

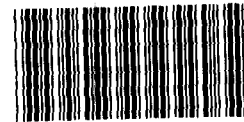
GAO

Report to the Clerk of the House of
Representatives

April 1990

FINANCIAL AUDIT

House Child Care
Center Financial
Statements for the
Years Ending
8-31-89 and 8-31-88



141185



**United States
General Accounting Office
Washington, D.C. 20548**

**Comptroller General
of the United States**

B-234458

April 23, 1990

The Honorable Donnal K. Anderson
Clerk of the House of Representatives

Dear Mr. Anderson:

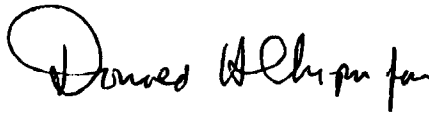
As required by section 2(d) of House Resolution 21, dated December 11, 1985, we have audited the accompanying balance sheets of the House of Representatives Child Care Center, Inc., as of August 31, 1989 and 1988, and the related statements of revenue, expenses, and fund balance for the fiscal years then ended. We have also audited the statement of cash flows for the fiscal year ended August 31, 1989. We completed our audit on November 17, 1989. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits 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 both the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 the Center as of August 31, 1989 and 1988, and the results of its operations for the fiscal years ended August 31, 1989 and 1988, and cash flows for the fiscal year ended August 31, 1989, in conformity with generally accepted accounting principles.

Our report on internal accounting controls and compliance with laws and regulations for the year ended August 31, 1989, together with the Center's financial statements and accompanying notes for the fiscal years ended August 31, 1989 and 1988, is included in this report.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Charles A. Bowsher". The signature is written in a cursive style with a large initial "C".

Charles A. Bowsher
Comptroller General
of the United States

Contents

Opinion Letter	1
Report on Internal Accounting Controls and Compliance With Laws and Regulations	6
Balance Sheets	7
Statements of Revenue, Expenses, and Fund Balance	8
Statement of Cash Flows	9
Notes to Financial Statements	10
Table	11

Table 1: Schedule of Purchased and Donated Assets

Report on Internal Accounting Controls and Compliance With Laws and Regulations

We have audited the financial statements of the House of Representatives Child Care Center, Inc., for the fiscal years ended August 31, 1989 and 1988. Our audits were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our preliminary review of the system of internal accounting controls and our review of compliance with laws and regulations for the fiscal year ended August 31, 1989. Our report on internal accounting controls and compliance with laws and regulations for the fiscal year ended August 31, 1988, is presented in GAO/AFMD-89-61, dated March 29, 1989.

We did not complete a study and evaluation of the Center's internal accounting control system for the purpose of determining the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Center's financial statements. Based on our preliminary review, we concluded that it was more efficient to expand our substantive tests in auditing the financial statements for the fiscal year ended August 31, 1989.

While we did not perform a complete study and evaluation of the Center's internal accounting control system, we did not become aware of any condition during our expanded substantive audit tests which we believe to be a material weakness.

As part of our audit, we also tested the Center's compliance with the terms and provisions of H. Res. 21 and Internal Revenue Service regulations on income tax withholdings. In our opinion, the House of Representatives Child Care Center, Inc., complied with the terms and provisions of H. Res. 21 and applicable Internal Revenue Service regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention, in connection with our audit, that caused us to believe that the Center was not in compliance with the terms and provisions of H. Res. 21 and the Internal Revenue Service regulations for those transactions not tested.

Balance Sheets

	August 31,	
	1989	1988
Assets		
Current Assets		
Cash	\$51,307	\$100,758
Restricted cash (note 2)	12,120	10,605
Investment in marketable securities—at lower of cost or market value	52,823	0
Prepaid insurance expense	4,190	6,401
Accrued interest on investments	780	0
Total current assets	121,220	117,764
Fixed Assets		
Equipment (note 3)	27,109	14,056
Less accumulated depreciation	4,896	977
Total fixed assets	22,213	13,079
Total Assets	\$143,433	\$130,843
Liabilities and Fund Balance		
Current Liabilities		
Accounts payable	\$89	\$174
Payroll taxes payable	423	1,592
Deferred revenue (note 4)	0	1,486
Total current liabilities	512	3,252
Long-Term Liabilities		
Deposits held for parents (note 2)	8,850	7,200
Payroll held for employees (note 2)	3,270	3,405
Loan payable (note 5)	100,000	100,000
Total long-term liabilities	112,120	110,605
Total liabilities	112,632	113,857
Fund Balance		
Net investment in donated assets (note 3)	14,732	4,325
Fund balance—general operating	16,069	12,661
Total fund balance	30,801	16,986
Total Liabilities and Fund Balance	\$143,433	\$130,843

The accompanying notes are an integral part of these statements.

