



**WESTPORT CONNECTICUT  
BOARD OF FINANCE**

**NOTICE OF PUBLIC HEARING**

The Board of Finance will hold its Public Hearing on **Wednesday, June 4, 2014 at 8:00 p.m.** in the Auditorium of Town Hall. The following item(s), and any others properly presented before the Board, will be considered:

**AGENDA**

**DISCUSSION/REVIEW**

1. Financial Report from the Finance Director.
2. Status Update from the Internal Auditor.

**RECOMMENDATION**

3. To recommend the renewal of the lease dated May 2, 2005 between the Town of Westport and the Parent Child Center, Inc. for an additional five year term commencing September 1, 2015 and continuing through August 31, 2020.

**TRANSFERS IN THE 2013-2014 BUDGET**

4. The Board will consider the following request(s) for transfer amounts of \$3,000 or less that have been approved by the First Selectman:
  - a) A request by the Finance Director for a transfer of \$1,922 from the Salary Adjustment Account #10109917-519000 to the Finance Account #10101151-511000 (Salaries) to cover the salary increase of the Finance Director as a result of signing a new contract.

**APPROPRIATIONS IN THE 2013-2014 BUDGET**

5. A request by the Superintendent of Schools for an appropriation from General Fund Balance of up to \$500,000 for a school security project for improving access security at all of the Westport Public Schools.

**DISCUSSION**

6. Discussion of the pending Board of Education healthcare reserve policy and on the establishment of a plan to address the Board of Education's IBNR accounting liability. No action will be taken.
7. Discussion of the Selectman's and Board of Education's Five-Year Capital Forecasts. No action will be taken.

**APPROVAL OF MINUTES**

8. Approve the Board of Finance Minutes of the May 21, 2014 regular meeting.



## WESTPORT, CONNECTICUT

OFFICE OF THE  
TOWN ATTORNEY

To: James S. Marpe, First Selectman

From: Gail Kelly, Assistant Town Attorney

Date: May 27, 2014

**Re: Lease dated May 2, 2005 between the Town of Westport and the Parent Child Center, Inc. ("Lease")**

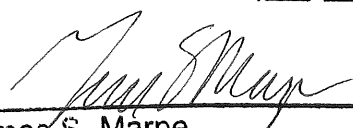
The initial term of the above referenced Lease is for ten (10) years commencing September 1, 2005 and ending August 31, 2015 ("Initial Term"). The Lease provides for an option to renew for one additional five year term.

In accordance with the terms of the Lease, the Parent Child Center, Inc. ("PCC") notified the Town that it desires to renew the Lease for one additional five (5) year term at the expiration of the Initial Term. The Lease provides that the Town shall, no later than August 31, 2014, notify the PCC of its acceptance or rejection of the renewal. The Town's failure to notify the PCC by that date shall be considered an acceptance of the renewal and the Lease will be renewed through August 31, 2020.

It is our intention to bring this request to the Board of Finance for its recommendation during its June 4, 2014 meeting. Accordingly, I request that you approve the scheduling of this request for that meeting. Attached is a copy of the Lease. I will be preparing an information packet for the Board of Finance. Thank you.

cc: Helen Garten, Selectwoman  
John Pincavage, Chair, Board of Finance  
Gary Conrad, Finance Director

Approved for submission  
To Board of Finance (05/29/14)

  
\_\_\_\_\_  
James S. Marpe  
First Selectman



**WESTPORT CONNECTICUT**

**FINANCE DEPARTMENT**

110 MYRTLE AVENUE - ROOM 313  
WESTPORT, CONNECTICUT 06880

Mr. James S. Marpe  
First Selectman  
Town of Westport

May 28, 2014

Dear Mr. Marpe:

As a result of the signing of the contract for the Finance Director which became effective January 1, 2014, a transfer of funds from the Salary Adjustment Account to Finance-Salaries Account in the amount of \$1,922 is needed. This amount represents one-half of a year for a 2.5% increase and was included in the Salaries Adjustment budget amount.

<u>Account Number and Name</u>	<u>From</u>	<u>To</u>
10109917-519000 Salary Adjustment	\$1,922	
10101151-511000 Finance-Salaries		\$1,922

Thank you for your consideration of this request.

Regards,

Gary G. Conrad  
Finance Director

**Approved for submission**

To Board of Finance (05/29/14)

  
James S. Marpe  
First Selectman

Date: May 29, 2014

**TOWN OF WESTPORT**  
**APPROPRIATION REQUEST FORM**  
**SECURITY WINDOW FILM INSTALLATION – ALL SCHOOLS**

**SECTION #1 (Who Is Making Request?)**

Department: WESTPORT PUBLIC SCHOOLS

Requested by: Dr. Elliott Landon, Superintendent of Schools; Elio Longo, Jr., Director of School Business Operations

**SECTION #2 (What Is Being Requested?)**

Appropriation Request Dollars: \$500,000

Financing Structure: Bonds or Notes

**SECTION #3 (Why Is Request Being Made?)**

Operating Rationale:

The request, if granted, will allow Westport Public Schools to enhance security access at all eight schools.

Demonstrated Need:

In Capital Forecast: Yes \_\_\_\_\_ No X\_\_\_\_\_

If No, Reason Why:

All security enhancements to be evaluated for funding separate from the annual capital budget request.

Change to Capital Forecast (Plus/Minus):

And Why Difference:

**SECTION #4 (How To Evaluate Request From Financial perspective?)**

Benchmarks (Comparable) Available:

Basis For Cost Estimate (Bidding process/Past Experience/Pro-Forma Estimates:  
Quotation from the sole source provider of 3M window film for Connecticut.

**SECTION #5 (What is Process Required Preceding Or Following BOF & RTM Approvals?)**

BOE, BOF, RTM and Board of Selectmen approvals will be required.

**List Approvals Required/Obtained/Pending (Attach All Submissions/Responses):**

**Any Public Hearings/Comments (Summarize & Provide Both Positive/Negative Examples):**

**Are any Required Approvals Not Granted Likely To Affect Funding Request? (Impact On Revenues or Reimbursements):** Without approvals, the project will not be initiated.

**SECTION #6 (What Happens to Town Finances if Request Approved?)**

**Impact On Department's Current Budget Increase Over Last Year:**

**Impact, If Any, On Department's Operating Costs (Plus Or Minus):**

**Ancillary Costs Associated with request (Maintenance Contracts, Supplies, etc.):**

**Useful Life of Capital Asset (Compared to Item Being Replaced and Other Benchmarks):**

**Impact On Net Contribution to Town's Total Debt and Annual Debt Service:**

**Cost Per User (Or Per Use) Per Year:** Not applicable.

**Revenues Attached to Asset's Use, if Any:** Not applicable.

**SECTION #7 (What Happens if Not Approved?)**

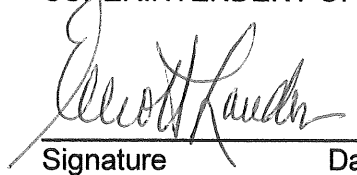
**Alternatives to Request (Outsourcing, Rental, Leasing, etc.):**

**Ramifications to Delaying or Denying Request:**

JAMES MARPE  
FIRST SELECTMAN

 5/30/14  
Signature Date

ELLIOTT LANDON  
SUPERINTENDENT OF SCHOOLS

 5/29/2014  
Signature Date

## **Business and Non-Instructional Operations**

### **Health and Medical Insurance**

#### **Philosophy**

The establishment of a health and medical insurance funding policy based on confidence levels established by the Board of Education's benefit consultant will be applicable to the District's Internal Service Fund for Health and Medical Insurance. Internal Service Funds are commonly established when a governmental entity such as the Westport Public Schools ("District") wishes to account for a particular activity separately from its operating fund revenues and expenses. The District will continue to maintain an Internal Service Fund for Health and Medical Insurance under its statutory responsibilities as a creation of the State of Connecticut to include all revenues and expenses related to health care so as to be able to report the ongoing employer and employee contributions, expenses and fund balance available for health care and medical costs.

Adequate funding levels are a necessary component of the District's overall financial management strategy and a key factor in assessing the school district's financial strength. Adequate funding provides the District with the resources to manage cash flow with regard to health and medical insurance and deal with unanticipated and/or volatile expenses, catastrophic illnesses and changes in economic conditions. Adequate balances in the Internal Service Fund for Health and Medical Insurance lessen the chances that unexpected deficits in this fund will need to be covered by the General Fund or by a special appropriation from the Board of Finance and Representative Town Meeting (RTM). As self-insured, the District collects employee and employer contributions, receives an appropriation for operating expenses and uses these revenues to pay health care and medical costs. At the end of the fiscal year, the difference between the amount collected and the bills paid is retained as a Health Care and Medical Reserve. The district also records the amount of health care claims that have been Incurred But Not Received (IBNR) at the end of the fiscal year.

Reporting activity about the Internal Service Fund for Health and Medical Insurance shall be made to the Board of Education monthly. The quarterly and end-of-year financial reports will include a Statement of Cash Flows, a Statement of Net Assets, year-end projections and variances and these items will be analyzed quarterly by the Board. The quarterly and end-of-year financial reports will show contributions by employees and employer as well as payment for services and the resulting changes to the IBNR and the amount available as a reserve for future costs.

### **Funding Levels**

The amount of the claims fluctuation margin and the IBNR funding level will be established through the annual budgeting process. The Board of Education shall include in its operating budget a funding level to preserve an appropriate claims fluctuation margin of 5% or more of projected health and medical insurance claims as determined by the health benefits consultant of the Board of Education for the fiscal year extending from July 1 to June 30, said fluctuation margin to be adjusted upward annually depending upon decisions made concerning the amount of stop-loss insurance per individual and aggregate claims to be purchased. For the IBNR health claims, the operating budget funding level should be 9% of anticipated claims as determined by the health benefits consultant of the Board of Education, assuming constant anticipated expenditures from year to year. End-of-year fund balances that exceed 14% (5%+9%), shall be transmitted to the Town of Westport, as appropriate.

### **Relationship With Town of Westport**

In the event the Board of Education, in its sole discretion, determines that it is in the best interests of the school system to be advised for health and medical insurance by the same health insurance consultant as the Town of Westport, two separate and distinct employee risk pools shall be maintained; one for Board of Education employees and one for Town employees. The revenues and expenses associated with the risk pool for Board of Education employees shall be the sole responsibility of the Board of Education; those associated with the Town are to be the sole responsibility of the Town.

### **Review**

Internal reviews of the Internal Service Fund shall be conducted by at least two administrators or their designees quarterly and the results will be shared with the Board of Education. The Board of Education shall review annually in January and March of each year, in consultation with its health benefits consultant, the funding levels established in the previous year and projections of expenses for the succeeding year. At the meeting in March, a representative of the health insurance company shall be in attendance. An external audit of the Internal Service fund shall be conducted annually.

### **WESTPORT PUBLIC SCHOOLS**

Legal Reference: Connecticut General Statutes  
10-220 Duties of boards of education

Policy adopted:

WESTPORT PUBLIC SCHOOLS  
 FIVE YEAR CAPITAL FORECAST  
 2014-2015 THROUGH 2018-2019

Item # 7 BOE

Fiscal Year	Description	Estimate	Sub-Total	In Cap Since
2014-2015	<b>Long Lots Elementary School</b> Replacement of Windows, Window Coverings and Exterior Doors	\$1,500,000	\$1,500,000	2000
	<b>Bedford Middle School</b> Utility Grade Energy and Economic Initiatives Building Mgt System Engery Upgrade Indoor Lighting Upgrades Outdoor Lighting Upgrades	\$500,085	\$500,085	2014
	<b>Coleytown Middle School</b> Utility Grade Energy and Economic Initiatives Upgrade to high efficiency condensing boilers Replace boiler circulating pumps and install Variable Frequency Drives Replace Auditorium HVAC Unit and upgrade energy controls Add Variable Frequency Drives to air handling units, pumps and fans Replace HVAC in locker rooms and gym units, add cooling to locker rooms Building Mgt System Engery Upgrade Outdoor Lighting Upgrades	\$1,300,168	\$1,300,168	2014 2008 2011 2011
	<b>Staples High School</b> Upgrade Boys Gym Locker Room Area (lockers, flooring, fixtures, lighting, ceiling) Upgrade Pool General Area and Bleachers (tile, trim, paint, seating, lighting) Upgrade Boys and Girls Pool Locker Room Areas (lockers, flooring, fixtures, lighting, ceiling)	\$225,000 \$500,000 \$375,000	\$1,100,000	2008 2008 2008
	<b>Total Fiscal Year 2014-2015</b>		<b>\$4,400,253</b>	



