



JUMPSTART FOR YOUNG CHILDREN, INC.

**FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

JUMPSTART FOR YOUNG CHILDREN, INC.

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AUGUST 31, 2014 AND 2013**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Jumpstart for Young Children, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Jumpstart for Young Children, Inc. (a Massachusetts corporation, not for profit) which comprise the statements of financial position as of August 31, 2014 and 2013, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 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 Jumpstart for Young Children, Inc. as of August 31, 2014 and 2013, 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.

Alexander, Aronson, Finning & Co., P.C.

Boston, Massachusetts
February 2, 2015

JUMPSTART FOR YOUNG CHILDREN, INC.

**STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2014 AND 2013**

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,764,339	\$ 1,823,255
Current portion of grants and pledges receivable	4,956,558	3,765,351
Prepaid expenses and other	351,127	290,863
	<hr/>	<hr/>
Total current assets	7,072,024	5,879,469
 GRANTS AND PLEDGES RECEIVABLE, net of current portion and discount	 58,218	 15,046
 NOTE RECEIVABLE	 90,000	 105,000
 PROPERTY AND EQUIPMENT, net	 168,680	 293,964
	<hr/>	<hr/>
Total assets	<u>\$ 7,388,922</u>	<u>\$ 6,293,479</u>
<u>LIABILITIES AND NET ASSETS</u>		
 CURRENT LIABILITIES:		
Current portion of capital lease obligation	\$ 27,530	\$ 26,548
Accounts payable and accrued expenses	618,110	967,480
Payable to affiliates	2,019,702	1,436,538
	<hr/>	<hr/>
Total current liabilities	2,665,342	2,430,566
 CAPITAL LEASE OBLIGATION, net of current portion	 16,579	 46,412
	<hr/>	<hr/>
Total liabilities	2,681,921	2,476,978
	<hr/>	<hr/>
 NET ASSETS:		
Unrestricted:		
Operating	2,952,532	2,818,439
Property and equipment	124,571	221,004
	<hr/>	<hr/>
Total unrestricted	3,077,103	3,039,443
 Temporarily restricted	 1,629,898	 777,058
	<hr/>	<hr/>
Total net assets	4,707,001	3,816,501
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 7,388,922</u>	<u>\$ 6,293,479</u>

The accompanying notes are an integral part of these statements.

JUMPSTART FOR YOUNG CHILDREN, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013**

	2014			2013		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
OPERATING REVENUES:						
Grants and contributions:						
Government	\$ 7,558,510	\$ -	\$ 7,558,510	\$ 7,271,284	\$ -	\$ 7,271,284
Individuals	3,643,763	118,672	3,762,435	3,201,170	-	3,201,170
Foundations	2,130,697	1,381,377	3,512,074	2,387,805	540,750	2,928,555
Corporations	2,650,114	109,374	2,759,488	3,503,921	40,000	3,543,921
In-kind goods and services	1,626,701	-	1,626,701	2,417,567	-	2,417,567
Other revenue	65,224	-	65,224	14,837	-	14,837
Net assets released from restrictions:						
Satisfaction of purpose restriction	556,583	(556,583)	-	20,000	(20,000)	-
Satisfaction of time restriction	200,000	(200,000)	-	199,169	(199,169)	-
Total operating revenues	<u>18,431,592</u>	<u>852,840</u>	<u>19,284,432</u>	<u>19,015,753</u>	<u>361,581</u>	<u>19,377,334</u>
OPERATING EXPENSES:						
Program services	15,178,318	-	15,178,318	17,507,266	-	17,507,266
General and administrative	1,456,451	-	1,456,451	1,393,734	-	1,393,734
Fundraising	1,759,163	-	1,759,163	2,444,449	-	2,444,449
Total operating expenses	<u>18,393,932</u>	<u>-</u>	<u>18,393,932</u>	<u>21,345,449</u>	<u>-</u>	<u>21,345,449</u>
Changes in net assets	37,660	852,840	890,500	(2,329,696)	361,581	(1,968,115)
NET ASSETS, beginning of year	<u>3,039,443</u>	<u>777,058</u>	<u>3,816,501</u>	<u>5,369,139</u>	<u>415,477</u>	<u>5,784,616</u>
NET ASSETS, end of year	<u><u>\$ 3,077,103</u></u>	<u><u>\$ 1,629,898</u></u>	<u><u>\$ 4,707,001</u></u>	<u><u>\$ 3,039,443</u></u>	<u><u>\$ 777,058</u></u>	<u><u>\$ 3,816,501</u></u>

The accompanying notes are an integral part of these statements.

