

CLASSROOM CHAMPIONS, INC.

FINANCIAL REPORT

JULY 31, 2015

CLASSROOM CHAMPIONS, INC.

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Classroom Champions, Inc.
Jacksonville, Florida**

We have audited the accompanying financial statements of Classroom Champions, Inc. (a nonprofit organization), which comprise the statement of financial position as of July 31, 2015, and the related statements of activities, functional expenses, and cash flows for the seven months then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Classroom Champions, Inc. as of July 31, 2015, and the changes in its net assets and its cash flows for the seven months then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC".

Atlanta, Georgia
June 24, 2016

CLASSROOM CHAMPIONS, INC.

STATEMENT OF FINANCIAL POSITION JULY 31, 2015

ASSETS

Current assets:	
Cash	\$ 259,172
Promises to give - current	213,248
Prepaid expenses	<u>494</u>
Total current assets	<u>472,914</u>
Noncurrent assets:	
Promises to give - long term, net	<u>199,505</u>
Total assets	<u><u>\$ 672,419</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ <u>1,574</u>
Total current liabilities	<u>1,574</u>
Net assets:	
Unrestricted	261,340
Temporarily restricted	<u>409,505</u>
Total net assets	<u>670,845</u>
Total liabilities and net assets	<u><u>\$ 672,419</u></u>

See Notes to Financial Statements.

CLASSROOM CHAMPIONS, INC.

STATEMENT OF ACTIVITIES SEVEN MONTHS ENDED JULY 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Contributions	\$ 35,366	\$ 10,000	\$ 45,366
Net assets released from restrictions	112,146	(112,146)	-
Total support and revenue	<u>147,512</u>	<u>(102,146)</u>	<u>45,366</u>
Expenses			
Program	94,066	-	94,066
Management and general	11,724	-	11,724
Fundraising	45,454	-	45,454
Total expenses	<u>151,244</u>	<u>-</u>	<u>151,244</u>
Change in net assets	(3,732)	(102,146)	(105,878)
Net assets, beginning of period	<u>265,072</u>	<u>511,651</u>	<u>776,723</u>
Net assets, end of period	<u>\$ 261,340</u>	<u>\$ 409,505</u>	<u>\$ 670,845</u>

See Notes to Financial Statements.

CLASSROOM CHAMPIONS, INC.

STATEMENT OF FUNCTIONAL EXPENSES SEVEN MONTHS ENDED JULY 31, 2015

	<u>Program</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Management services	\$ 16,800	\$ 7,000	\$ 4,200	\$ 28,000
Professional fundraising	-	-	20,657	20,657
Contractor costs	44,417	1,750	15,326	61,493
Advertising and promotion	1,041	74	67	1,182
Office expenses	496	1,338	2,850	4,684
Information technology	4,393	150	-	4,543
Travel	5,760	798	2,354	8,912
Conference and meetings	-	614	-	614
Program supplies	2,208	-	-	2,208
Program activities	18,951	-	-	18,951
	<u>18,951</u>	<u>-</u>	<u>-</u>	<u>18,951</u>
Total expenses	<u>\$ 94,066</u>	<u>\$ 11,724</u>	<u>\$ 45,454</u>	<u>\$ 151,244</u>

See Notes to Financial Statements.

CLASSROOM CHAMPIONS, INC.

STATEMENT OF CASH FLOWS SEVEN MONTHS ENDED JULY 31, 2015

OPERATING ACTIVITIES

Change in net assets	\$	(105,878)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Changes in operating assets and liabilities:		
Decrease in promises to give		99,048
Decrease in prepaid expenses		904
Increase in accounts payable		<u>1,574</u>
Net cash used in operating activities		<u>(4,352)</u>
Net decrease in cash		(4,352)
Cash, beginning of period		<u>263,524</u>
Cash, end of period	\$	<u><u>259,172</u></u>

See Notes to Financial Statements.