WESTPORT PUBLIC SCHOOLS  
 FIVE YEAR CAPITAL FORECAST  
 2014-2015 THROUGH 2018-2019

Fiscal Year	Description	Estimate	Sub-Total	In Cap Since
2015-2016	<b>Coleytown Elementary School</b> Replace Pitched Asphalt 3-Tab Shingled Roof (1986)	\$165,000	\$165,000	2011
	<b>Long Lots Elementary School</b> Locker Room to Classroom Conversion (3 closets, 2 showers plus main room to 3 classrooms, 2 common rooms, boys & girls bathroom)	\$1,400,000	\$1,400,000	2006
	<b>Saugatuck Elementary School</b> Flat Roof (replace 65,000 sq. ft. and add drains) - 1994	\$1,000,000	\$1,000,000	2008
	<b>Coleytown Middle School</b> Repave Parking Lower Lot and Replace Curbing	\$110,000	\$110,000	2008
	<b>Staples High School</b> Roof Replacement Fieldhouse Area A	\$610,000		
	Energy and Economic Initiatives Replace 2 Pool Boilers with High Efficiency Condensing Add VFDs to 2 Boiler Pumps for Pool Boilers Downsize Domestic Hot Water Storage Tank Replace 2 Building D0 Boilers with High Efficiency Condensing Add VFDs to 2 Boiler Circulating Pumps for Building D0 Boilers Replace Pool Locker Room and Lobby Area HVAC Units Provide New Pool Area Dectron HVAC Dehumidification System Add CO2 and Dual Enthalpy Controls to Building Management System Outdoor Lighting Upgrades	\$2,045,256	\$2,655,256	2014 2005
<b>Total Fiscal Year 2015-2016</b>			<b>\$5,330,256</b>	
2016-2017	<b>Long Lots Elementary School</b> Replace & Upgrade Auditorium House Lighting	\$100,000		2011
	Energy and Economic Initiatives Boiler Replacement - 1955 (H.B. Smith) 1973 (Weil McLain) Add VFDs to Boiler Circulating Pumps Install Air Conditioning in Cafeteria Add CO2 Controls to Building Management System Indoor Lighting Upgrades Outdoor Lighting Upgrades	\$1,098,137	\$1,198,137	2014 2005
	<b>Staples High School</b> Field House Floor Resurface	\$172,312		2011
<b>Total Fiscal Year 2016-2017</b>			<b>\$1,370,449</b>	

WESTPORT PUBLIC SCHOOLS  
 FIVE YEAR CAPITAL FORECAST  
 2014-2015 THROUGH 2018-2019

Fiscal Year	Description	Estimate	Sub-Total	In Cap Since
2017-2018	<b>Coleytown Elementary School</b> Energy and Economic Initiatives Install Air Conditioning in Gym Add CO2 Controls to Building Management System Indoor Lighting Upgrades Outdoor Lighting Upgrades	\$327,482	\$327,482	2014 2005 2005
	<b>Green's Farms Elementary School</b> Energy and Economic Initiatives Add CO2 Controls to Building Management System Outdoor Lighting Upgrades	\$125,114		2014
	Repave Parking Lot and Replace Asphalt Curbing	\$132,000	\$257,114	2009
	<b>King's Highway Elementary School</b> Casework Replacement (lead remediation required)	\$600,000	\$600,000	2008
	<b>Bedford Middle School</b> Repave lower Parking Lot & Bus Loop and Replace Curbing	\$275,000	\$275,000	2012
	<b>Staples High School</b> Replace 1998 Roofs (106,000 square feet) Areas C, D, E, F, G, H, I, J, K, L, M, N, P, Q, Z	\$1,400,000	\$1,400,000	2013
	<b>Total Fiscal Year 2017-2018</b>		<b>\$2,859,596</b>	

WESTPORT PUBLIC SCHOOLS  
 FIVE YEAR CAPITAL FORECAST  
 2014-2015 THROUGH 2018-2019

Fiscal Year	Description	Estimate	Sub-Total	In Cap Since
2018-2019	<b>Coleytown Elementary School</b> Replace Classroom Casework	\$730,000	\$730,000	2006
	<b>Long Lots Elementary School</b> Casework Replacement	\$670,000	\$670,000	2008
	<b>Bedford Middle School</b> Resurface Gym Floor	\$81,523	\$81,523	2012
	<b>King's Highway Elementary School</b> Energy and Economic Initiatives Replace 2 Boilers with High Efficiency Condensing Upgrade Building Management System Outdoor Lighting Upgrades	\$796,944	\$796,944	2014 2000
	<b>Saugatuck Elementary School</b> Energy and Economic Initiatives Add CO2 Controls to Building Management System Outdoor Lighting Upgrades	\$135,569	\$135,569	2014
	Total Fiscal Year 2018-2019		\$2,414,036	
	<b>FIVE YEAR TOTAL (2014-2015 THROUGH 2018-2019)</b>		\$16,374,590	



**WESTPORT CONNECTICUT  
BOARD OF FINANCE**

**DRAFT MINUTES OF PUBLIC HEARING**

The Board of Finance held its Public Hearing on **Wednesday, May 21, 2014** at 8:00 p.m. in the Auditorium of Town Hall. The following items were considered:

Present were Stern, Pincavage, Lasersohn, Caney, Collins, Tooker, Rea (by phone).

**DISCUSSION/REVIEW**

1. Financial Report from the Finance Director. (No action taken)
2. Status Update from the Internal Auditor. (No action taken)

**DETERMINATION OF TAX RATE**

3. Stern proposed and Lasersohn seconded a motion to set the Mill Rate for the fiscal year 2014/15 at 17.94, representing a decrease from the current rate of 0.72%. Unanimously approved

**APPOINTMENT OF AUDITORS**

4. Collins proposed and Lasersohn seconded a motion to appoint Mcgladrey as the independent auditor for the Town of Westport for the fiscal year 2013/14. Motion was approved 5 to 2, with Stern and Rea opposed.

**TRANSFERS IN THE 2013-2014 BUDGET**

5. The Board will consider the following request(s) for transfer amounts of \$3,000 or less that have been approved by the First Selectman:

- a) A request by the Assessor for a transfer of \$750 from the Assessor Account #10101154-561000 (Supplies) to the Assessor Account #10101154-543000 (Vehicle Maintenance/Fuel) to cover maintenance expenses on the department's Honda CRV.
- b) A request by the Director of Human Services for a transfer of \$900 from the Youth Services Account #10105510-513001 (Extra Help) to the Youth Services Account #10105510-585000 (Education & Expenses) to cover additional training for new staff members.
- c) A request by the Director of Planning and Zoning for a transfer of \$1,500 from the Planning and Zoning Account #10101185-561000 (Supplies) to the Planning and Zoning Account #10101185-543000 (Vehicle Maintenance/Fuel) to cover fuel and auto maintenance costs.

No action taken. For information only.

6. A request by the Tax Collector pursuant to CGS § 12-165 for a transfer of \$212,579.58 to the Suspense Tax Book representing uncollected motor vehicle and personal property tax accounts. Lasersohn proposed and Collins seconded. Approved unanimously.

## APPROPRIATIONS IN THE 2013-2014 BUDGET

7. A request by the Westport Historic District Commission for an appropriation of \$5,000 to the Historic District Account#10101181-531000 (Fees & Services) to allow the Historic District Commission to access funds in that amount that it received from the CT Trust for Historic Preservation 2013 VCI grant program on October 16, 2013. Rea proposed and Stern seconded. Motion approved 5 to 2, with Collins and Lasersohn opposed.
8. A request by the Library Director for an appropriation of \$20,893 to the Capital and Non Recurring Account#31507750-500272 for the repair of an air conditioning unit at the library. Approved unanimously.
9. A request by the First Selectman for an appropriation of \$66,350 to various salary accounts for the Supervisors salary adjustments. Approved unanimously.
10. A request by the Director of Public Works for an appropriation of \$180,348.15 to the Public Works Highway Division Account#10103320-588000 (Program Expenses) to cover expenses incurred during the previous winter. Approved unanimously.

## RECOMMENDATION

11. A request by the First Selectman, in accordance with Section C6-2 of the Town Charter, to recommend a residential lease of the town owned property located at 260 Compo Road South, Cabin #10. Proposed by Lasersohn and seconded by Collins. Approved unanimously.

## APPROVAL OF MINUTES

12. Approve the Board of Finance Minutes of the March 18, 2014 formal budget hearing.
  13. Approve the Board of Finance Minutes of the March 20, 2014 formal budget hearing.
  14. Approve the Board of Finance Minutes of the April 2, 2014 regular meeting.
- All approved unanimously.

Meeting adjourned by unanimous vote at 9.27pm.

**Children's Community Development Center, Incorporated**

**Financial Statements**

**August 31, 2013**

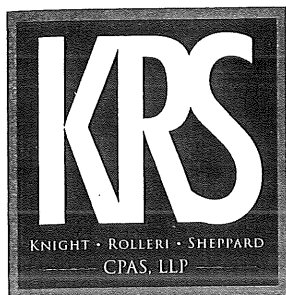


**Where Learning Begins**

**Children's Community Development Center, Incorporated**

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Michael J. Knight, CPA, CVA, CFE, ABV  
John M. Rolleri, CPA, CFE  
Ryan C. Sheppard, CPA, CFF

## Independent Accountant's Review Report

To the Board of Directors of  
Children's Community Development Center, Incorporated

We have reviewed the accompanying statement of financial position of Children's Community Development Center, Incorporated (a nonprofit organization) as of August 31, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion. We have reviewed and reported on the financial statements presented by fund for the preceding year.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Knight Rolleri Sheppard CPAS, LLP*

Knight Rolleri Sheppard CPAS, LLP  
Fairfield, Connecticut  
October 30, 2013



**Children's Community Development Center, Incorporated**  
**Statement of Financial Position**

August 31, 2013

(With comparative totals for 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	August 31, 2013	August 31, 2012
<b>ASSETS:</b>					
<b>Current assets:</b>					
Cash and equivalents	\$ 122,535	\$ -	\$ -	\$ 122,535	\$ 83,895
Tuition and miscellaneous receivables net of reserve for uncollectible accounts of \$2,000 in 2013 and 2012	6,183	-	-	6,183	8,513
Notes receivable	3,945	-	-	3,945	9,710
Prepaid assets	7,477	-	-	7,477	12,631
Total current assets	140,140	-	-	140,140	114,749
<b>Noncurrent assets:</b>					
Restricted cash	27,929	-	-	27,929	27,700
Notes receivable	-	-	-	-	6,969
Property and equipment, net	191,741	-	-	191,741	181,508
Interfund receivable (payable)	(24,700)	-	24,700	-	-
Total noncurrent assets	194,970	-	24,700	219,670	216,177
Total assets	\$ 335,110	\$ -	\$ 24,700	\$ 359,810	\$ 330,926

See independent accountant's review report and notes to financial statements.

Children's Community Development Center, Incorporated  
Statement of Financial Position  
August 31, 2013  
(With comparative totals for 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	August 31, 2013	August 31, 2012
<b>LIABILITIES AND NET ASSETS:</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 12,476	-	-	\$ 12,476	\$ 4,892
Installment loan payable	4,287	-	-	4,287	6,456
Deferred tuition and fees revenue	165,888	-	-	165,888	132,860
Other accrued liabilities	1,623	-	-	1,623	1,968
Total current liabilities	<u>184,274</u>	<u>-</u>	<u>-</u>	<u>184,274</u>	<u>146,176</u>
<b>Net assets:</b>					
Unrestricted:					
For any activities of the organization (deficit)	(44,134)	-	-	(44,134)	(46,669)
Property and equipment	191,741	-	-	191,741	181,508
For support of scholarships	-	-	-	-	6,704
For support of child care teacher discount	-	-	-	-	12,278
For support of teacher education	3,229	-	-	3,229	3,229
Temporarily restricted:	-	-	-	-	3,000
For spanish language program	-	-	-	-	-
Permanently restricted:	-	-	-	-	-
For support of scholarships	-	-	14,000	14,000	14,000
For support of child care teacher discount	-	-	5,700	5,700	5,700
For support of teacher education	-	-	5,000	5,000	5,000
Total net assets	<u>150,836</u>	<u>-</u>	<u>24,700</u>	<u>175,536</u>	<u>184,750</u>
Total liabilities and net assets	<u>\$ 335,110</u>	<u>\$ -</u>	<u>\$ 24,700</u>	<u>\$ 359,810</u>	<u>\$ 330,926</u>

See independent accountant's review report and notes to financial statements.