JUMPSTART FOR YOUNG CHILDREN, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 890,500	\$ (1,968,115)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	172,124	162,339
Bad debt	78,204	79,994
Forgiveness of note receivable	15,000	20,000
Increase (decrease) in discount of grants and pledges receivable	1,328	(4,286)
Changes in operating assets and liabilities:		
Grants and pledges receivable	(1,313,911)	(212,279)
Prepaid expenses and other	(60,264)	(39,924)
Note receivable	-	25,000
Accounts payable and accrued expenses	(349,370)	204,688
Payable to affiliates	583,164	626,605
	16,775	(1,105,978)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(46,840)	(100,952)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease obligation	(28,851)	(25,605)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(58,916)	(1,232,535)
CASH AND CASH EQUIVALENTS, beginning of year	1,823,255	3,055,790
CASH AND CASH EQUIVALENTS, end of year	\$ 1,764,339	\$ 1,823,255
Cash paid for interest	\$ 3,163	\$ 3,163
Disposal of fully depreciated property and equipment	\$ 98,928	\$ -

The accompanying notes are an integral part of these statements.

JUMPSTART FOR YOUNG CHILDREN, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2014**

(With Summarized Comparative Totals for the Year Ended August 31, 2013)

	<u>2014</u>				<u>2013</u>
	<u>PROGRAM SERVICES</u>	<u>GENERAL AND ADMINIS- TRATIVE</u>	<u>FUND- RAISING</u>	<u>TOTAL</u>	<u>TOTAL</u>
PAYROLL AND RELATED:					
Salaries	\$ 5,610,723	\$ 818,517	\$ 794,382	\$ 7,223,622	\$ 8,722,650
Fringe benefits and taxes	1,112,601	194,114	136,976	1,443,691	1,654,108
Corps member stipends	708,628	-	-	708,628	586,534
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total payroll and related	7,431,952	1,012,631	931,358	9,375,941	10,963,292
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
OTHER:					
Grants to affiliates	3,272,995	-	-	3,272,995	3,274,172
Printing and program supplies	923,054	2,702	22,254	948,010	1,037,430
Occupancy	587,547	64,830	93,257	745,634	703,361
Consultants and professional services	421,165	143,117	120,087	684,369	838,108
Special events	-	-	431,242	431,242	463,196
Meals, travel and lodging	320,386	4,911	54,979	380,276	525,930
Telecommunication and computers	196,430	15,296	27,614	239,340	286,389
Depreciation	139,421	17,385	15,318	172,124	162,339
Office supplies	132,087	16,041	15,222	163,350	208,292
Bad debt	-	78,204	-	78,204	79,994
Subscriptions	41,356	8,779	17,063	67,198	62,010
Licenses	37,427	25,600	3,576	66,603	103,761
Training events and institutes	47,747	24	11,303	59,074	111,103
Other	28,004	29,789	20	57,813	94,003
Membership dues	18,695	-	2,798	21,493	9,490
Advertising	3,142	-	423	3,565	5,012
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total other	6,169,456	406,678	815,156	7,391,290	7,964,590
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
IN-KIND:					
Program supplies	497,307	-	-	497,307	1,033,459
Salaries and Corps member stipends	469,793	-	-	469,793	430,286
Occupancy	456,578	-	-	456,578	583,137
Other	89,377	-	-	89,377	57,814
Professional services	48,476	37,142	-	85,618	281,390
Special events	-	-	12,649	12,649	-
Office supplies	8,871	-	-	8,871	30,942
Meals, travel and lodging	6,508	-	-	6,508	539
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total in-kind	1,576,910	37,142	12,649	1,626,701	2,417,567
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 15,178,318</u>	<u>\$ 1,456,451</u>	<u>\$ 1,759,163</u>	<u>\$ 18,393,932</u>	<u>\$ 21,345,449</u>

The accompanying notes are an integral part of these statements.

