

**Pajama Program, Inc.**  
*(A Nonprofit Corporation)*

**Financial Statements and  
Supplemental Schedule  
December 31, 2017**

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*(A Nonprofit Corporation)*

**Financial Statements and  
Supplemental Schedule  
December 31, 2017**

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<b><u>Table of Contents</u></b>	<b>Page(s)</b>
<b>Independent Auditor's Report</b> .....	<b>1 – 2</b>
<b>Financial Statements:</b>	
Statement of Financial Position .....	<b>3</b>
Statement of Activities – Cash Portion .....	<b>4</b>
Statement of Activities – In-Kind Portion .....	<b>5</b>
Statement of Cash Flows .....	<b>6</b>
Notes to Financial Statements.....	<b>7 – 12</b>
<b>Supplemental Schedule:</b>	
Statement of Functional Expenses as of December 31, 2017 .....	<b>14</b>

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To the Board of Directors of  
Pajama Program, Inc.

**Independent Auditor's Report**

I have audited the accompanying financial statements of Pajama Program, Inc., (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year 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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Independent Auditor's Report, continued**

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pajama Program, Inc. as of December 31, 2017, and the changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Report on Supplemental Information**

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountant

West Hempstead, New York  
October 23, 2018

**Pajama Program, Inc.**  
*(A Nonprofit Corporation)*

**Statement of Financial Position**  
**December 31, 2017**

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**Assets**

**Current Assets:**

Cash and Cash Equivalents	\$ 2,994,019	
Unconditional Promises to Give - Temporarily Restricted	16,667	
Prepaid Expenses	17,149	
Cash Restricted to Capital Fund	10,000	
Books and Pajamas Inventory	<u>863,158</u>	
Total Current Assets		\$ 3,900,993

**Equipment and Leasehold Improvements:**

Equipment	33,146	
Leasehold Improvements	<u>17,137</u>	
	50,283	
Less: Accumulated Depreciation	<u>(16,009)</u>	34,274
Security Deposit - Rent		<u>4,878</u>

**Total Assets**

**\$ 3,940,145**

**Liabilities and Net Assets**

**Current Liabilities:**

Accounts Payable and Accrued Expenses		\$ 23,275
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**Net Assets**

Unrestricted	\$ 3,890,203	
Temporarily Restricted	<u>26,667</u>	<u>3,916,870</u>
Total Liabilities and Net Assets		<b><u>\$ 3,940,145</u></b>

The accompanying summary of significant accounting principles and policies and notes to financial statements are an integral part of these financial statements.

**Pajama Program, Inc.**  
(A Nonprofit Corporation)

**Statement of Activities – Cash Portion**  
**For the Year Ended December 31, 2017**

<b>Unrestricted Net Assets</b>		
<b>Revenues and Other Support</b>		
Unrestricted Contributions	\$ 1,992,609	
Fundraising Events	<u>420,948</u>	
Total Revenues and Other Support	2,413,557	
<b>Book and Pajama Distributions</b>		
Purchased Books and Pajamas	<u>252,940</u>	
Revenues and Other Support Less Book and Pajama Distributions		\$ 2,160,617
<b>Expenses</b>		
Wages	773,127	
Program Expenses - General	608,161	
Rent - Cash Portion	139,399	
Events Expenses	133,166	
Freight and Postage	129,523	
Payroll Taxes and Fringes	123,466	
Fundraising Events Expenses	59,606	
Marketing, Advertising and Promotion	59,006	
Repairs and Maintenance	41,374	
Professional Fees	40,555	
Dues and Subscriptions	29,611	
Office Expenses	23,821	
Utilities and Telephone	19,615	
Insurance	15,851	
Bank Charges and Credit Card Processing Fees	10,946	
Licenses and Fees	10,177	
Volunteer Appreciation Expenses	9,048	
Background Checks	8,559	
Depreciation	<u>3,346</u>	
Total Expenses		<u>2,238,357</u>
(Decrease) in Net Assets (Unrestricted) before In-Kind Increase in Revenue and Other Support over Book and Pajama Distributions and Interest Income		<u>(77,740)</u>
<b>Temporarily Restricted Net Assets</b>		
<b>Contributions</b>		
Unconditional Promise to Give		16,667
Capital Fund		<u>10,000</u>
Increase in Temporarily Restricted Net Assets - before In-Kind in Revenue and Other Support over Book and Pajama Distributions and Interest Income		<u>26,667</u>
(Decrease) in Net Assets - before In-Kind Increase in Revenue and Other Support over Book and Pajama Distributions and Interest Income		<u>\$ (51,073)</u>

The accompanying summary of significant accounting principles and policies and notes to financial statements are an integral part of these financial statements.

