

# ALLIANCE FOR COMMUNITY EMPOWERMENT, INC.

FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018

# **ALLIANCE FOR COMMUNITY EMPOWERMENT, INC.**

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## **Independent Auditors' Report**

To the Board of Directors  
Alliance for Community Empowerment, Inc.  
Bridgeport, Connecticut

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Alliance for Community Empowerment, Inc., which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended and the statement of functional expenses for the year ended September 30, 2019 (with comparative totals for the year ended September 30, 2018), and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alliance for Community Empowerment, Inc., as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 1, during the year ended September 30, 2019, Alliance for Community Empowerment, Inc., adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated March 19, 2020 on our consideration of Alliance for Community Empowerment, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Alliance for Community Empowerment, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alliance for Community Empowerment, Inc.'s internal control over financial reporting and compliance.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
March 19, 2020

# ALLIANCE FOR COMMUNITY EMPOWERMENT, INC.

## STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5,623,291	\$ 5,531,142
Investments	34,535	29,589
Grants and accounts receivable	1,604,780	1,352,226
Total current assets	<u>7,262,606</u>	<u>6,912,957</u>
<b>Property and Equipment</b>		
Land	235,266	235,266
Buildings and improvements	4,938,651	4,938,651
Machinery and equipment	208,613	285,776
Furniture and fixtures	149,397	158,706
Vehicles	98,320	98,320
	<u>5,630,247</u>	<u>5,716,719</u>
Less accumulated depreciation	4,434,635	4,406,222
Net property and equipment	<u>1,195,612</u>	<u>1,310,497</u>
<b>Total Assets</b>	<u>\$ 8,458,218</u>	<u>\$ 8,223,454</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 918,228	\$ 935,240
Deferred revenue	596,700	558,316
Total current liabilities	<u>1,514,928</u>	<u>1,493,556</u>
<b>Long Term Liabilities</b>		
Due to funding source	<u>9,207</u>	<u>9,207</u>
Total liabilities	1,524,135	1,502,763
<b>Net Assets Without Donor Restrictions</b>	<u>6,934,083</u>	<u>6,720,691</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 8,458,218</u>	<u>\$ 8,223,454</u>

The accompanying notes are an integral part of the financial statements

# ALLIANCE FOR COMMUNITY EMPOWERMENT, INC.

## STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>Changes in Net Assets Without Donor Restrictions</b>		
Revenues, gains and other support:		
Federal and state grants	\$ 23,666,688	\$ 26,003,935
Local grants	1,486,014	1,420,322
Donated goods and services	1,400,860	669,761
Program income	978,213	777,540
Contributions	183,836	250,134
Other income	41,540	1,287
Total revenues, gains and other support	<u>27,757,151</u>	<u>29,122,979</u>
Expenses:		
Education	16,573,324	16,111,534
Health and welfare	8,639,015	10,398,291
Housing	688,894	713,560
Management and general	1,642,526	1,626,449
Total expenses	<u>27,543,759</u>	<u>28,849,834</u>
<b>Change in Net Assets</b>	213,392	273,145
<b>Net Assets - Beginning of Year</b>	<u>6,720,691</u>	<u>6,447,546</u>
<b>Net Assets - End of Year</b>	<u>\$ 6,934,083</u>	<u>\$ 6,720,691</u>

The accompanying notes are an integral part of the financial statements

**ALLIANCE FOR COMMUNITY EMPOWERMENT, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**  
(With Comparative Totals for September 30, 2018)

	<u>Education</u>	<u>Health and Welfare</u>	<u>Housing</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>2019 Total</u>	<u>2018 Total</u>
Salaries	\$ 9,434,219	\$ 465,170	\$ 386,853	\$ 10,286,242	\$ 1,350,195	\$ 11,636,437	\$ 11,582,055
Payroll taxes and fringe benefits	2,658,712	164,187	94,823	2,917,722	154,034	3,071,756	3,340,425
Direct client assistance	-	6,420,690	-	6,420,690	-	6,420,690	8,009,876
Occupancy	1,678,449	180,109	82,229	1,940,787	80,866	2,021,653	1,590,866
Materials and supplies	658,101	914,941	53,759	1,626,801	7,125	1,633,926	2,003,107
Professional and contractual services	1,314,823	238,551	44,161	1,597,535	11,917	1,609,452	1,284,894
Other	320,345	232,258	20,144	572,747	17,611	590,358	500,387
Delegate agency	295,635	-	-	295,635	-	295,635	298,489
Travel and transportation	119,897	18,516	3,106	141,519	7,448	148,967	140,798
Depreciation	93,143	4,593	3,819	101,555	13,330	114,885	98,937
	<u>\$ 16,573,324</u>	<u>\$ 8,639,015</u>	<u>\$ 688,894</u>	<u>\$ 25,901,233</u>	<u>\$ 1,642,526</u>	<u>\$ 27,543,759</u>	<u>\$ 28,849,834</u>