JUMPSTART FOR YOUNG CHILDREN, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2013**

	<u>PROGRAM SERVICES</u>	<u>GENERAL AND ADMINIS- TRATIVE</u>	<u>FUND- RAISING</u>	<u>TOTAL</u>
PAYROLL AND RELATED:				
Salaries	\$ 6,709,577	\$ 873,118	\$ 1,139,955	\$ 8,722,650
Fringe benefits and taxes	1,223,075	183,146	247,887	1,654,108
Corps member stipends	586,534	-	-	586,534
	<hr/>	<hr/>	<hr/>	<hr/>
Total payroll and related	8,519,186	1,056,264	1,387,842	10,963,292
OTHER:				
Grants to affiliates	3,274,172	-	-	3,274,172
Printing and program supplies	930,851	27	106,552	1,037,430
Occupancy	528,207	32,183	142,971	703,361
Consultants and professional services	541,566	100,231	196,311	838,108
Special events	-	-	463,196	463,196
Meals, travel and lodging	470,853	485	54,592	525,930
Telecommunication and computers	249,753	6,332	30,304	286,389
Depreciation	131,494	16,364	14,481	162,339
Office supplies	171,252	6,691	30,349	208,292
Bad debt	-	79,994	-	79,994
Subscriptions	47,509	14,501	-	62,010
Licenses	59,774	35,202	8,785	103,761
Training events and institutes	107,300	-	3,803	111,103
Other	48,405	45,460	138	94,003
Membership dues	7,769	-	1,721	9,490
Advertising	1,608	-	3,404	5,012
	<hr/>	<hr/>	<hr/>	<hr/>
Total other	6,570,513	337,470	1,056,607	7,964,590
IN-KIND:				
Program supplies	1,033,459	-	-	1,033,459
Salaries and Corps member stipends	430,286	-	-	430,286
Occupancy	583,137	-	-	583,137
Other	57,814	-	-	57,814
Professional services	281,390	-	-	281,390
Office supplies	30,942	-	-	30,942
Meals, travel and lodging	539	-	-	539
	<hr/>	<hr/>	<hr/>	<hr/>
Total in-kind	2,417,567	-	-	2,417,567
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	\$ 17,507,266	\$ 1,393,734	\$ 2,444,449	\$ 21,345,449

The accompanying notes are an integral part of these statements.

JUMPSTART FOR YOUNG CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2014 AND 2013

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS

Founded in 1993, Jumpstart for Young Children, Inc. (Jumpstart) is a national early education organization that helps children develop the language, literacy and social skills they need to succeed in kindergarten, setting them on a path for lifelong success. Jumpstart served 11,400 and 11,300 children during the 2014 and 2013 fiscal years, respectively, by engaging 4,300 Corps members across fourteen states and the District of Columbia.

Throughout the past twenty years, Jumpstart's unique program has excelled at training caring adults to engage preschool-aged children in a carefully designed curriculum that ensures children enter kindergarten prepared to succeed. The program is intensive and intentional; children participate in twenty weeks of sessions targeted at building the specific skills research tells us children need. An external study conducted by Illinois State University showed that Jumpstart children showed gains that were two to three times larger than the gains of comparison children, "Harris, S. (2010)." *Early intervention for poverty-stricken children: A study of preschoolers receiving Jumpstart*. (Unpublished doctoral dissertation, Illinois State University, Normal, IL).

Jumpstart's high quality, cost-effective and replicable program, along with its ability to work collaboratively with partners and parents, has been recognized by major industry awards and featured in national media. Learn more at www.jstart.org.

NONPROFIT STATUS

Jumpstart is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). Jumpstart is also exempt from state income taxes. Donors may deduct contributions made to Jumpstart within IRC requirements.

SIGNIFICANT ACCOUNTING POLICIES

Jumpstart prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Cash and Cash Equivalents

Cash and cash equivalents consist of checking and small business money market savings accounts.

Fair Value Measurements

ASC Topic *Fair Value Measurements* establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance only applies when the fair value measurement of assets and liabilities is required or permitted. Jumpstart has determined that none of its financial or nonfinancial assets or liabilities is measured at fair value, therefore the disclosure requirements do not currently apply.

JUMPSTART FOR YOUNG CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014 AND 2013

(Continued)

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Equipment and Depreciation

Property and equipment are recorded at cost, if purchased, or at fair value at the date of donation. Property and equipment consist of the following as of August 31:

	<u>2014</u>	<u>2013</u>
Equipment and technology	\$661,846	\$ 713,934
Leasehold improvements	174,154	174,154
Furniture and fixtures	<u>139,273</u>	<u>139,273</u>
	975,273	1,027,361
Less - accumulated depreciation	<u>806,593</u>	<u>733,397</u>
Net property and equipment	<u>\$168,680</u>	<u>\$ 293,964</u>

Leasehold improvements are depreciated using the straight-line method over the life of the lease. Equipment and technology and furniture and fixtures are depreciated using the straight-line method over an estimated useful life of three years. Depreciation expense was \$172,124 and \$162,339 for the years ended August 31, 2014 and 2013, respectively.

Revenue Recognition

Unrestricted contributions are recorded as unrestricted revenue when unconditionally pledged or received. Grant revenue is recorded as services are provided.