**Children's Community Development Center, Incorporated**  
**Statement of Activities**

**For the Year Ended August 31, 2013**  
 (With comparative totals for 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>August 31, 2013</u>	<u>August 31, 2012</u>
<b>Revenues, gains and other support:</b>					
Tuition and fees	\$ 1,388,306	-	-	\$ 1,388,306	\$ 1,356,578
United Way support	9,330	-	-	9,330	40,309
Contributions	15,709	-	-	15,709	20,131
Interest income	117	-	-	117	285
Special events	67,592	-	-	67,592	73,595
Loss on retirement of fixed assets	-	-	-	-	(11,169)
Miscellaneous	1,233	-	-	1,233	7,054
Net asset released from restriction:					
Satisfaction of program restriction	3,000	(3,000)	-	-	-
Total revenues, gains and other support	<u>1,485,287</u>	<u>(3,000)</u>	<u>-</u>	<u>1,482,287</u>	<u>1,486,783</u>
<b>Expenses and losses:</b>					
Program services	1,350,252	-	-	1,350,252	1,389,023
Management and general	99,143	-	-	99,143	56,185
Fundraising	42,106	-	-	42,106	40,026
Total expenses and losses	<u>1,491,501</u>	<u>-</u>	<u>-</u>	<u>1,491,501</u>	<u>1,485,234</u>
Change in net assets from operations	<u>(6,214)</u>	<u>(3,000)</u>	<u>-</u>	<u>(9,214)</u>	<u>1,549</u>
Net assets at beginning of year	157,050	3,000	24,700	184,750	183,201
Net assets at end of year	<u>\$ 150,836</u>	<u>\$ -</u>	<u>\$ 24,700</u>	<u>\$ 175,536</u>	<u>\$ 184,750</u>

See independent accountant's review report and notes to financial statements.

**Children's Community Development Center, Incorporated**  
**Statements of Cash Flows**  
**For the Years Ended August 31, 2013 and 2012**

	<u>August 31,</u> <u>2013</u>	<u>August 31,</u> <u>2012</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (9,214)	\$ 1,549
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	33,999	37,622
Loss on retirement of fixed assets	-	11,169
(Increase) decrease in tuition and miscellaneous receivables	2,330	(1,512)
(Increase) decrease in prepaid assets	5,154	(8,177)
Decrease in notes receivable	12,734	10,868
Increase in restricted cash	(229)	-
Increase in accounts payable	7,584	2,822
Increase in deferred tuition and fees	33,028	12,875
Decrease in other accrued liabilities	(345)	(4,567)
 Total adjustments	<u>94,255</u>	<u>61,100</u>
 Net cash provided by operating activities	<u>85,041</u>	<u>62,649</u>
 <b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(44,232)	(56,223)
 Net cash used by investing activities	<u>(44,232)</u>	<u>(56,223)</u>
 <b>Cash flows from financing activities:</b>		
Principal payments on installment note payable	(2,169)	-
Proceeds from installment note payable	-	6,456
 Net cash provided (used) by financing activities	<u>(2,169)</u>	<u>6,456</u>
 Net increase in cash and cash equivalents	<u>38,640</u>	<u>12,882</u>
Cash and cash equivalents, September 1	<u>83,895</u>	<u>71,013</u>
Cash and cash equivalents, August 31	<u>\$ 122,535</u>	<u>\$ 83,895</u>

See independent accountant's review report and notes to financial statements.

**Children's Community Development Center, Incorporated**  
**Statement of Functional Expenses**  
**For the Year Ended August 31, 2013**  
**(With comparative totals for 2012)**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>August 31, 2013</u>	<u>August 31, 2012</u>
Salary	\$ 914,792	\$ 32,850	\$ 4,375	\$ 952,017	\$ 966,725
Employee benefits	134,162	4,818	642	139,622	124,578
Payroll taxes	85,047	3,054	407	88,508	89,268
Scholarships	22,299	-	-	22,299	50,078
Professional and nurse fees	-	52,285	-	52,285	10,640
Supplies and office	59,041	2,120	282	61,443	66,175
Occupancy	70,247	2,178	-	72,425	77,638
Telephone	3,098	111	15	3,224	4,205
Insurance	22,538	699	-	23,237	16,812
Meetings and conferences	5,849	-	-	5,849	5,695
Advertising	122	3	1	126	25
Fundraising	-	-	36,384	36,384	34,523
Miscellaneous	80	3	-	83	1,250
Total expenses before depreciation and amortization	<u>1,317,275</u>	<u>98,121</u>	<u>42,106</u>	<u>1,457,502</u>	<u>1,447,612</u>
Depreciation and amortization	32,977	1,022	-	33,999	37,622
Total expenses	<u>\$ 1,350,252</u>	<u>\$ 99,143</u>	<u>\$ 42,106</u>	<u>\$1,491,501</u>	<u>\$ 1,485,234</u>

See independent accountant's review report and notes to financial statements.

**Children's Community Development Center, Incorporated**  
**Notes to Financial Statements**  
**August 31, 2013**  
**(See Independent Accountant's Review Report)**

**NOTE 1 - NATURE OF ACTIVITIES**

The Children's Community Development Center, Incorporated (CCDC) is a non-profit, educational childcare center located in Westport, Connecticut. It serves families with children ages 6 weeks through 5 years old. Professionals in early childhood care and education established it in 1979. The programs offer enrichment and support to parents and their children.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Statement Presentation**

CCDC prepares its financial statements using guidelines established under Statement on Financial Accounting Standard Codification 958. This standard requires that a non-profit organization provide information regarding the net assets of the organization based on the existence or absence of donor-imposed restrictions. The types of restrictions are described as follows:

Permanently restricted net assets - The part of the net assets of a not-for-profit organization resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization.

Temporarily restricted net assets - The part of net assets of a not-for-profit organization resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations.

Unrestricted net assets - The part of net assets of a not-for-profit organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CCDC's financial statements for the year ended August 31, 2012, from which the summarized information was derived.

**Cash and cash equivalents** - For purposes of the statement of cash flows, the CCDC considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents. CCDC maintains its cash accounts at various financial institutions across the State of Connecticut. Accounts are guaranteed by the FDIC up to \$250,000 per financial institution. As of August 31, 2013, CCDC had no uninsured cash balances. CCDC has not experienced any losses in such accounts and believes it is not exposed to any significant risk in maintaining accounts with the financial institutions.

**Children's Community Development Center, Incorporated**  
**Notes to Financial Statements**  
**August 31, 2013**  
**(See Independent Accountant's Review Report)**

**Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures i.e. functional expense allocations, depreciable lives, etc... Accordingly, actual results could differ from those estimates.

**Accounts receivables** – Accounts receivables arising from tuition program revenues are recorded at cost. Allowances for uncollectable accounts are reserved based upon historical write-offs. Accounts receivables are ultimately written off once management has exhausted all means of collection.

**Contributions policy** - CCDC reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor 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 restrictions. When a donor-imposed restriction is met in the same reporting period in which the contribution is received, the contribution will be reported as unrestricted support that increases unrestricted net assets.

**Property and equipment** - Property and equipment are recorded at cost at date of acquisition or at estimated fair market value at date of donation. Expenditures for property and equipment in excess of \$500 are capitalized.

Depreciation is provided on a straight-line basis over the estimated useful lives of 5 to 10 years for program equipment and 5 years for computers. Leasehold improvements are being amortized over the remaining term of the related lease or its useful life (Note 5).

**Contributed services** - During the year ended August 31, 2013, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist CCDC with their programs. CCDC receives more than 1,200 volunteer hours per year.

**Income taxes** - CCDC is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. CCDC evaluates all significant tax positions as required by generally accepted accounting principles in the United States. As of August 31, 2013, the management of CCDC does not believe that it has taken any tax positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. CCDC's information returns from August 31, 2010 through 2013 are subject to examination by the appropriate taxing jurisdictions.

**Deferred tuition and fees** - Tuition and fees are recognized as revenue within the fiscal year in which the programs are conducted. Amounts received in advance of the program year are deferred until the next fiscal year.

**Functional expenses** - Functional expenses have been allocated between program services and supporting services based upon an analysis of personnel time and space utilized for the related activities.

**Children's Community Development Center, Incorporated**  
**Notes to Financial Statements**  
**August 31, 2013**  
**(See Independent Accountant's Review Report)**

**Concentrations** – The majority of families utilizing the services of CCDC live within Westport, Connecticut and the immediate surrounding communities.

**Reclassifications** – Certain reclassifications have been made to the prior year's financial statements to conform to the current year.

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

Program equipment	\$ 75,322
Computer and office equipment	38,867
Leasehold improvements	407,854
	522,043
Accumulated depreciation	(330,302)
	\$ 191,741

**NOTE 4 - LEASE COMMITMENT AND RELATED PARTY**

CCDC leases space from The Parent Child Center, Inc. (PCC) through an informal lease arrangement. The intention of the parties is to continue this lease arrangement into the foreseeable future. CCDC is represented on PCC's board of directors. Rent expense for 2013 was \$57,255.

Effective September 1, 2005, PCC executed a lease agreement with the Town of Westport for the facility, which CCDC occupies. The lease agreement between PCC and the Town of Westport is through August 2015 with a renewal option for an additional five years. The payment schedule to PCC under their informal lease arrangement, which includes utility reimbursement, is as follows:

For the year ending August 31,

2014	\$	55,833		
2015		56,750	)	1,6096
2016		57,684	)	1,604
2017		58,638		
2018		60,097		
Thereafter		124,749		
Total	\$	413,751		4,296 of CO expense



**Children's Community Development Center, Incorporated**  
**Notes to Financial Statements**  
**August 31, 2013**  
**(See Independent Accountant's Review Report)**

**NOTE 5 – INSTALLMENT LOAN PAYABLE**

CCDC maintains a credit card facility to purchase items from programs used on a regular basis. The balance in the account is paid in full each month and CCDC does not carry a balance on the credit card.

**NOTE 6 - PENSION PLAN**

Effective January 1, 1995, CCDC adopted a self directed 403(b) salary reduction plan. All employees are eligible to participate and their contributions are immediately vested. CCDC contributes to the plan at various rates based upon length of employment. CCDC contributed \$34,798 to the plan for the year ended August 31, 2013.

**NOTE 7 – SUBSEQUENT EVENT**

In accordance with FASB Accounting Standards Codification 855, Subsequent Events, CCDC has evaluated subsequent events to the Statement of Financial Position date of August 31, 2013 through November 5, 2013, which is the date the financial statements were issued. Management has determined that there are no subsequent events that require disclosure.

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

LEARNING COMMUNITY, INC.

WESTPORT, CONNECTICUT

AUGUST 31, 2013 AND 2012

LEARNING COMMUNITY, INC.

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APICELLA, TESTA & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
& BUSINESS ADVISORS

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Achille A. Apicella, CPA ■ Andrew H. Testa, CPA ■ John J. Zaprzalka, CPA ■ Charles D. Smith, CPA

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors  
Learning Community, Inc.  
Westport, Connecticut

We have reviewed the accompanying statements of financial position of Learning Community, Inc. (a nonprofit organization) as of August 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information included in the accompanying Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we did not become aware of any material modifications that should be made to such information.

*Apicella, Testa + Company, P.C.*

APICELLA, TESTA & COMPANY, P.C.  
Certified Public Accountants

January 15, 2014

LEARNING COMMUNITY, INC.  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	August 31,	
	<u>2013</u>	<u>2012</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents, interest bearing of \$132,136 and \$129,695 as of August 31, 2013 and 2012, respectively	\$ 519,802	\$ 547,088
Prepaid expenses	46,708	39,395
Accrued interest receivable	<u>54</u>	<u>82</u>
<b>CURRENT ASSETS</b>	566,564	586,565
<b>MARKETABLE SECURITIES</b>	575,857	547,637
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	73,007	67,453
Leasehold improvements	<u>340,963</u>	<u>338,690</u>
	413,970	406,143
Less accumulated depreciation	<u>179,203</u>	<u>154,984</u>
	234,767	251,159
<b>OTHER ASSETS</b>		
Security deposit - leased equipment	<u>-</u>	<u>316</u>
	<u>\$ 1,377,188</u>	<u>\$ 1,385,677</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 9,072	\$ 17,711
Deferred revenue	<u>611,020</u>	<u>633,843</u>
<b>CURRENT LIABILITIES</b>	620,092	651,554
<b>NET ASSETS</b>		
Unrestricted	<u>757,096</u>	<u>734,123</u>
	<u>\$ 1,377,188</u>	<u>\$ 1,385,677</u>

See independent accountants' review report and accompanying notes to financial statements.