CLASSROOM CHAMPIONS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION

Classroom Champions, Inc. (the “Organization”) was founded for the purpose of providing: leadership training programs and workshops to educate youth; network and development opportunities for educators; community building activities to enrich the lives of youth and families; and programming opportunities to develop quality role models in society. The Organization was incorporated as a Florida not-for-profit corporation on March 28, 2011.

Classroom Champions, Inc. has an unincorporated association with Classroom Champions NPO based in Canada.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. This basis of accounting involves the application of accrual accounting; consequently, revenues are recognized when earned, and expenses are recognized when incurred.

Change in reporting period

The Organization changed from a December 31st statement of financial position date to a July 31st statement of financial position date. The statements of activities, functional expenses and cash flows are presented for the period January 1, 2015 to July 31, 2015.

Cash and cash equivalents

For financial statement purposes, the Organization considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

Contributions and promises to give

Contributions received, including unconditional promises to give, are recognized as revenues in the period received at their estimated fair value less an appropriate allowance for uncollectible amounts. Conditional promises to give are recognized when the conditions are substantially met. Pledges receivable over more than one year are recorded at their discounted present value. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. The allowance for doubtful pledges is based on specifically identified amounts that the Organization believes to be uncollectible. An additional allowance is recorded based on certain percentages of aged pledged receivables, which are determined based on historical experience and management’s assessment of the general financial conditions affecting the Organization’s donor base. If actual collections experience changes, revisions to the allowance may be required. As of July 31, 2015, the Organization had no recorded allowance for doubtful pledges.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temporarily restricted accounting

Contributions which have donor stipulations that limit their use are recorded as revenue under temporarily restricted net assets and released from restrictions when a stipulated time restriction ends or purpose restriction expires. The related expenses are recorded under unrestricted net assets.

Net assets

The Organization presents its financial statements in accordance with the Financial Accounting Standards Board (FASB)'s *Financial Statements for Not-For-Profit Organizations*. Under this guidance, the Organization is required to report information regarding its financial position and activities according to three categories of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of July 31, 2015, the Organization had no permanently restricted net assets.

Estimates

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America which require management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements, as well as the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Management's estimate of the functional allocation of expenses is based on management discretion and experience.

Income taxes

Classroom Champions, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Organization is not required to pay federal taxes on income, and contributions to the Organization qualify for the charitable contributions deduction to the extent provided by Section 170 of the Internal Revenue Code.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Management is not aware of any circumstances or transactions that would jeopardize its tax exempt status.

All tax exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes. There currently are no audits of the Organization's returns in progress.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. IN-KIND CONTRIBUTIONS

The Organization receives contributed services from individuals relating to its programs and administration. Contributed services are only recorded if the service is specialized and the Organization would have purchased the service had it not been contributed. Management determined that such services received for the seven months ended July 31, 2015 were not material, therefore they were not recorded as an in-kind contribution with an offsetting expense in the accompanying financial statements.

NOTE 4. CONCENTRATIONS

The Organization maintains its cash in bank deposit accounts that at times exceed federally insured limits. A policy of depositing all such funds in banks of significant financial strength is maintained. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

For the seven months ended July 31, 2015, 60% of contribution revenue was from three donors and 99% of promises to give was from two donors.

NOTE 5. PROMISES TO GIVE

Promises to give consisted of the following at July 31, 2015:

Current	\$ 213,248
Due in one to five years	<u>200,000</u>
	413,248
Less time value discount	(495)
Net promises to give	<u><u>\$ 412,753</u></u>

The promises to give discount rate used was 0.25%.

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

At July 31, 2015, temporarily restricted net assets were available for the following donor restricted purposes:

Time restricted	<u><u>\$ 409,505</u></u>
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As of July 31, 2015, the temporarily restricted net assets were held in promises to give.

NOTE 7. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 24, 2016, the date that the financial statements were available to be issued.

In August 2015 the Organization entered into a cost-sharing arrangement with Classroom Champions NPO based in Canada. The entities exchanged cash to be held under an agency relationship.