Jumpstart records unconditional grants and contributions as temporarily restricted revenue and net assets, if they are received with donor stipulations that limit the use of the assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Restricted grants received and expended in accordance with donor restrictions within the same fiscal year are reported as unrestricted revenues.

Allowance for Doubtful Accounts

Estimates of uncollectible grants and pledges receivable are based on past collection experience together with a review of the current status of existing receivables. There was no allowance for uncollectible grants and pledges receivable at August 31, 2014 and 2013.

Estimates

The preparation of financial statements in accordance with U.S. GAAP 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.

JUMPSTART FOR YOUNG CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014 AND 2013

(Continued)

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**

(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

Expenses related directly to a function are distributed to that function, while other expenses are allocated based upon management's estimate of the percentage attributable to each function.

Grants to Affiliates

Jumpstart awards one-year cost reimbursable grants to its affiliates. These grants are recognized as expenses as costs are incurred. Amounts expensed but not yet disbursed are recorded as payable to affiliates in the accompanying statements of financial position.

Net Assets

Unrestricted net assets include amounts which bear no external restrictions and are currently available for operations. Jumpstart has classified its unrestricted net assets into the following categories:

Operating represents the portion of net assets that are available for general operations.

Property and equipment represent the portion of net assets invested in property and equipment, net of related debt.

Temporarily restricted net assets include contributions and grants which are designated by donors for specific purposes or time periods. These contributions are recorded as temporarily restricted net assets until they are expended for their designated purposes or the time period lapses.

Temporarily restricted net assets are restricted as follows as of August 31:

	<u>2014</u>	<u>2013</u>
Time	\$1,432,398	\$200,000
Purpose	<u>197,500</u>	<u>577,058</u>
Total temporarily restricted net assets	<u>\$1,629,898</u>	<u>\$777,058</u>

Special Events

Jumpstart records special events revenue using the gross method. Special events revenue is included in grants and contributions and totaled \$3,015,148 and \$3,248,868 for the years ended August 31, 2014 and 2013, respectively. Special events expenses totaled \$443,891 and \$463,196 for the years ended August 31, 2014 and 2013, respectively, and are included in fundraising and special events in the accompanying statements of functional expenses.

JUMPSTART FOR YOUNG CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014 AND 2013

(Continued)

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Uncertainty in Income Taxes

Jumpstart accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statement regarding a tax position taken or expected to be taken in a tax return. Jumpstart has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at August 31, 2014 and 2013. Jumpstart's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

Advertising

Advertising costs are expensed as incurred.

Subsequent Events

Subsequent events have been evaluated through February 2, 2015, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

(2) IN-KIND GOODS AND SERVICES

Jumpstart receives significant in-kind goods and services in various aspects of its programs. The value of these goods and services is reflected in the accompanying financial statements based upon a value assigned by the donors or a reasonable estimate determined by management.

(3) GRANTS AND PLEDGES RECEIVABLE

Jumpstart had grants and pledges receivable as follows as of August 31:

	<u>2014</u>	<u>2013</u>
Due in one year	\$4,956,558	\$3,765,351
Due in two years	<u>60,000</u>	<u>15,500</u>
	5,016,558	3,780,851
Less – discount	1,782	454
Less – current portion	<u>4,956,558</u>	<u>3,765,351</u>
	<u>\$ 58,218</u>	<u>\$ 15,046</u>

These grants and pledges have been discounted to present value at the time of donation using a 2.9% discount rate at August 31, 2014 and 2013.

JUMPSTART FOR YOUNG CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014 AND 2013

(Continued)

(3) GRANTS AND PLEDGES RECEIVABLE (Continued)

The following table reflects grants and pledges receivable concentrations as of August 31:

<u>Agency</u>	<u>2014</u>	<u>2013</u>
Governmental Entity – A	38%	27%
Governmental Entity – B	9%	24%

(4) NOTE RECEIVABLE

The note receivable in the accompanying statements of financial position relates to an amount due from Jumpstart's Chief Executive Officer (CEO) as a part of a relocation assistance agreement. The note bears no interest. Repayment was due upon the sale of the CEO's former residence. During fiscal year 2013, the note receivable was renegotiated. Beginning in 2013, after a cash payment of \$25,000, Jumpstart will forgive a portion of this loan each year. During 2014 and 2013, Jumpstart forgave \$15,000 and \$20,000, respectively. If the CEO's employment with Jumpstart terminates prior to August 31, 2018, the remaining balance of the note receivable is due. At August 31, 2014 and 2013 \$90,000 and \$105,000, respectively, was outstanding.