LEARNING COMMUNITY, INC.  
STATEMENTS OF ACTIVITIES

	Years Ended August 31,	
	<u>2013</u>	<u>2012</u>
<b>UNRESTRICTED NET ASSETS</b>		
Revenue		
Tuition	\$ 927,483	\$ 774,390
Summer program	55,656	59,292
Extended day	38,432	67,022
Supply fees	25,250	23,025
Application fees	20,150	19,700
	Total Income	1,066,971
		943,429
<b>EXPENSES</b>		
Wages - teachers	578,456	480,720
Wages - administrative	123,495	109,515
Rent	67,359	72,399
Employee benefits	67,294	49,452
Payroll taxes	58,995	52,854
Depreciation	25,308	22,197
All school expense	24,559	13,721
Pension	20,183	16,790
Wages - summer	19,250	22,813
Building cleaning	16,497	12,556
Classroom expenses	15,976	11,262
Insurance	13,387	12,732
Office supplies and expense	11,901	13,264
Music/drama expense	10,280	10,610
Repairs and maintenance	5,436	307
Staff development	5,277	5,597
Contracted labor	4,901	5,287
Professional fees	4,900	7,900
Telephone	4,514	5,402
Summer expenses	4,392	3,946
Equipment maintenance	3,393	924
Equipment rental	3,307	3,076
Miscellaneous	3,087	3,123
Licensing costs	1,582	3,202
Postage	1,065	647
Nurse	950	1,410
Advertising	350	405
Dues and subscriptions	301	4,364
Website maintenance	225	320
Director's expenses	-	76
	Total Expenses	1,096,620
		946,871

See independent accountants' review report and accompanying notes to financial statements.

LEARNING COMMUNITY, INC.  
STATEMENTS OF ACTIVITIES - CONTINUED

	Years Ended August 31,	
	<u>2013</u>	<u>2012</u>
Loss From Operations	\$ (29,649)	\$ (3,442)
Other income, net	<u>52,622</u>	<u>40,640</u>
INCREASE IN UNRESTRICTED NET ASSETS	22,973	37,198
Net assets at beginning of year	<u>734,123</u>	<u>696,925</u>
NET ASSETS AT END OF YEAR	<u>\$ 757,096</u>	<u>\$ 734,123</u>

See independent accountants' review report and accompanying notes to financial statements.

LEARNING COMMUNITY, INC.  
STATEMENTS OF CASH FLOWS

	Years Ended August 31,	
	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in unrestricted net assets	\$ 22,973	\$ 37,198
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	25,308	22,197
Unrealized investment gain	(12,501)	(16,656)
(Increase) decrease in operating assets:		
Prepaid expenses	(7,313)	(5,983)
Accrued interest receivable	28	(12)
Security deposit	316	-
Increase (decrease) in operating liabilities:		
Accounts payable	(8,639)	6,259
Deferred revenue	<u>(22,823)</u>	<u>114,375</u>
Net Cash Provided By (Used In) Operating Activities	<u>(2,651)</u>	<u>157,378</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(8,916)	(34,174)
Proceeds from sale of investment	-	256,166
Purchase of investments	<u>(15,719)</u>	<u>(346,200)</u>
Net Cash Used In Investing Activities	<u>(24,635)</u>	<u>(124,208)</u>
NET INCREASE (DECREASE) IN CASH	(27,286)	33,170
Cash and cash equivalents at beginning of year	<u>547,088</u>	<u>513,918</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 519,802</u>	<u>\$ 547,088</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:

Interest	\$ -	\$ -
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See independent accountants' review report and accompanying notes to financial statements.



LEARNING COMMUNITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Learning Community, Inc. (the "Organization") is a non-profit, non-denominational school, which provides an alternative educational opportunity for children throughout Fairfield County. The school covers pre-school to kindergarten.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Accounting Period

The financial statements cover the fiscal year of the Organization for federal income tax purposes, which runs from September 1 through August 31.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of six months or less to be cash equivalents.

Marketable Securities

The Organization under FASB Accounting Standards Codification 820 records investments in marketable securities with readily determinable fair values, and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Advertising

Advertising costs are expensed as incurred and included in expenses on the Statements of Activities.

See independent accountant's review report.

LEARNING COMMUNITY, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
AUGUST 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property and Equipment

Acquisitions of property and equipment are recorded on the Statement of Financial Position at cost less accumulated depreciation to reflect the Organization's net investment in property and equipment. Depreciation on furniture and equipment is provided for over an estimated useful life of five to ten years on a straight-line basis. Depreciation on leasehold improvements is provided for over an estimated useful life of 7 to 39 years on a straight-line basis. Maintenance and repairs are charged to operations as incurred.

Deferred Revenue

The amount reported as deferred revenue represents tuition payments and fees received in advance of the school year.

Net Asset Classes

The Organization prepares its financial statements using guidelines established under FASB Accounting Standards Codification 958; the accounting standard requires that a non-profit organization provide information regarding the net assets of the organization based on the existence or absence of donor imposed restrictions. The types of restrictions are described as follows:

Unrestricted Net Assets

Unrestricted net assets consist of net assets over which the Organization has direct control to use in carrying out the operations of the Organization. These assets are neither permanently restricted nor temporarily restricted by donor imposed stipulations.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor restriction which either expire with the passage of time (time restriction) or can be fulfilled and removed by actions of the Boards pursuant to various stipulations (purpose restriction).

Permanently Restricted Net Assets

Permanently restricted net assets consist of net assets resulting from contributions or other inflows of assets whose use by the Organization is limited by donor imposed stipulations whose limits do not expire with the passage of time nor can be fulfilled or otherwise removed by action of the Board.

See independent accountant's review report.

LEARNING COMMUNITY, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
AUGUST 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes

The Organization is a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation.

Accounting for Uncertainty in Income Taxes of FASB Accounting Standards Codification 740 requires the Organization to evaluate the income tax positions taken in their income tax returns and requires them to record a liability for unrecognized tax benefits. This accounting standard was issued to clarify the accounting for uncertainty in income taxes recognized in the financial statements by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Organization has evaluated their tax positions and anticipates that the accounting standard will not have a significant impact on their results of operations.

The Organization's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. The Organization's open audit periods are tax years 2010 through 2013. In evaluating the Organization's tax provisions and accruals, future taxable income, reversal of temporary differences, tax interpretations and planning strategies are considered. The Company believes their estimates are appropriate based on current facts and circumstances.

Donated Services

No amounts have been reflected in the statements for donated services in as much as no objective basis is available to measure the value of such services; however, a number of members have donated their time in the Organization's program services.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

See independent accountants' review report.

LEARNING COMMUNITY, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
AUGUST 31, 2013 AND 2012

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash accounts in commercial banks. The balances are insured by the Federal Deposit Insurance Corporation for up to \$250,000 per bank as of August 31, 2013 and 2012, respectively. As of August 31, 2013 and 2012, the Organization's balances exceeded this limit by \$164,170 and \$187,804, respectively.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	August 31,	
	<u>2013</u>	<u>2012</u>
Cash	\$ 473,802	\$418,088
Certificates of deposit	<u>46,000</u>	<u>129,000</u>
	<u>\$ 519,802</u>	<u>\$547,088</u>

NOTE 4 - MARKETABLE SECURITIES

Long-term investments are stated at fair value and consist of various mutual funds and stocks as follows:

	August 31,			
	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
BlackRock Global Allocation Fund	\$ 24,902	\$ 28,266	\$ 24,746	\$ 25,996
Calvert Short Duration Income Fund	63,821	62,953	62,950	62,515
Fidelity Advisor Strategic Fund	29,331	28,785	28,157	28,889
John Hancock Strategic Income Fund	72,373	74,627	69,081	73,102
JP Morgan Strategic Income Fund	28,915	29,701	28,206	28,598
Loomis Sayles Investment Grade Bond Fund	71,446	72,162	67,810	72,038
Lord Abbett Short Duration Income Fund	66,805	66,585	64,761	65,562
PIMCO Total Return Income Fund	69,153	66,954	65,735	68,814
Ivy Asset Strategy Fund	24,304	29,939	23,904	25,473
IShares TR Russell 2000 Index FD	22,165	32,122	22,166	25,959
IShares Core S&P Mid-Cap	25,806	39,577	25,806	32,575
SPDR S&P 500 EFT Trust	<u>32,398</u>	<u>44,186</u>	<u>32,401</u>	<u>38,116</u>
TOTAL	<u>\$531,419</u>	<u>\$ 575,857</u>	<u>\$515,723</u>	<u>\$ 547,637</u>

See independent accountants' review report.

LEARNING COMMUNITY, INC.  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 AUGUST 31, 2013 AND 2012

NOTE 5 - FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value in the accompanying statements of financial position.

Fair Value Measurements Using:

	<u>Fair Value</u>	Quoted Prices In Active Markets For Identical Assets (Level 1)
<u>August 31, 2013</u>		
Marketable Securities (Note 4)	\$575,857	\$575,857
<u>August 31, 2012</u>		
Marketable Securities (Note 4)	\$547,637	\$547,637

FASB Accounting Standards Codification 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or Level 3 inputs were available to the Organization.

Level 1 Fair Value Measurements

The fair value of shares of registered investment companies is based on quoted net asset values of the shares held by the Organization at year end.

NOTE 6 - LEASED FACILITIES

The Organization conducts its operations from shared facilities that are rented. The annual rent is determined as a percentage of the total operating expenses of the shared facility used by the Organization. The Organization's share is 35.04% and the monthly rent payments were determined to be \$5,613 per month for the year. The present lease will expire on August 31, 2014 and may be renewed for one additional five-year term. In addition, the Town of Westport (Lessor) may reacquire the use of the premises if it deems the additional space is required for the use of its public school system. This will require that the lessee be given no less than twenty-four month's notice of the Town's intentions. Rent expense for the years ended August 31, 2013 and 2012 amounted to \$67,359 and \$72,399, respectively.

See independent accountants' review report.

LEARNING COMMUNITY, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
AUGUST 31, 2013 AND 2012

NOTE 7 - RETIREMENT PLAN

Effective March 2000, the Organization adopted a defined contribution retirement plan, which covers substantially all salaried employees. The Organization's contributions to the plan are at the discretion of the Board of Directors. Employees may make contributions to the plan subject to the limitations regulating deductions for federal income tax purposes.

The Organization's contribution for the years ended August 31, 2013 and 2012 totaled \$20,183 and \$16,790, respectively.

NOTE 8 - FUNDRAISING ACTIVITIES

Total fundraising costs were \$23,961 and \$25,752 for the years ended August 31, 2013 and 2012, respectively.

NOTE 9 - NET ASSETS

The Organization's Finance Committee has decided that they will not designate the unrestricted net assets for fiscal year 2013/2014.

NOTE 10 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 15, 2014, the date the financial statements were available to be issued.

See independent accountants' review report.

SUPPLEMENTARY INFORMATION

LEARNING COMMUNITY, INC.  
 SCHEDULE I - DETAILS OF OTHER INCOME (EXPENSE), NET

	Years Ended August 31,	
	<u>2013</u>	<u>2012</u>
OTHER INCOME (EXPENSE)		
Fundraising revenue, net	40,777	\$ 47,904
Investment income	18,399	16,352
Unrealized investment gain	12,501	16,656
Donations	4,893	3,250
Miscellaneous income	9	10
Art program overage	(5,670)	(5,058)
Coach John	(8,100)	(6,350)
Staff bonuses	<u>(10,187)</u>	<u>(32,124)</u>
	<u>\$ 52,622</u>	<u>\$ 40,640</u>

See independent accountants' review report.





## WESTPORT, CONNECTICUT

OFFICE OF THE  
TOWN ATTORNEY

Date: May 30, 2014

To: All Board of Finance Members

From: Gail Kelly, Assistant Town Attorney *G.K.*

**Re: Lease between the Town of Westport and the Parent Child Center, Inc. ("PCC") dated May 20, 2005 (the "Hillpoint School Lease")**

In preparation for your review of the five year renewal option of the Hillpoint School Lease, I am providing the following documents:

- 1) The Hillpoint School Lease.
- 2) Financial Statements for the Children's Community Development Center, Incorporated as of August 31, 2013.
- 3) Financial Statements and Supplementary Information for Learning Community Inc. August 31, 2013 and 2012.
- 4) Financial Statements for Saugatuck Child Care Services, Inc. as of August 31, 2013.
- 5) Parent Child Center, Inc. Balance Sheet and Income Statement as of August 31, 2013.
- 6) Information sheet provided by the Parent Child Center, Inc.

The term of the Hillpoint School Lease commenced September 1, 2005 and continues until August 31, 2015. At the expiration of the initial term, the Lease provides for an option to renew for one additional five year term. The PCC timely notified the Town of its desire to exercise the option. The Town has until August 31, 2014 to reject or accept the renewal.

By way of background, the property is a 6.9 acre parcel located in a residential district. The building is roughly 39,000 sq. ft. The property has been leased to the PCC and occupied by the three non-profit organizations since 1980. Since that time, the P&Z Commission has consistently issued a positive §8-24 report for the continued leasing of the building. The last positive §8-24 report was issued in 2004 for the current lease. The Board of Finance also recommended the Hillpoint School Lease in April 2005.

