities	0	(2,806)
Cash Flows From Financing Activities:		
Payments on line of credit	0	(42,914)
Net Cash Provided (Used) By Financing Activities	0	(42,914)
Increase (Decrease) In Cash And Equivalents	3,646	(36,240)
Cash And Cash Equivalents, Beginning	97,780	134,020
Cash And Cash Equivalents, Ending	\$ 101,426	\$ 97,780
Supplemental Disclosures:		
Donated goods and services received	\$ 344,150	\$ 305,197
Interest paid	\$ 0	\$ 1,617

The accompanying notes are an integral part of these financial statements.

COVENANT TO CARE FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 and 2019

Note 1 - Organization and Summary of Significant Accounting Policies:

Nature of Activities:

Covenant to Care for Children, Inc., (hereinafter the "Organization") is a nonprofit Connecticut corporation established to connect social workers and other professionals with faith and/or community based organizations throughout Connecticut, in order to provide programs, goods and services to abused, neglected and impoverished children and to the families working to provide them with safe, nurturing environments. Its goal is that children have the opportunity to become healthy and productive adults through recreational, educational and social activities, foster parent recruitment and support, and child welfare awareness.

Basis of Accounting and Financial Statement Presentation:

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The accrual basis of accounting recognizes support and revenue when earned rather than when received and expenses when incurred rather than when paid.

The organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions – Net assets that are not subject to donor imposed restrictions and may be expended for any purpose is performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

New Accounting Pronouncement:

Effective July 1, 2019 the Organization adopted ASU No. 2018-08 – Not –For-Profit Entities (Topic 958). “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.” The update clarifies guidance about whether a transfer of assets is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. In comparison to the year ended June 30, 2019, the effect of adopting the new accounting principle has no effect on grant revenue.

COVENANT TO CARE FOR CHILDREN, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019**

Note 1 - Organization and Summary of Significant Accounting Policies (cont.):

Cash and Cash Equivalents:

All cash instruments with a maturity date of three months or less are considered as cash equivalents. During the year the amount of cash in excess of F.D.I.C. insured limits varies as cash requirements fluctuate. At June 30, 2020 and 2019, there were no uninsured balances.

Concentrations of Risk:

The Organization receives significant amounts of funding from the State of Connecticut. \$256,687 was received for both of the years ended June 30, 2020 and 2019. Lack of such support would have a material effect on the financial statements and would impact the Organization's ability to continue as a going concern.

Income Taxes:

The Organization is a not-for-profit organization that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. The Organization is a publicly supported organization. There was no unrelated business income for the years ended June 30, 2020 and 2019.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of support, revenue, and expenses during the reporting period. Actual results may differ from those estimates.

Contributed Services:

Many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services. The Organization benefits from more than 20,000 volunteer hours per year.

Donated Goods:

Donated goods consisting of food, clothing, and other donated items are valued according to Goodwill thrift shop valuation guides. Donated goods are used for activities as described in the Organization's nature of activities. The value of donated goods received for the years ended June 30, 2020 and 2019 were \$344,150 and \$305,197, respectively.

COVENANT TO CARE FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

Note 1 - Organization and Summary of Significant Accounting Policies (cont.):

Inventory:

Inventory consists of goods purchased with grant proceeds which are intended for distribution to needy children. They are valued at cost.

Functional Allocation of Expenses:

The cost of providing various programs and supporting activities have been summarized on a functional basis in the statement of activities. Program and activity costs specifically identifiable to them have been allocated based on costs by function and natural classification. Also, those costs more specifically related to supporting services (including fund raising) have been allocated accordingly. Other costs, which benefit programs as well as supporting services, have been allocated based on their relative benefit to specific cost centers.

Financial Assets and Liquidity Resources:

The Organization's cash flows have seasonal variations during the year attributable to government grants and donations from various donors. To manage liquidity, the Organization maintains a cash equivalent investment fund which it can draw upon.

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

<u>June 30</u>	<u>2020</u>
Cash and cash equivalents	\$ 101,426
Grants receivable	6,860
Total financial assets available within one year:	108,286
Less,	
Donor restricted net assets	(72,343)
Total financial assets available within one year after donor restrictions:	<u>\$ 35,943</u>

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

COVENANT TO CARE FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 and 2019

Note 2 - Grants Receivable:

Grants receivable consists of grants unconditionally pledged to the Organization.