(5) LEASES

Jumpstart leases office space for its National and Regional offices under various non-cancelable operating leases. The initial terms of these leases are from one to five years, expiring at various dates through September 30, 2017. Jumpstart is responsible for its proportionate share of real estate taxes and operating costs. Jumpstart has the option to renew certain leases as defined in the lease agreements. Total facility expense for the years ended August 31, 2014 and 2013, was \$745,634 and \$703,361, respectively, and is included in occupancy in the accompanying statements of functional expenses.

Jumpstart has three operating leases for office equipment which expire on various dates through July 31, 2016. Total monthly payments were \$4,219 at August 31, 2014 and 2013.

Remaining future minimum lease payments under these agreements are as follows:

<u>Fiscal Year</u>	<u>Facility</u>	<u>Equipment</u>
2015	\$649,258	\$32,795
2016	\$296,956	\$32,006
2017	\$140,462	\$ 5,373
2018	\$ 839	\$ -

JUMPSTART FOR YOUNG CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014 AND 2013

(Continued)

(6) CAPITAL LEASE OBLIGATION

Jumpstart leases certain equipment with an aggregate cost of \$131,315 under a capital lease agreement. The interest rate under this agreement was 3.64%. This agreement expires in April, 2016. Aggregate future minimum lease payments under this agreement are as follows:

<u>Fiscal Year</u>	
2015	\$28,764
2016	<u>16,838</u>
Total future minimum payments	45,602
Less - amounts representing interest	<u>1,493</u>
Present value of future minimum lease payments	44,109
Less - current portion	<u>27,530</u>
	<u>\$16,579</u>

For the years ended August 31, 2014 and 2013, depreciation expense on equipment purchased under capital lease was \$26,263. Interest expense on this lease was \$3,163 for the years ended August 31, 2014 and 2013.

(7) FUNDING

Jumpstart received approximately \$7,559,000 and \$7,271,000 of its funding from government agencies for the years ended August 31, 2014 and 2013, respectively, all of which is subject to audit by the specific government agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of Jumpstart as of August 31, 2014 and 2013, or on the changes in its net assets for the years then ended. For the years ended August 31, 2014 and 2013, 94% and 92%, respectively, of the total government funding was from one Federal program.

(8) LICENSE AGREEMENT

Jumpstart was in a license agreement with a company for the company's exclusive and perpetual use of Jumpstart's intellectual property, as defined in the agreement. Jumpstart received fees of 1% or 2% of certain company net revenue, as defined in the agreement, up to a maximum aggregate royalty fee of \$50,000 per year. The company could defer payments to Jumpstart under certain conditions. No license fees have been earned under this agreement since its inception and the agreement terminated in fiscal year 2014.

(9) CONCENTRATION OF CREDIT RISK

Jumpstart maintains its cash balances in a bank that is insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, the cash balances exceeded the insured amount. Jumpstart has not experienced any losses in this account. Jumpstart believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Jumpstart also maintained a bank account at a Canadian financial institution which was not insured. Jumpstart was required to maintain this bank account as an employee lived and worked in Canada. This account was closed in fiscal year 2014 and the employee no longer works for Jumpstart. The balance in this account was \$12,935 as of August 31, 2013. Jumpstart also maintains a cash account with an investment firm which totaled \$1 and \$199,381 as of August 31, 2014 and 2013, respectively, and is not FDIC insured.

JUMPSTART FOR YOUNG CHILDREN, INC.

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013
(Continued)**

(10) RETIREMENT PLAN

Jumpstart maintains a qualified profit sharing retirement plan under the provisions of Section 401(k) of the IRC. Jumpstart matches a percentage of each employee's contributions to the plan at its discretion. During fiscal years 2014 and 2013, Jumpstart matched up to 4% of contributions by employees. Jumpstart's contributions were \$147,058 and \$156,396 for fiscal years 2014 and 2013, respectively, which are included in fringe benefits and taxes in the accompanying statements of functional expenses.

(11) LINE OF CREDIT

Jumpstart has a \$1,000,000 working capital line of credit arrangement with a bank. Borrowings are due on demand. Interest is payable monthly at the bank's prime rate (3.25% at August 31, 2014 and 2013), plus .75%. As of August 31, 2014 and 2013, there were no outstanding balances under this agreement. This line of credit is unsecured and expires on April 30, 2015. Jumpstart is required to comply with certain covenants under the terms of this agreement. Jumpstart was in compliance with these covenants as of August 31, 2014 and 2013.