The lease payments are based upon the cost of the repair or replacement of major structural and/or mechanical components of the building. (See Schedule A to the Lease). \$10,000 of the yearly rent is deposited into the General Fund. The remaining portion is deposited into the Parent Child Center Escrow Fund (the "PCC Account"). The PCC Account is used to pay for any mechanical or structural repairs in excess of \$1,000. It is administered by the Town and it is not available for ordinary repair or maintenance. These costs are also the responsibility of the PCC. The current balance in the PCC Account is roughly \$191,000.

The Town continues to have use of the playing fields behind the school.

The Town has the right to reclaim the premises for any municipal purpose, which includes reactivation of the premises as a school, use of the premises for Town or Board of Education administrative offices or the sale of the premises. (See paragraph 13 of the Lease).

If you need any further information or have any questions in advance of the meeting to be addressed at that time, please let me know. Thank you.

cc: James S. Marpe, First Selectman  
Avi Kaner, Selectman  
Helen Garten, Selectwoman

**TOWN OF WESTPORT, CONNECTICUT**  
**THE PARENT CHILD CENTER, INC. LEASE**

This indenture, (hereinafter the "Lease") made this 2<sup>nd</sup> day of May 2005 by and between the Town of Westport, (hereinafter the "TOWN"), a municipal corporation of the State of Connecticut, acting herein by Diane Goss Farrell, its First Selectwoman, and the PARENT CHILD CENTER, INC., (the "PCC") a non-profit corporation of the State of Connecticut, (hereinafter the "LESSEE") acting herein by its President.

WHEREAS, the TOWN is interested in maintaining an educational use at the Hillspoint Elementary School and in maintaining the character of the community immediately surrounding the School; and

WHEREAS, the LESSEE oversees a preschool/day care center at the Hillspoint Elementary School; and

WHEREAS, the TOWN desires to rent the School and the real property of which the School is a part to the LESSEE subject to the terms and conditions of this Lease;

NOW, THEREFORE, in consideration of the mutual covenants of the parties, it is hereby agreed as follows:

**1) Lease**

The TOWN hereby demises and leases unto the LESSEE and the LESSEE hereby hires and takes from the TOWN for the term and covenants and upon the rentals hereinafter specified, the premises known as the Hillspoint Elementary School together with the real property of which the School is a part, owned by the TOWN and located at 90 Hillspoint Road, Westport, Connecticut, as shown on Westport Land Records Map Number 7434 (hereinafter, the "Premises").

**2) Term; Option to Renew**

Unless earlier terminated pursuant to the provisions hereof, the initial term of the Lease shall be for ten (10) years commencing September 1, 2005 and ending August 31, 2015. At the expiration of the initial term, this Lease shall be renewable for one additional five

(5) year term as follows: The LESSEE shall notify the TOWN of its intention to renew this Lease no later than May 31, 2014. The TOWN shall, no later than August 31, 2014, notify the LESSEE of its acceptance or rejection of the renewal. If the TOWN fails to notify the LESSEE by such date, it shall be considered as acceptance of the renewal, and this Lease shall thereby be renewed through August 31, 2020.

**3) Rent; Terms of Payment**

The annual rents will be those outlined in Schedule A. The annual rent shall be payable in twelve equal monthly payments, due and payable on the first day of each month, commencing on September 1, 2005. Rents received after the 10<sup>th</sup> day of the month will be considered a late payment and the TOWN may, at its option, assess interest on the late payment at the rate of one and one-half percent (1 ½ %) per month. Failure to pay rent shall be a default as provided in paragraph 23. Any liability for unpaid rent shall survive the termination of this Lease.

Rents shall be paid directly to the Town of Westport and sent to the office of the Finance Director, 110 Myrtle Avenue, Westport, CT. The TOWN will deposit the annual rental amounts outlined in Schedule A as follows:

- (i) \$10,000 of each annual rental amount shall be deposited into the TOWN'S General Fund; and
- (ii) The remaining portion of each annual rental amount shall be deposited into an escrow fund entitled the Parent-Child Center Escrow Fund (hereinafter referred to as, "the PCC Account") which includes all assets and liabilities of the account formerly known as the "Hillspoint Account." Funds in the PCC Account will be the property of the TOWN.

**4) Maintenance; Repairs; Option to Terminate**

(a) LESSEE shall keep the Premises, including all improvements, furniture and fixtures therein, in good order and repair throughout the term of this Lease. Except as provided in subparagraph (b) hereof, all operating expenses and all maintenance of and repairs to the Premises, (and the personal property installed thereon), shall be the responsibility of the LESSEE, and except as provided in paragraph 5, shall be performed at the expense of the LESSEE.

For purposes of this paragraph 4, the term "operating expenses" shall include all expenses and costs payable in connection with the operation of the Premises including, but not limited to, the cost of utilities (e.g. water, electricity, fuel, telephone, garbage removal, alarm systems), and all supplies and materials used in the operation of the Premises. Repairs and maintenance shall include, but not be limited to, all major and minor, capital or ordinary repairs to the Premises, interior alterations, installation and repair of fencing and playscapes, mowing, snow removal and grounds maintenance. The LESSEE shall also keep the sidewalks, driveways and parking areas of the Premises clean and free of obstructions, including snow and ice.

The TOWN reserves the right to make reasonable inspections, upon reasonable notice, of the Premises to ensure that appropriate steps are being taken to maintain the Premises. If it is determined by the TOWN, in its sole discretion, that necessary repairs and/or maintenance are/is not taking place, the TOWN shall direct the LESSEE to undertake such repairs or maintenance. Such repair or maintenance shall be done by appropriately licensed professionals. If the LESSEE fails to comply with any such reasonable directive, the TOWN may, at its option, terminate this Lease immediately or undertake the repairs and/or maintenance, in which case the LESSEE agrees to reimburse the TOWN for any expenses incurred for such repair or maintenance within thirty (30) days of the completion thereof. If the LESSEE fails to reimburse the TOWN for all expenses incurred within the required thirty (30) day limit, the TOWN may, at its option, terminate this Lease immediately and proceed in accordance with the provisions of paragraph 23.

(b) The Town shall be responsible for the grounds keeping of the playing fields as designated on Exhibit A hereto and shall be responsible for the maintenance and repair of the two (2) baseball backstops located on such fields. Any other equipment (for example, playground equipment or fences) installed on such fields by LESSEE or any Agency (as defined herein) or other subtenant shall be maintained by LESSEE or such Agency or subtenant, as the case may be.

**5) The PCC Account; Replacement and/or Repair of Major Components**

The PCC Account will be administered by the TOWN and will be used to pay for the replacement or repair of major components. For purposes of this paragraph, the term “major components” shall mean all structural and/or mechanical repairs or replacements in excess of one thousand dollars (\$1,000).

Requests for replacement or repair of major components will be initiated by LESSEE and submitted to the Department of Public Works (DPW) of the Town of Westport. Upon approval of the request, DPW will follow established Town procedures to accomplish the replacement or repair of such major component(s). The Controller of the Town of Westport will also follow established Town procedures to accomplish payments for the replacement or repair of the major component(s) and to charge the PCC Account accordingly.

**6) Limit on the Repair or Replacement of Major Components**

Notwithstanding anything in this Lease to the contrary, to the extent the TOWN has any obligation to replace or repair major components, such obligation shall be limited to the funds in the PCC Account. If the repair or replacement of a major component is necessary, or if any other repair or replacement of a major component not contemplated as of the date of this Lease is necessary, and the cost of such repair or replacement exceeds the amount in the PCC Account, then the LESSEE shall be responsible for the excess cost and will make such repair or replacement in accordance with the provisions of paragraph 4 hereof. If LESSEE fails to make or pay for the excess cost of a repair or replacement described in the preceding sentence and the TOWN elects not to pay the excess cost, then this Lease shall terminate as follows:

- (i) Twelve months after the conclusion of the school year in which the notice to terminate is delivered by either party in the case of a repair or replacement which does not jeopardize the health or safety of individuals occupying the Premises; or

(ii) Immediately upon the determination by any state or local authority that the failure to make such repair or replacement could jeopardize the health or safety of individuals occupying the Premises.

The period between the date of delivery of the termination notice and the effective date of termination shall be referred to as the "Notice Period". If the Lease is terminated in accordance with Subparagraph 6(i), then, during the Notice Period: (a) LESSEE shall be relieved of any responsibility for the cost of the repair or replacement of major components; and (b) LESSEE'S obligation to otherwise maintain the Premises in accordance with the terms of this Lease as well as all other obligations of the LESSEE hereunder, including the obligation to pay rent, shall continue in full force and effect.

**7) Compliance with State Fire Safety Code; Option to Terminate**

In addition to the responsibilities of the LESSEE set forth in paragraph 4 and 6 and notwithstanding the provisions of paragraph 5, the LESSEE shall comply with the requirements of the Connecticut Fire Safety Code and shall be responsible for any and all minor and major work including, but not limited to, renovations and structural alterations required at any time during the period of this Lease, to bring the leased Premises into compliance with said Code. The TOWN reserves the right to make reasonable inspections, of the Premises, upon reasonable notice, to ensure that the appropriate steps are being taken by the LESSEE to comply with the aforesaid Code. If it is determined by the TOWN, in its sole discretion, that the necessary work is not done or not being done, the TOWN shall direct the LESSEE to perform such work. All work shall be done by appropriately licensed professionals. If the LESSEE fails to comply with such reasonable directive, the TOWN may, at its option, terminate this Lease immediately or undertake the necessary work to bring the building "up to code," in which case the LESSEE agrees to reimburse the TOWN for any expenses incurred in and as the result of such work within thirty (30) days of the completion of the work. If the LESSEE fails to reimburse the TOWN for all expenses incurred within the required thirty (30) day limit, as the case may be, the TOWN may, at its option, terminate this Lease immediately and proceed in accordance with the provisions of paragraph 23.

LESSEE will not permit the parking of any vehicles in any manner which interferes with the driveways, sidewalks and fire lanes and any other areas desired to be kept clear by the TOWN.

**8) No Assignment or Subletting**

The TOWN acknowledges that the Premises are currently being sublet to The Learning Community Day School, Inc., SCCS, Inc. and the Children's Community Development Center, Inc. (hereinafter "the Agencies") It is anticipated that the LESSEE and the Agencies will be able to resolve among themselves which days and hours the gymnasium, playing fields and other facilities will be used by each Agency.

The LESSEE may neither sublet the Premises, or any portion thereof, to an entity other than specified herein, nor may it assign this Lease without the prior written approval of the TOWN, which approval shall not be unreasonably withheld. A condition precedent to the Town's approving an assignment of the Lease is a review of and adjustment to the annual rent schedule. (See Schedule A).

**9) Use of Premises**

(a) The Premises shall be used only for child care and educational purposes and fundraising activities in connection therewith. The LESSEE expressly agrees not to use or permit the Premises to be used for any other purpose without the prior written approval of the TOWN. It shall not be deemed unreasonable to withhold approval for uses other than for child care, education and fundraising activities associated therewith.

(b) The LESSEE shall have exclusive use of the Premises, subject to such rights of inspection and use as are reserved to the TOWN in this Lease. The LESSEE shall have the exclusive use of the parking areas between the hours of 7:00 a.m. and 6:00 p.m., Monday through Friday. The outside playing fields described in Exhibit A attached hereto and incorporated herein shall be used in common with the TOWN and others to whom such right may be given, subject to the right of the TOWN to adopt a schedule of use of the outside play areas by the LESSEE and others. It is understood that, in the event the TOWN and the LESSEE propose events that would conflict with each other,



the TOWN event is to be accorded priority. The LESSEE may submit to the TOWN a list of proposed restrictions on use of the play areas by others. Upon approval by the TOWN, the LESSEE may enforce those restrictions against others who use the play areas.

(c) The TOWN reserves the right to utilize the gymnasium and common area for programs sponsored by TOWN departments or agencies at any time after 6:00 p.m., daily, and all day on Saturdays, Sundays and holidays upon reasonable notice to the LESSEE. In addition, the common area shall be made available to the Registrars of Voters for voting purposes for any regular or special election from 6:00 a.m. to 8:00 p.m. on the day of such election, plus reasonable set-up and breakdown time before and after any election day, and for any other occasion when it is needed for voting purposes. The TOWN shall keep a record of expenses attributable to the TOWN'S use of the building and shall be responsible for paying for these expenses directly.

(d) Where outside groups or agencies wish to use the leased Premises, or any portion thereof, for any planned event, permission shall be obtained from the TOWN and the LESSEE and such outside group or agency shall submit evidence of insurance in amounts satisfactory to the TOWN. The LESSEE shall have no liability for any damage or injuries sustained by any person or property during the course of, or as the result of, such use.