**Pajama Program, Inc.**  
(A Nonprofit Corporation)

**Statement of Activities – In-Kind Portion**  
**For the Year Ended December 31, 2017**

<b>Increase in Revenue and Other Support over Book and Pajama Distributions</b>		
Donated Books and Pajamas	\$ 3,347,535	
Donated Rent	44,400	
	<u>44,400</u>	
Total Revenues and Other Support		\$ 3,391,935
<b>Book and Pajamas Distributions</b>		
Beginning Inventory	828,913	
Donated Books and Pajamas for Distribution	3,347,535	
	<u>3,347,535</u>	
Books and Pajamas Available for Distribution	4,176,448	
Ending Inventory	<u>(863,157)</u>	
Total Book and Pajamas Distributions	3,313,291	
Rent Expense - In-Kind	<u>44,400</u>	
		<u>3,357,691</u>
Increase in Revenue and Other Support over Book and Pajama Distributions		34,244
(Decrease) in Net Assets - Cash Portion (from previous page)		<u>(51,073)</u>
Total (Decrease) in Net Assets before Interest Income		(16,829)
Interest Income		<u>21,810</u>
Increase in Net Assets		4,981
<b>Net Assets</b>		
Beginning of Year		<u>3,911,889</u>
End of Year		<u><u>\$ 3,916,870</u></u>

The accompanying summary of significant accounting principles and policies and notes to financial statements are an integral part of these financial statements.

**Pajama Program, Inc.**  
*(A Nonprofit Corporation)*

**Statement of Cash Flows**  
**For the Year Ended December 31, 2017**

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<b>Cash Flows from Operating Activities</b>	
(Decrease) in Net Assets (Unrestricted)	\$ (21,686)
Increase in Temporarily Restricted Net Assets	26,667
	<hr/>
Increase in Net Assets	4,981
<i>Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities -</i>	
Depreciation	3,346
<i>Changes in Operating Assets and Liabilities:</i>	
Increase in Promises to Give	(16,667)
Increase in Prepaid Expenses	10,754
Increase in Cash Reserved to Capital Fund	(10,000)
Increase in Books and Pajamas Inventory	(34,244)
Increase in Security Deposits	(4,878)
Increase in Accrued Expenses	6,675
	<hr/>
Total Adjustments	(40,033)
<b>Cash Flow Used in Investing Activities</b>	
Acquisition of Equipment	(30,639)
	<hr/>
Net Decrease in Cash and Cash Equivalents	(70,672)
<b>Cash and Cash Equivalents</b>	
Beginning of Year	3,064,691
	<hr/>
End of Year	\$ 2,994,019
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<b>Supplementary Information</b>	
Interest Paid on a Cash Basis	\$ -
Corporate Taxes Paid on a Cash Basis	\$ -

The accompanying summary of significant accounting principles and policies and notes to financial statements are an integral part of these financial statements.



**Pajama Program, Inc.**  
*(A Nonprofit Corporation)*

**Notes to Financial Statements**  
**December 31, 2017**

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**1. Operations**

Pajama Program, Inc. ("PJP") was incorporated on June 10, 2002 in New York State as a Nonprofit corporation. PJP is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. PJP received a determination letter for exempt 501(c)(3) status on November 22, 2002.

PJP promotes and supports a comforting bedtime routine for children affected by instability to help them thrive.

PJP endeavors to distribute pajamas and books to the children it serves as soon as these items are received. Goods that have not as yet been distributed by year's end are classified as "inventory" and are not charged against revenue and support until they are shipped to approved children's groups around the country.

PJP donates goods through approved organizations that are recognized as charitable under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and government agencies that assist children, throughout the United States, of low-income families and those who have been victims of abuse and neglect. Awareness of PJP's services is networked through charitable organizations, government agencies and foundations. PJP headquarters is located at 114 East 39th Street, New York, NY 10016.

In 2016, the Board of Directors along with key staff, undertook a strategic planning process to scale the organization for growth. Certain priorities were identified for further exploration by the strategic planning team, including initiatives with goals to increase awareness around mission, ensure proper infrastructure for organizational purposes, and create a plan for financial sustainability

PJP is currently registered to solicit funds in New York and several other states. As of December 31, 2017, PJP had 65 volunteer chapter presidents and served all 50 states including the District of Columbia and Puerto Rico.

**2. Summary of Significant Accounting Principles and Policies**

This summary of the significant accounting principles and policies of PJP is presented to assist in evaluating PJP's financial statements included in this report. These financial statements require that management make estimates and assumptions which may impact the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and disclosures of contingencies during the reporting period. Actual results could differ from those estimates and assumptions. A summary of the accounting principles and policies followed by PJP is as follows:

- Assets, liabilities, revenue and expenses are recognized on the accrual basis. Revenues received for future periods are deferred to the applicable period. Expenses are recognized when incurred.
- Equipment is stated at cost or, if donated, at fair market value at the time of the donation and is depreciated on a straight-line basis over the estimated lives of the respective assets, ranging from five to seven years.