The accompanying notes are an integral part of the financial statements

# ALLIANCE FOR COMMUNITY EMPOWERMENT, INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 213,392	\$ 273,145
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	114,885	98,944
Unrealized investment (gain) loss	(4,946)	17,149
(Increase) decrease in operating assets:		
Grants and accounts receivable	(252,554)	183,302
Other current assets	-	16,138
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(17,012)	94,516
Deferred revenue	38,384	172,166
Net cash provided by operating activities	<u>92,149</u>	<u>855,360</u>
<b>Cash Flows from Investing Activities</b>		
Outlay for property improvements	<u>-</u>	<u>(318,831)</u>
Net cash used in investing activities	<u>-</u>	<u>(318,831)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	92,149	536,529
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>5,531,142</u>	<u>4,994,613</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 5,623,291</u>	<u>\$ 5,531,142</u>

The accompanying notes are an integral part of the financial statements

# ALLIANCE FOR COMMUNITY EMPOWERMENT, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

Alliance for Community Empowerment, Inc. (ACE) (formerly Action for Bridgeport Community Development, Inc.) provides food, training and services to the economically disadvantaged in the greater Bridgeport area, and also provides some services in the Norwalk area. ACE is funded by city, state and federal agencies, donations and program fees. Principal federally funded programs include Head Start, which educates children four to six years of age, and the Connecticut Energy Assistance Program, which funds participants' energy costs and weatherizes housing occupied by renters and homeowners. Principal state funded programs include the Child Daycare and School Readiness programs, which provide daycare services to children whose parents work.

During 2019, the Organization legally changed their name from Action for Bridgeport Community Development, Inc., to Alliance for Community Empowerment, Inc.

#### Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment changes the previous reporting model for nonprofit organizations and enhances the disclosure requirements. The major changes include: (a) requiring the presentation of only two classes of net assets rather than three, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investments expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. This ASU is effective for annual periods beginning after December 15, 2017. Management has adopted ASU 2016-14 for the year ended September 30, 2019. The amendments have been retrospectively applied, with the exception of a statement of functional expenses and disclosures on liquidity and availability of resources for the year ended September 30, 2018.

#### Basis of Accounting and Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the accounts of ACE are considered to be without donor restrictions.

#### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

# **ALLIANCE FOR COMMUNITY EMPOWERMENT, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **Cash and Cash Equivalents**

ACE considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

### **Investment Valuation and Income Recognition**

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Other income includes ACE's gains and losses on investments bought and sold as well as held during the year.

### **Property and Equipment**

Property and equipment acquisitions and improvements thereon that exceed \$5,000 are capitalized at cost and depreciated on a straight-line basis over their estimated useful lives. Leasehold improvements are amortized over the life of the improvement or the remaining lease term, whichever is shorter. Repairs and maintenance are charged to expense as incurred.

### **Grants and Contracts**

Governmental grants and contracts are generally considered to be exchange transactions rather than contributions. Revenue from cost-reimbursement grants and contracts is recognized to the extent of costs incurred. Revenue from performance-based grants and contracts is recognized to the extent of performance achieved. Grant and contract receipts in excess of revenue recognized on open grants are presented as deferred revenue.

### **Contributions**

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. ACE reports nongovernmental contributions of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented with net assets without donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition.

# **ALLIANCE FOR COMMUNITY EMPOWERMENT, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The expenses are allocated based upon time and effort and/or usage.

### **Income Taxes**

ACE is exempt from federal and state income taxes on exempt function income as a public charity under Section 501(c)(3) of the Internal Revenue Code. Consequently, no provision for income taxes has been made in the accompanying financial statements.