(e) Except as provided herein, the LESSEE agrees that its use of the leased Premises shall not interfere with the use of the grounds by the TOWN.

#### **10) Quiet Enjoyment**

The LESSEE shall peaceably and quietly have, hold and enjoy the leased Premises for the terms aforesaid in common with others, subject to performance of the covenants of this Lease in all respects on the part of the LESSEE.

#### **11) Condition of Premises; Alterations and Improvements**

The Premises are leased from the TOWN "as is" and as they stand at the time of the commencement of this Lease and without any representations on the part of the TOWN

or its agents. Except as provided in paragraphs 4, 6, and 7, no improvements, alterations, additions or changes of a structural nature shall be made to the Premises without the prior written consent of the TOWN, which consent shall not be unreasonably withheld. No playground or playground equipment except for that which exists as of the date of this Lease may be erected without the prior written permission of the TOWN. All improvements, alterations, additions or changes shall be made in accordance with all applicable laws, codes, ordinances and regulations including but not limited to all applicable zoning regulations. Prior to the commencement of any alteration or improvement by any contractor, the TOWN will be provided with a certificate of insurance for such contractor, showing public liability coverage, workers' compensation coverage and any other coverage reasonably required by the TOWN, which certificate names the TOWN as an additional insured and provides that the coverage will not be canceled or not renewed without at least fifteen (15) days advance notice to the TOWN.

#### **12) Compliance with Laws**

The LESSEE shall observe and comply with all Federal and State laws, rules and regulations, including licensing laws, which regulate the operation of LESSEE'S and the Agencies' activities. LESSEE also agrees to observe and comply with all State and Federal laws and the ordinances, rules and regulations of the TOWN insofar as the Premises, and the LESSEE's use thereof, are concerned. LESSEE shall indemnify and save the TOWN harmless from and against any damage, liability, fines, penalties and costs imposed upon the TOWN for LESSEE'S or any Agency's violation of or non-compliance with same.

#### **13) Right to Reclaim Premises**

The TOWN shall have the right to terminate this Lease and reclaim the Premises for any municipal purpose. For purposes of this paragraph, the term "municipal purpose" shall include, but shall not be limited to, reactivation of the Premises as a school within the Westport School system, use of the Premises for Town or Board of Education administrative offices, or the sale of the Premises for any purpose to any party. In the event the TOWN wishes to terminate this Lease and reclaim the Premises, the TOWN will give the LESSEE notice, in writing, of its intention to do so and the LESSEE shall

vacate the Premises no later than twelve (12) months from the conclusion of the school year within which the TOWN notifies LESSEE of its intention to reclaim the Premises. In addition to the foregoing, the TOWN may, at its option, terminate or suspend this Lease upon twelve (12) months written notice in the event that, through an Act of God or other casualty beyond the control of the parties, it becomes necessary for the Board of Education of the Town of Westport to utilize the leased Premises for school purposes.

#### **14) Vacating Premises**

The LESSEE will commit no waste, nor suffer the same to be committed on the Premises, nor injure nor misuse the same. The LESSEE will deliver the Premises at the expiration of the Lease term, or sooner termination, free of all personal property, in as good condition as they now are in, or as they may be placed by reason of any improvements, alteration, additions or changes, subject to reasonable use and wear.

#### **15) Option to Purchase**

Upon the receipt of a bona fide offer to purchase the Premises which the TOWN is willing to accept, the TOWN will notify LESSEE of such offer in writing and will grant to LESSEE the option to purchase the Premises at the same price and upon the same terms and conditions offered. The option granted to LESSEE by the TOWN hereunder shall be effective provided notice of the exercise of the option by LESSEE is given pursuant to paragraph 16 of this Agreement and a contract to purchase the Premises is delivered in accordance with the provisions of paragraph 16 of this Agreement.

#### **16) Exercise of Option**

LESSEE must exercise the option set forth in paragraph 15 by: (1) giving notice in writing of its intention to exercise the option to the TOWN on the date that is fifteen (15) calendar days from the date on which LESSEE received written notice from the TOWN of a bona fide offer to purchase as prescribed in paragraph 15 of this Agreement; and (2) signing a mutually agreeable contract to purchase the Premises and returning such contract to the TOWN on the date that is thirty (30) calendar days from the date on which LESSEE received written notice from the TOWN of a bona fide offer to purchase as

prescribed in paragraph 15. Thereafter, LESSEE shall close the sale of the Premises within a reasonable period of time.

**17) Time is of the Essence: Termination of Option**

Time is of the essence with respect to the option set forth in paragraph 15 and all dates set forth in paragraph 16, and such option shall cease and terminate in the event that it is not exercised as hereinabove stated. In the event LESSEE fails to effectively exercise the option in accordance with the provisions of paragraph 16, the option shall cease, expire, and terminate. In such event, the TOWN shall be free to offer for sale and negotiate with any third party or entity with respect to the sale of the Premises and convey and/or sell the Premises to any other third party.

**18) Signage**

No sign, advertisement or notice shall be affixed to or placed upon any part of the exterior of the demised Premises by the LESSEE, except in such manner and of such size, design and color as shall be approved in advance by the Planning and Zoning Commission.

**19) No Liability for Loss or Damage**

Except for those periods of time when the TOWN uses the building or grounds and except for the TOWN's failure to perform any of its obligations set forth herein, the TOWN shall not be responsible for the loss or damage to property, or injury to persons, occurring in or about the demised Premises by reason of any existing or future condition, defect, manner or thing of said Premises or the property of which the Premises are a part, or for the acts, omissions or negligence of other persons or subtenants in and about the Premises. The LESSEE shall indemnify and save the TOWN harmless against and from any final judgments rendered by courts of competent jurisdiction, including attorney's fees, by reason of any injury to a person or persons or damages to the property of the LESSEE or arising out of the use and occupancy of the demised Premises, including playground equipment erected by the LESSEE or any of the AGENCIES, sidewalks connecting the demised Premises with the parking lots, and the parking lot and driveways of the TOWN, provided said injury or damage is not caused by a breach of the TOWN's

covenants and agreement hereunder. The LESSEE shall also be responsible for and indemnify the TOWN for any damages resulting from the acts or omissions of its sub-tenants, if any.

## **20) Insurance**

LESSEE, The Children's Community Development Center, Inc., The Learning Community Day School, Inc., and SCCS, Inc., shall each secure and keep in force a Comprehensive General Liability Insurance policy during the term of this Lease, ensuring the TOWN, its officers and employees against any and all claims arising from the use of the leased Premises, (including the sidewalks connecting the Premises with the parking lot, the parking lot and driveways), by the LESSEE, each Agency and their respective officers, agents, employees, students, business and social guests, in the amount of at least ONE MILLION (\$1,000,000) DOLLARS per occurrence covering bodily injury and property damage with an annual aggregate limit of TWO MILLION (\$2,000,000) DOLLARS including contractual liability coverage. Such policy shall be primary and shall not contribute to the insurance carried by the Town. Insurance companies shall be licensed to do business in the State of Connecticut and must have a current A.M. Best rating of not less than A-VII. LESSEE and each Agency shall also secure and keep in force Workers' Compensation Insurance in accordance with the laws of the State of Connecticut.

Except as provided herein, upon the renewal of this Lease as provided in paragraph 2, the amount of liability insurance may be reviewed and increased or decreased as is deemed necessary by the TOWN. It shall be the responsibility of the LESSEE and each AGENCY to notify each of their carriers of its primary status. Certificates of Insurance indicating that such policies are in full force and effect shall be delivered to and retained by the TOWN upon execution of this LEASE; and, such certificates shall be executed by a licensed representative of the participating insurer(s). Said certificates must name the TOWN as additional insured and contain a clause granting at least thirty (30) days written notice to the TOWN of the intent to effect cancellation, non-renewal or other material change which may have an adverse effect on the policies of insurance referred to in the certificate. The premiums shall be paid by the LESSEE and the AGENCIES.

Notwithstanding the foregoing, in the event the TOWN is notified by its insurance carrier, prior to the date of renewal of this Lease, that industry standards require an increase in the liability insurance coverage required pursuant to this paragraph 20, the TOWN shall notify LESSEE, in writing, of such increase and the LESSEE and each AGENCY shall have one (1) year from the date of such notice to deliver to the TOWN a certificate of insurance evidencing such increased liability insurance.

**21) Damage to Premises**

It is further agreed that, in case the Premises are damaged by fire or other cause to the extent which, in the sole discretion of the TOWN, renders the repair or reconstruction thereof impractical, this Lease shall terminate and LESSEE's obligation to maintain and repair shall terminate. Rent shall be paid up to the time of such destruction. However, the TOWN shall take into consideration the TOWN's fire insurance policy on the Premises and shall consult with the LESSEE in determining the practicality of repairing or reconstructing the Premises, with a view towards effectuating the intent of the Lease. The termination of this Lease under this paragraph shall not constitute breach of contract.

**22) Holding Over**

In the event that the LESSEE shall remain in the demised Premises after the expiration of the term of this Lease and any renewal period without having executed a new written lease with the TOWN, such holding over shall not constitute a renewal or extension of this Lease. The TOWN may, at its option, elect to treat the LESSEE as one who had not removed at the end of its term, and thereupon be entitled to all the remedies against the LESSEE provided by law in that situation, or the TOWN may elect, at its option, to construe such holding over a tenancy from month-to-month, subject to all the terms and conditions of this Lease, except as to duration thereof.

**23) Default; Termination**

This Lease shall terminate in accordance with the provisions of paragraphs 4, 6 and 7. Further, if the rent shall remain unpaid thirty (30) days after the same shall become due and payable as required in paragraph 3, or if the LESSEE fails to comply with any other term or condition of this Lease and such failure continues for a period of ninety (90) days

after notice thereof has been given to LESSEE, this Lease shall thereupon by virtue of this express stipulation, at the option of the TOWN, expire and terminate, and the TOWN may, at any time thereafter, re-enter the Premises, and recover possession thereof in the manner prescribed by the statute relating to summary process. The foregoing rights and remedies are not intended to be exclusive, but are additional to all rights and remedies the parties would otherwise have by law.

**24) No Waiver**

No waiver by the TOWN of any violation or breach of condition by the LESSEE shall constitute or be construed as a waiver of any other violation or breach of condition, nor shall acceptance of rent after default or lapse of time after breach of condition by the LESSEE before the TOWN shall exercise its option under paragraph 23 operate to defeat the right of the TOWN to declare this Lease null and void and to re-enter upon the demised Premises after the said breach or violation.

**25) Costs of Enforcing Lease**

The LESSEE agrees to be responsible for and reimburse the TOWN for reasonable attorney's fees and disbursements which the TOWN may be obligated to expend in connection with any breach by the LESSEE of any of the terms, conditions or provisions of this Lease upon final judgment being rendered by a court of competent jurisdiction.

**26) Notices**

All notices required under the terms of this Lease must be in writing. Notices from the LESSEE to the TOWN shall be sent by registered or certified mail or delivered to the TOWN at the First Selectperson's Office, Town Hall, Westport, Connecticut 06880. Notices from the TOWN to the LESSEE shall be sent by registered or certified mail to the LESSEE at its corporate office located at 90 Hillspoint Road, Westport, Connecticut 06880.

All notices shall be effective upon receipt. Notice must be given to the other party at the address indicated in this paragraph 26 or to such other address designated by a party by

notice. Provided however, the TOWN shall not be required to give notice to more than one address, and if more than one address is specified, TOWN may choose any one address of those designated by LESSEE.

**27) Severability**

The provisions of this Lease are severable, and if any provision shall be determined to be invalid or unenforceable, the provision shall be enforced to the extent permitted by law and, to the extent any provision or portion thereof remains unenforceable or invalid, it shall be severed from this Lease and the remainder of the Lease shall be valid and enforced to the fullest extent permitted by the law.



Dated and signed this 2<sup>nd</sup> day of May 2005.

**WITNESS:**

Patricia Scully  
Susan Brown

**TOWN OF WESTPORT:**

By: Diane Goss Farrell  
Diane Goss Farrell  
First Selectwoman

**WITNESS:**

Virginia M. Roney Bureley  
Gail Kelly

**PARENT CHILD CENTER, INC.:**

By: Stacie E. Curran  
Stacie E. Curran  
Its President, duly authorized

**Approved as to form:**

Gail Kelly  
Gail Kelly  
Assistant Town Attorney

**Approved as to compliance with the  
Charter of the Town of Westport:**

Donald J. Miklus  
Donald J. Miklus  
Finance Department

STATE OF CONNECTICUT)  
 )  
COUNTY OF FAIRFIELD )

ss. Westport May 2, 2005

Personally appeared before me Diane Goss Farrell, First Selectwoman, Signer and Sealer of the foregoing instrument, being duly authorized, she acknowledged the same to be her free act and deed, before me.