Statements of Revenue, Expenses, and Fund Balance

	Fiscal years ended August 31,	
	1989	1988
Revenue		
Operating		
Tuition	\$313,919	\$215,436
Application fees	1,950	1,475
Miscellaneous	3,776	4,891
	319,645	221,802
Nonoperating		
Donations (note 1)	17,795	85,064
Interest (note 6)	9,001	7,138
	26,796	92,202
Total Revenue	346,441	314,004
Expenses		
Salaries	274,483	237,999
Employment taxes	20,580	17,703
Employee benefits (note 7)	10,180	6,520
Classroom supplies	17,329	12,778
Office supplies	861	743
Class activities	840	698
Utilities - telephone	362	4,363
Child care equipment - small	3,993	12,720
Printing and advertising	860	2,996
Insurance	6,400	6,114
Staff development	2,609	867
Depreciation	1,901	302
Miscellaneous	2,635	8,904
Total Expenses	343,033	312,707
Excess of revenue over expenses	3,408	1,297
Fund balance, beginning of period (note 8)	12,661	11,364
Fund Balance, End of Period	\$16,069	\$12,661

The accompanying notes are an integral part of these statements.

Statement of Cash Flows

		Fiscal year ended August 31, 1989
Cash Flows From Operating Activities		
Net income		\$3,408
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation		1,901
Decrease (increase) in assets:		
Prepaid insurance expense		2,211
Accrued interest on investments		(780)
Investments in marketable securities		(52,823)
Purchased equipment		(627)
Increase (decrease) in liabilities:		
Accounts payable - vendors		86
Payroll taxes payable		(1,169)
Payroll held for employees		(135)
Deposits held for parents		1,650
Deferred revenue		(1,486)
Net cash used in operating activities		(47,936)
Cash at beginning of year		111,363
Cash Balance at End of Year		\$63,427

The accompanying notes are an integral part of this statement.

Notes to Financial Statements

Note 1. Significant Accounting Policies

Organization

The House of Representatives Child Care Center, Inc., was established by H. Res. 21, December 11, 1985. The Center is an independent, non-profit, nongovernmental corporation, incorporated under the laws of the District of Columbia for the sole purpose of providing child care. The Center provides its services for children of Members, officers, their staffs, and other support personnel of the House of Representatives. It is exempt from income tax under section 501(c)(3) of the Internal Revenue Code. The Center began operations on September 1, 1987.

Depreciation Policy

Equipment is depreciated over a 5-year or 10-year period using the straight-line method.

Donated Facilities and Services

The financial statements do not include the costs of space, utilities (except telephone), and ordinary repairs and maintenance, which are provided to the Center without charge.

Administration and Fund Raising Expenses

Administration and fund raising expenses are about 2 percent of total revenue and include office supplies, printing and advertising, staff development, and miscellaneous costs. Administration and fund raising services are performed by officers, directors, parents, and others at no expense to the Center.

Donations

The Center solicits and receives donations from corporations and individuals. The donations received were in the form of cash, equipment, and services. For financial statement purposes, no value was assigned to the donated services.

Note 2. Restricted Cash and Related Liability

The Center is holding \$8,850 from the children's parents as initial deposits which are refundable if proper notice of withdrawal is given. The Center is also holding \$3,270 from employees' first week's pay which is due the employees upon proper notice of termination of their employment and payment of any existing debts to the Center. The total cash held and related liability at August 31, 1989, was \$12,120.

Note 3. Equipment

The Center purchased or received by donation the following items of equipment.

Table 1: Schedule of Purchased and Donated Assets

	Estimated useful life	Cost or fair market value	Accumulated depreciation	Net value
Purchased				
Playground equipment	5 years	\$9,684	\$2,203	\$7,481
Donated				
Office equipment	10 years	11,425	1,143	10,282
Kitchen equipment	10 years	3,250	650	2,600
Educational equipment	5 years	1,850	540	1,310
Cleaning equipment	5 years	900	360	540
Total donated		17,425	2,693	14,732
Total		\$27,109	\$4,896	\$22,213

Note 4. Deferred Revenue

Fiscal year 1988 deferred revenue consisted of tuition payments received for fiscal year 1989.

Note 5. Loan Payable

The \$100,000 loan provided for in H. Res. 21 for equipment and other expenses of starting the Center was received in January 1987. It remained a Center liability as of August 31, 1989. The Legislative Branch Appropriations Act, 1990 (Public Law 101-163), dated November 21, 1989, amended H. Res. 21 and omitted the requirement for the Center to repay the loan.

Note 6. Interest

Cash consists of the checking, savings, and share accounts which earn interest. Interest also includes income earned from marketable securities that the Center purchased during fiscal year 1989. All interest is reported under nonoperating revenue because its source is other than child care operations.

Note 7. Employee Benefits

The Center contributes to the cost of health and benefit plans selected by employees. All employees are covered by the Social Security Act. The Center has no retirement plan to supplement Social Security. The Center has no future benefits liability since it does not administer the plans.

Note 8. Fund Balance

The fund balance at the beginning of fiscal year 1988 represents the net assets remaining from the \$100,000 loan after start-up costs were paid for the period January through August 1987. No detailed financial records were kept for this period.

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