### **Subsequent Events**

In preparing these financial statements, management has evaluated subsequent events through March 19, 2020, which represents the date the financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency. ACE derives a significant portion of its revenues by providing childcare services. Given restrictions on childcare programs since the outbreak was announced, ACE has experienced shutdowns to programs beginning in March 2020. Due to the unknown duration and extent of the outbreak, ACE is unable to determine the impact the outbreak might have on future operations and financial performance.

## **NOTE 2 - CONCENTRATIONS**

### **Cash and Cash Equivalents**

ACE's deposits in financial institutions exceed federal depository insurance limits. However, ACE has not experienced any losses in this area, and management believes that ACE's deposits are not subject to significant credit risk.

### **Grants and Contracts**

Based on historical experience, management believes grant and contract receivables represent negligible credit risk. ACE receives a significant portion of its total support from the United States Department of Health and Human Services and the State of Connecticut Office of Early Childhood. As with all government funding, these grants and contracts may not be renewed or may be renewed in reduced amounts in future years. In addition, grants and contracts currently in effect are subject to reduction prior to the end of the grant or contract period. Any significant reduction in these grants and contracts could have an adverse effect on ACE's program services.

# ALLIANCE FOR COMMUNITY EMPOWERMENT, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

#### Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that ACE has the ability to access.

#### Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

#### Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

ACE's financial instrument measured at fair value consists of a single stock, which is valued using the closing price reported in the active market in which the individual security is traded, which represents Level 1 inputs. The valuation methodology did not change from the prior year.

### NOTE 4 - LIQUIDITY AND AVAILABILITY OF RESOURCES

ACE's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$	5,614,084
Investments		34,535
Grants and accounts receivable		<u>1,604,780</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	\$	<u><u>7,253,399</u></u>

# ALLIANCE FOR COMMUNITY EMPOWERMENT, INC.

## NOTES TO FINANCIAL STATEMENTS

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### Liquidity Management

ACE maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition to financial assets available to meet general expenditures over the next 12 months, ACE operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

### NOTE 5 - DONATED GOODS AND SERVICES

Contributed services recognized in the financial statements totaled \$1,275,801 and \$638,857 for the years ended September 30, 2019 and 2018, respectively, and were used in connection with early childhood learning programs. Donated goods totaling \$125,059 and \$32,094 for the years ended September 30, 2019 and 2018, respectively, were also used in connection with early childhood learning programs.

### NOTE 6 - PENSION PLAN

ACE sponsors a defined contribution pension plan covering substantially all of the employees. ACE matches employees' contributions to the pension plan up to 5% of their compensation. Pension expense totaled \$223,501 and \$234,343 for the years ended September 30, 2019 and 2018, respectively.

### NOTE 7 - LEASE COMMITMENTS

#### Operating Leases

ACE leases facilities for childcare and Head Start classrooms under leases with terms of one year or less. ACE also leases office equipment and facilities under noncancelable operating leases with terms of more than one year. Rental expense amounted to \$953,940 and \$540,440 during the years ended September 30, 2019 and 2018, respectively.

The following is a schedule of future minimum rental payments required under the above leases as of September 30, 2019:

#### Year Ending September 30

2020	\$	410,661
2021		198,860
2022		37,640
2023		<u>4,023</u>
Total	\$	<u><u>651,184</u></u>

# ALLIANCE FOR COMMUNITY EMPOWERMENT, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8 - COMMITMENTS AND CONTINGENCIES

#### Grants

ACE participates in federal and state assisted grant programs. These grants are subject to audits by grantor agencies, which could result in disallowed costs due back to the grantor. ACE has recognized all known audit liabilities.

#### Property Acquired with Grant Funds

Funding sources generally retain a reversionary right to certain property acquired with grant funds, although no grant programs are expected to end prior to the end of the respective properties' useful lives that would require return of such assets. In addition, state bonding grants for property improvements require execution of a 10-year lien, which declines by 10% each year that the property continues to be used for its original purpose. A summary of bond funds subject to the lien is as follows:

<u>Original Amount</u>	<u>Released Lien</u>	<u>Remaining Lien at September 30, 2019</u>	<u>Expiration</u>
\$ <u>818,457</u>	\$ <u>341,024</u>	\$ <u>477,433</u>	July 2025