Susan V. Brawn  
Notary Public  
My Commission Expires: Apr. 30, 2007

STATE OF CONNECTICUT)  
 )  
COUNTY OF FAIRFIELD )

ss. Westport April 29, 2005

Personally appeared before me Stacie E. Curran, President, The Parent Child Center, Inc., Signer and Sealer of the foregoing instrument, being duly authorized, she acknowledged the same to be her free act and deed, before me.

Susan V. Brawn  
Notary Public  
My Commission Expires: Apr. 30, 2007

**SCHEDULE A**

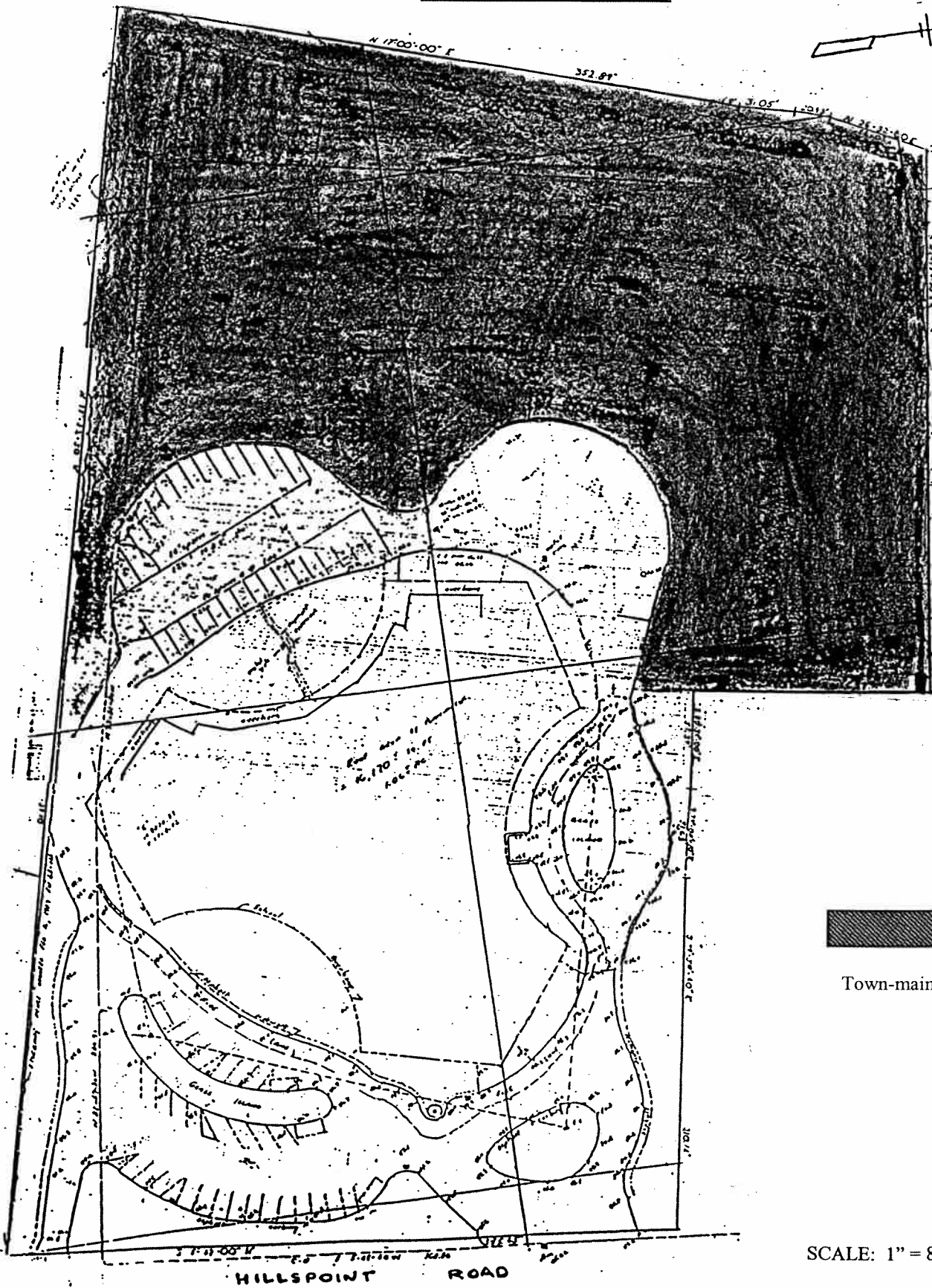
**Annual Rents**

<b><u>YEAR</u></b>	<b><u>RENT</u></b>		<b><u>YEAR</u></b>	<b><u>RENT</u></b>
2005/06	\$51,500.00		2013/14	\$55,832.83
2006/07	\$51,915.00		2014/15	\$56,749.49
2007/08	\$52,334.15		2015/16	\$57,684.48
2008/09	\$52,757.49		2016/17	\$58,638.17
2009/10	\$53,185.07		2017/18	\$60,097.31
2010/11	\$53,616.92		2018/19	\$61,600.23
2011/12	\$54,053.09		2019/20	\$63,148.24
2012/13	\$54,934.15			

**Note:** \$10,000 of each annual rental amount shall be deposited into the Town's General Fund.

TOWN OF WESTPORT LEASE WITH PCC  
HILLSPPOINT SCHOOL PROPERTY

EXHIBIT A  
Town-Maintained Areas



Town-maintained area:

SCALE: 1" = 84' ±

**PARENT CHILD CENTER INC.** 6:35 PM

**Balance Sheet Standard** 05/21/14

As of August 31, 2013 Accrual Basis

Aug 31, '13

**ASSETS**

Current Assets

Checking/Savings

Cash - Bank North NA Checking 11,726.60

Total Checking/Savings 11,726.60

Total Current Assets 11,726.60

Fixed Assets

Improvements 261,411.25

Fixtures 29,971.35

Equipment 28,735.10

Acc. Depreciation #####

Total Fixed Assets 12,339.89

**TOTAL ASSETS** 24,066.49

**LIABILITIES & EQUITY**

Equity

Fund Balance 19,838.30

Retained Earnings - Current 23,575.60

Net Income -19,347.41

Total Equity 24,066.49

**TOTAL LIABILITIES & EQUITY** 24,066.49

**PARENT CHILD CENTER INC.**  
**Profit and Loss Standard**  
**September 2012 through August 201**

6:34 PM

05/21/14

Accrual Basis

Sep '12 - Aug '13

<b>Income</b>	
Income - Rents	
CCDC	57,230.34
LCDS	67,359.12
SCCS	68,642.88
<b>Total Income - Rents</b>	<b>193,232.34</b>
<b>Total Income</b>	<b>193,232.34</b>
<b>Expense</b>	
Insurance-D&O	1,436.00
Capital Expenditures	
Cap Ex - Doors	1,150.00
<b>Total Capital Expenditures</b>	<b>1,150.00</b>
Fees - State Filing Fees	10.00
Insurance - P&L	1,747.32
Maintenance	
Boiler	
Service Plan - M&O	2,238.00
Misc Boiler Parts & Maint	16,220.24
<b>Total Boiler</b>	<b>18,458.24</b>
Extermination	2,085.00
Fencing	850.00
Garbage	18,743.90
Snow Removal	13,475.00
Mowing	20,995.00
Security& Fire Inspection	2,606.94
Miscellaneous	1,367.00
<b>Total Maintenance</b>	<b>78,581.08</b>
Repairs	
Electric	1,171.08
Plumbing	1,182.08
<b>Total Repairs</b>	<b>2,353.16</b>
Rent	54,933.96
Taxes - Sewer Assessment	3,720.60
Utilities	
Gas	11,179.28
Electric	37,857.92
Water	5,728.17
<b>Total Utilities</b>	<b>54,765.37</b>
Bldg Manager	6,000.00
Bookkeeping	4,800.00
Professional Fees	

Outside Services	1,109.95
Accounting	700.00
Total Professional Fees	<u>1,809.95</u>
Supplies - Office	<u>1,272.31</u>
Total Expense	<u>212,579.75</u>
Net Income	<u>-19,347.41</u>

RECEIVED

MAR 07 2014

TOWN OF WESTPORT  
SELECTMAN'S OFFICE

**What is the Parent Child Center?**

The Parent Child Center, Inc. (PCC) is the management agency for the child care and early education programs that currently occupy the former Hillspoint Elementary School. The PCC is a **private non-profit organization** under section 501(c)(3) of the Internal Revenue Code. The three early care and education programs - The Children's Community Development Center, Inc. (CCDC), The Learning Community Day School (LCDS), Inc. and A Child's Place (ACP) - are also private nonprofit agencies under section 501(c)(3) of the Internal Revenue Code. **The three programs providing the services to children and families have all occupied space in the Hillspoint facility since September 1980.**

**What services are available to families?**

There is a broad range of full and part time services available to families with infants, toddlers and preschool children. Families may choose a program operating from **as early as 7:15 in the morning until as late as 6:00 in the evening** for two, three or five days a week. Programs are available ten or **twelve months a year**. All of the programs are licensed by the State of Connecticut Department of Health Services and **accredited by the National Association for the Education of Young Children Academy of Early Childhood Program Accreditation.**

**Who uses the services?**

Over **three hundred families** currently use the programs at Hillspoint, **85 - 90% of these families either reside and/or work in Westport**. Those that neither live nor work in Westport often grew up here and/or have family living here.

The programs **employ over 100 people**.

Since the **Y is closing their early childhood programs** this August, the services at the Parent Child Center are even more important to the community.

All families and employees – approximately 600 people – **support the local economy** by shopping at local stores and restaurants.

**What is the lease arrangement?**

Our current lease has been in effect since 2005 and includes a five year option to renew. The arrangement allows the Town to own the building, keep control of the two ball fields, **support essential community services that attract families with young children to Westport** and incur no financial costs either operating or capital.



SAUGATUCK CHILD CARE SERVICES, INC.

FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2013

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# HAIMS, BUZZEO & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
STAMFORD, CONNECTICUT

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Saugatuck Child Care Services, Inc.  
90 Hillspoint Road  
Westport, CT 06880

We have audited the accompanying statements of financial position of Saugatuck Child Care Services, Inc. as of August 31, 2013 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saugatuck Child Care Services, Inc. as of August 31, 2013 and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated November 26, 2013 on our consideration of Saugatuck Child Care Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States and should be read in conjunction with this report in considering the results of our audit. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Saugatuck Child Care Services, Inc. taken as a whole. The accompanying schedules of expenditures of federal awards are presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Haims, Buzzeo + Company P.C.  
Certified Public Accountants

November 26, 2013

SAUGATUCK CHILD CARE SERVICES, INC.STATEMENT OF FINANCIAL POSITIONAUGUST 31, 2013CURRENT ASSETS:

Cash and Cash Equivalents	\$ 303,135	
Investments – Note 2	489,572	
Accounts Receivable	48,843	
Grants Receivable	144,300	
Prepaid Expenses	<u>26,471</u>	
<u>Total Current Assets</u>		\$ 1,012,321

FIXED ASSETS:

Furniture, Fixtures and Equipment	\$ 685,030	
Less Accumulated Depreciation	<u>520,005</u>	
<u>Total Fixed Assets</u>		<u>165,025</u>

TOTAL ASSETS\$ 1,177,346LIABILITIES AND NET ASSETS:CURRENT LIABILITIES:

Accounts Payable	\$ 8,256	
Accrued Expenses	10,000	
Providers Payable	146,440	
Unearned Revenues - Note 3	<u>647,231</u>	
<u>Total Current Liabilities</u>		\$ 811,927

NET ASSETS:

Unrestricted		<u>365,419</u>
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TOTAL LIABILITIES AND NET ASSETS\$ 1,177,346

See accompanying notes and  
independent auditors' report.

SAUGATUCK CHILD CARE SERVICES, INC.STATEMENT OF ACTIVITIESYEAR ENDED AUGUST 31, 2013UNRESTRICTED NET ASSETSSUPPORT AND REVENUE:

Tuition and Fees	\$ 1,471,191	
SON - State of Connecticut - Food Reimbursement	832,505	
SON - State of Connecticut - Administration	205,280	
Contributions	598	
Investment Income	20,746	
Special Events - Net of \$38,090 Direct Costs	<u>66,092</u>	
<u>Total Support and Revenue</u>		\$ 2,596,412

EXPENSES:Program Services:

Center Based Child Care	\$ 1,431,899	
Saugatuck Outreach Nutrition Program	<u>1,037,785</u>	
<u>Total Program Services</u>		\$ 2,469,684

Supporting Services:

General and Administrative	<u>197,912</u>	
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<u>Total Expenses</u>		<u>2,667,596</u>
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<u>Decrease in Net Assets</u>		(71,184)
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<u>NET ASSETS - BEGINNING</u>		<u>436,603</u>
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<u>NET ASSETS - ENDING</u>		<u>\$ 365,419</u>
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See accompanying notes and  
independent auditors' report.