Note 3 - Fixed Assets:

It is the Organization's policy to capitalize material amounts of office equipment. Lesser amounts are expensed. Purchased office equipment is capitalized at cost. Donations of office equipment are recorded at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is calculated using the straight-line method over the estimated life of the asset. Leasehold improvements are capitalized and depreciated over the life of the lease using the straight-line method.

The following is a summary of fixed assets, accumulated depreciation, and depreciation expenses charged to operations for the fiscal years ended June 30:

	2020			2019		
	Basis	Accum. Deprec.	Deprec. Exp.	Basis	Accum. Deprec.	Deprec. Exp.
Office equipment	\$ 15,166	\$ 13,783	\$ 2,191	\$ 15,166	\$ 11,593	\$ 3,059
Leasehold	39,046	24,079	3,905	39,046	20,174	3,905
Delivery trucks	61,851	61,851	8,771	61,851	53,079	11,843
	\$ 116,063	\$ 99,713	\$ 14,867	\$ 116,063	\$ 84,846	\$ 18,807

COVENANT TO CARE FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 and 2019

Note 4– Net Assets with Donor Restrictions:

Net assets with donor restrictions consist of funds designated by donors for specific expenses. The following is a summary of net assets with donor restrictions at June 30:

	<u>2020</u>	<u>2019</u>
First Congregational Church of Madison	\$ 10,000	\$ 10,000
Ensworth Charitable Foundation	10,000	0
Walmart Foundation	9,272	12,079
Wells Fargo	6,353	9,547
Auerbach Grant (HFPG)	5,500	5,500
Northwest CT Community Foundation	5,000	4,881
McPhee Foundation	4,847	0
People's United Community Foundation	3,501	3,500
Farmington Bank Foundation	3,500	0
Gen Re Corporation	3,458	0
Community Foundation of Middlesex County	3,000	0
Dime Savings Bank	2,000	2,000
Betty Knox Foundation	2,000	0
Strategic Planning (HFPG)	1,860	1,860
Wrobel Grant (HFPG)	1,153	3,749
Simsbury Junior Woman's Club	500	0
Lindberg Grant (HFPG)	399	1,000
Food Pantry - AHCC	0	13,346
Goldfarb Grant (HFPG)	0	5,000
CT Dept. of Economic & Community Development	0	2,791
J. Walton Bissell	0	1,903
	<u>\$ 72,343</u>	<u>\$ 77,156</u>

Note 5 - Fair Value of Financial Instruments:

The Organization's financial instruments consist of cash and grants receivable. The Organization estimates that the fair value of all financial instruments, at June 30, 2020 and 2019 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

COVENANT TO CARE FOR CHILDREN, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019**

Note 6 – Rents and Lease:

Rent consists of payments for office space in Hartford which was occupied effective March 1, 2014. Rental payments for the years ended June 30, 2020 and 2019 were \$31,199 and \$30,768, respectively. The lease is from March 1, 2014 through February 28, 2024.

At June 30, 2020 the minimum future rental payments under this lease are as follows:

Year Ended June 30,	2021	\$	30,307
Year Ended June 30,	2022		30,560
Year Ended June 30,	2023		31,065
Year Ended June 30,	2024		<u>20,710</u>
Total		\$	<u>112,642</u>

Upon expiration of the lease term at February 28, 2024, the Organization shall have the right to extend the lease for one additional five (5) year period with a mutually agreed upon increase in rate.

The organization, effective October 1, 2017, is also renting additional storage space for \$100 per month. The terms are month to month.

Note 7 – Evaluation of Subsequent Events:

The Organization has evaluated subsequent events through February 17, 2021 the date which the financial statements were available to be issued.

Note 8 – Risk and Uncertainties:

In March 2020 the World Health Organization declared the Coronavirus to be a pandemic. The Organizations has followed regulatory restrictions that have been imposed by the State of Connecticut. The Organization remained open and some employees opted to work from home. While the disruption is currently expected to be temporary, there is uncertainty related to the duration. The Organizations operating activities have been and may continue to be adversely impacted by this global pandemic.

**REPEAT IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To The Board of Directors
Covenant to Care for Children, Inc.

We have audited, in accordance with the 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, the financial statements of Covenant to Care for Children, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 17, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Covenant to Care for Children, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Covenant to Care for Children, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Karen A. Randall, CPA, Merit LLC

Wethersfield, Connecticut

February 17, 2021