## SAUGATUCK CHILD CARE SERVICES, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2013

	Center Based Child Care	Saugatuck Outreach Nutrition Program	Total Program Services	General and Administrative	Total Supporting Services
Salaries	\$ 981,964	\$ 152,917	\$ 1,134,881	\$ 167,836	\$ 1,302,717
Payroll Taxes	85,376	12,762	98,138	15,066	113,204
Employee Benefits	85,054	14,442	99,496	15,010	114,506
Parent Events	2,893	-	2,893	-	2,893
Staff Training	965	775	1,740	-	1,740
Advertising	970	-	970	-	970
Travel	-	4,759	4,759	-	4,759
Rent	83,703	3,432	87,135	-	87,135
Insurance	19,341	1,819	21,160	-	21,160
Repairs and Maintenance	21,743	-	21,743	-	21,743
Equipment Rental	-	792	792	-	792
Computer Expense	6,672	-	6,672	-	6,672
Printing	-	3,594	3,594	-	3,594
Office Supplies	8,797	2,356	11,153	-	11,153
Program Snacks	42	-	42	-	42
Program Supplies	77,738	1,158	78,896	-	78,896
Telephone	4,561	2,252	6,813	-	6,813
Yearbook	2,697	-	2,697	-	2,697
Postage	913	2,550	3,463	-	3,463
Dues and Subscriptions	2,560	150	2,710	-	2,710
Professional Fees	19,435	1,522	20,957	-	20,957
Depreciation	15,683	-	15,683	-	15,683
Miscellaneous	2,368	-	2,368	-	2,368
Reimbursed Expense	723	832,505	833,228	-	833,228
Scholarship Awards	7,701	-	7,701	-	7,701
<u>Total</u>	<u>\$ 1,431,899</u>	<u>\$ 1,037,785</u>	<u>\$ 2,469,684</u>	<u>\$ 197,912</u>	<u>\$ 2,667,596</u>

See accompanying notes and independent auditors' report.

SAUGATUCK CHILD CARE SERVICES, INC.STATEMENT OF CASH FLOWSYEAR ENDED AUGUST 31, 2013CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in Net Assets		(\$ 71,184)
Adjustments to Reconcile Decrease In Net Assets to Net Cash Provided By Operating Activities:		
Unrealized Loss on Investments	4,035	
Depreciation	15,683	
Changes in Assets and Liabilities:		
Accounts Receivable	39,883	
Grants Receivable	15,952	
Prepaid Expense	(1,478)	
Accounts Payable and Accrued Expenses	3,724	
Providers Payable	(8,886)	
Unearned Revenue	<u>102,367</u>	
<u>Total Adjustments</u>		<u>171,280</u>
<u>Net Cash Provided By Activities</u>		100,096

CASH FLOWS FROM INVESTING ACTIVITIES:

Capital Expenditures	(143,871)	
Investment Activities – Net	<u>105</u>	
<u>Net Cash Used In Investing Activities</u>		<u>(143,766)</u>
Net Decrease in Cash and Cash Equivalents		(43,670)
Cash and Cash Equivalents- Beginning		<u>346,805</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>		<u>\$ 303,135</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOWS:

Cash Paid During the Year for:		
Interest		-
Taxes		-

See accompanying notes and  
independent auditors' report.

SAUGATUCK CHILD CARE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2013

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NOTE 1 - NATURE OF ACTIVITIES AND ACCOUNTING POLICIES

Nature of Activities

Saugatuck Child Care Services, Inc. operates "A Child's Place", a center-based nursery school and day care program, including summer programs, providing full-time and part-time services for children ranging in age from six weeks through pre-school. The Organization was formed in 1972 and is located in Westport, CT.

In addition to the above, the Organization administers the Saugatuck Outreach Nutrition (SON) Program, a USDA nutrition program funded through the State of Connecticut, Department of Education. Through this program, Saugatuck submits claims to the Government for funding for meals, which are distributed to individual day-care providers primarily in Fairfield and New Haven counties. Funding is also allowed for administration costs.

Financial Statement Presentation

The Organization presents its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report 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. In addition, the Organization is required to present a statement of cash flows.

Unrestricted Net Assets

Unrestricted Net Assets arise from tuition and fees and other inflows of assets that are not subject to donor-imposed restrictions and provide for the general operations of Saugatuck Child Care Services, Inc. Included in unrestricted net assets are government grants that are earmarked for specific purposes.

Temporarily Restricted Net Assets

Temporarily Restricted Net Assets arise from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by action of the Organization pursuant to those stipulations.

Permanently Restricted Net Assets

Permanently Restricted Net Assets represent contributions that are limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.



SAUGATUCK CHILD CARE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2013

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all temporary cash investments with a maturity of three months or less to be cash equivalents.

The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

Investments in marketable securities are reported at their fair values in the statement of financial position. Investment income, including both realized and unrealized gains and losses, is reflected as changes in unrestricted net assets unless there is a specific donor stipulation to the contrary.

Accounts Receivables

Accounts receivables are stated at net of allowance for uncollectible accounts based upon the Organization's estimates of the collectibility of the accounts. As of August 31, 2013, the Organization estimated all accounts to be collectible. Accordingly, no provision for doubtful accounts has been made.

Fixed Assets

The Organization follows the practice of capitalizing all expenditures for fixed assets, consisting primarily of furniture and equipment. Fixed assets are recorded at cost. Donated assets are recorded at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the asset, which range from 5 to 10 years.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewals or betterments.

SAUGATUCK CHILD CARE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2013

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

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

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily 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 restrictions. Federal, state and local grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.

Child day care fees are recognized as earned in the period services are provided. Payments for services not yet provided are recorded as deferred income.

NOTE 2 – INVESTMENTS

Investments at August 31, consisted of the following:

Stocks	\$ 22,562
ETF'S and CEF'S	79,143
Mutual Funds	115,468
Corporate and Municipal Bonds	<u>272,399</u>
Total Investments	<u>\$ 489,572</u>

Investment return, including interest on cash accounts, for the years ended August 31, consisted of the following:

Dividends and Interest	\$ 24,781
Unrealized Loss on Investments	<u>(4,035)</u>
Total Investments Returns	<u>\$ 20,746</u>

NOTE 3 - UNEARNED REVENUES

Unearned tuition and fees represent amounts collected in advance for programs to be conducted in the next fiscal year.

SAUGATUCK CHILD CARE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2013

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NOTE 4 - RELATED PARTY TRANSACTIONS

The three tenants of Hillspoint School, Saugatuck Child Care Services, Inc. (SCCS), Children's Community Day Care (CCDC) and Learning Community (LC), have formed an "Association" known as Parent Child Center, Inc. (PCC), which was incorporated in August 1989. Representatives from each of the agencies make up the "PCC".

"PCC" has rented Hillspoint School from the Town of Westport under a ten year lease expiring August 31, 2015 for an annual rent of \$51,500, for the first year of the lease with annual increases in the final nine years.

NOTE 4 - RELATED PARTY TRANSACTIONS (Continued)

The "PCC" serves as a forum to resolve common problems, to establish annual rent, and to determine an annual budget. Rent is paid each month by each Agency into a fund from which all bills associated with building repairs and maintenance, rent to the Town of Westport, capital improvements and salaries of the building manger and janitor are paid. Any reserve is maintained in the fund for future repairs, maintenance and capital improvements.

Amounts due by "SCCS" to the "PCC" per its budget are charged to rent expense. This amount totaled \$68,643 for the year ended August 31, 2013.

The by-laws of Parent Child Care Center, Inc. provide that upon dissolution, assets remaining, if any, after adequate provision for all of the corporation's liabilities, will be distributed to the three organizations mentioned above based on the square footage of occupancy by each organization of the building, provided that organization is a qualified 501(c)(3) organization pursuant to the Internal Revenue Code of 1986 at the time of the distribution.

NOTE 5- FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 6- INCOME TAX STATUS

The Organization, a non-profit, non-stock Connecticut corporation operating under Section 501(c)(3) of the Internal Revenue Code, is generally exempt from federal and state income taxes and is not a private foundation. Accordingly, no provision for income taxes is included in the financial statements. The organization is required to pay an annual filing fee to the State Department of Consumer Protection.

SAUGATUCK CHILD CARE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2013

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NOTE 7 – RETIREMENT PLAN

The Organization maintains a 403(B) Thrift Plan covering all eligible employees. The Organization's defined contribution is calculated at a 4 % contribution rate plus an amount equal to the employee contribution up to 2% of compensation during the plan year. There was no employer contribution for the year ended August 31, 2013.

NOTE 8 – SUBSEQUENT EVENTS

The Organization's management evaluated subsequent events through report letter date.

# HAIMS, BUZZEO & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
STAMFORD, CONNECTICUT

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*

Independent Auditor's Report

To the Board of Directors  
Saugatuck Child Care Services, Inc.  
90 Hillspoint Road  
Westport, CT 06880

We have audited the financial statements of Saugatuck Child Care Services, Inc. as of and for the year ended August 31, 2013 and have issued our report thereon dated November 26, 2013. We conducted our audit in accordance with generally accepted 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.

### ***Internal Control Over Financial Reporting***

Management of Saugatuck Child Care Services, Inc., is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Saugatuck Child Care Services, Inc's., internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Saugatuck Child Care Services, Inc's., internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Saugatuck Child Care Services, Inc, internal control over financial reporting.

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 combination of deficiencies in internal control, such that there 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Directors  
Saugatuck Child Care Services, Inc.  
Page 2

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether Saugatuck Child Care Services, Inc. financial statements are free of 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 result of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of Board of Directors, management, the federal oversight agencies, the Connecticut Office of Policy and Management, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Harris, Buzzo + Company, P.C.*  
Certified Public Accountants

November 26, 2013

# HAIMS, BUZZEO & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
STAMFORD, CONNECTICUT

## Report on Compliance with Requirements Applicable to Each Major Program And Internal Control Over Compliance in Accordance with OMB Circular A-133

### Independent Auditor's Report

To the Board of Directors  
Saugatuck Child Care Services, Inc.  
Westport, CT 06800

#### Compliance

We have audited the compliance of Saugatuck Child Care Services, Inc. with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2013. Saugatuck Child Care Services, Inc. major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Saugatuck Child Care Services, Inc. management. Our responsibility is to express an opinion on Saugatuck Child Care Services, Inc. compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Saugatuck Child Care Services, Inc. compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Saugatuck Child Care Services, Inc. compliance with those requirements.

In our opinion, Saugatuck Child Care Services, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year August 31, 2013.

#### Internal Control Over Compliance

The management of Saugatuck Child Care Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Saugatuck Child Care Services, Inc. internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Saugatuck Child Care Services, Inc. internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies and material weaknesses.

A *control deficiency* in entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

This report solely for the information and use of the Board of Directors, management, the federal oversight agencies, the Connecticut Office of Policy and Management, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Haims, Buzzee + Company, P.C.  
Certified Public Accountants

November 26, 2013



SAUGATUCK CHILD CARE SERVICES, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2013

<u>FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>AGENCY PASS- THROUGH NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<b>Department of Agriculture</b>			
Passed Through from State of Connecticut State Board of Education Child and Adult Care Food Program	10.558		\$ <u>1,037,785</u>

SAUGATUCK CHILD CARE SERVICES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2013

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NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Saugatuck Child Care Services, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SAUGATUCK CHILD CARE SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED AUGUST 31, 2013

**I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Unqualified

Type of auditor's report issued

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency (ies)

\_\_\_\_\_ Yes      X   No  
 \_\_\_\_\_ Yes      X   None Reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

**Federal Awards**

Internal Control over major programs:

- Material weakness(es) identified?
- Significant deficiency (ies)

\_\_\_\_\_ Yes      X   No  
 \_\_\_\_\_ Yes      X   None Reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?

\_\_\_\_\_ Yes      X   No

- The following schedule reflects the majors programs included in the audit:

<u>Federal Grantor Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>
Department of Agriculture			
Passed Through from State of Connecticut			
State Board of Education			
Child and Adult Care Food Program		10.558	\$1,037,785

SAUGATUCK CHILD CARE SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED AUGUST 31, 2013

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**SECTION II – FINANCIAL STATEMENT FINDING**

- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated no significant deficiencies.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS**

- No findings or questions costs are reported relating to Federal Award Programs.