**Pajama Program, Inc.**  
(A Nonprofit Corporation)

**Notes to Financial Statements**  
**December 31, 2017**

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- PJP has adopted Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-605 (*Accounting for Contributions Received and Made*), and FASB ASC 958-720 (*Financial Statements of Not-for-Profit Organizations*). ASC 958-720 establishes standards for external financial reporting by nonprofit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions.

These classes are defined as follows:

**Permanently Restricted** - Net assets 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 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. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities.

**Unrestricted** - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

- The carrying amounts of cash, receivables, accounts payable and accrued expenses approximate fair value because of the short-term nature of the items.
- PJP considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents.
- For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash deposited with banks that include money market funds. These cash and cash equivalents approximate fair value because of the short maturities of these instruments.
- Financial instruments which potentially subject PJP to concentrations of credit risk include cash and cash equivalent accounts in financial institutions which, from time to time, exceed federal insurance limits. PJP places its temporary cash investments with credit-worthy, high quality financial institutions. By policy, these investments are kept within limits designed to prevent risks caused by concentration. PJP maintains cash deposits in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, such cash deposits may exceed the FDIC coverage.
- One corporate donor accounts for over 10% of books and pajamas received by the organization.
- The organization expenses marketing, advertising and promotion costs as incurred. Marketing, advertising and promotion costs for the year ended December 31, 2017 was \$59,006.

**Pajama Program, Inc.**  
*(A Nonprofit Corporation)*

**Notes to Financial Statements**  
**December 31, 2017**

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- Donors may deduct contributions to PJP as provided in Section 170 of the IRS Code. Bequests, legacies, devises, transfers or gifts to PJP are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of IRS Code Sections 2055, 2106 and 2522.

**3. Cash and Cash Equivalents**

Cash and cash equivalents consists of deposits in non-interest bearing checking accounts and a money market account. Cash and cash equivalents at December 31, 2017 was \$3,004,019 of which cash of \$10,000 has been allocated to cash, restricted to capital fund.

**4. Inventory**

Inventory consists of books and pajamas. Pajamas are valued at \$5.27 a pair and books are valued at \$2.65 each. Valuation is based on the average cost of pajamas and books purchased by the organization. These costs are then used to value those pajamas and books that are received from donors and distributed to recipients. Pajamas and books inventory at December 31, 2017, was valued at \$863,158.

**5. Equipment and Leasehold Improvements**

Equipment	\$ 33,146
Leasehold Improvements	17,137
	<hr/>
	50,283
Less: Accumulated Depreciation	<hr/> (16,009)
	<hr/>
Net of Depreciation	\$ 34,274
	<hr/>

Depreciation expense was \$3,346 for the year ended December 31, 2017.

**6. Unrestricted Contributions**

Contributions of \$5,384,544 received by PJP have been recorded as unrestricted contributions. There were no donor stipulations that limit the use of donated assets.

**7. Temporarily Restricted Contributions**

Temporarily restricted contributions consist of a donor's unconditional promise to give of \$8,333 in 2018 and \$8,334 in 2019. A \$10,000 contribution has been made toward PJP's capital campaign.

**8. Special Fundraising Events and Activities**

During 2017, PJP held one major fundraising event and other minor fundraisers. The net proceeds from these events are to be used in achieving PJP's commitment to its present and future recipients.

**Pajama Program, Inc.**  
(A Nonprofit Corporation)

**Notes to Financial Statements**  
**December 31, 2017**

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The fundraising events in 2017 were:

<u>Fundraising Event</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>
Annual Fundraising Dinner	\$ 354,628	\$ 117,969	\$ 236,659
Others	66,320	15,197	51,123
Totals	<u>\$ 420,948</u>	<u>\$ 133,166</u>	<u>\$ 287,782</u>

**9. Rent Expense**

PJP has entered into a lease for office space at 114 East 39<sup>th</sup> Street, New York, NY 10016 from April 1, 2013 through March 31, 2023 at a monthly rent ranging from \$7,500 to \$9,229 plus escalations. During 2017, rentals under lease obligations were \$103,584. Minimum future rental payments under this lease are summarized as follows:

**Year Ending December 31,**

2018	\$ 98,364
2019	100,332
2020	103,344
2021	105,408
2022 - 2023	<u>219,324</u>
Total	<u>\$ 626,772</u>

PJP has entered into a lease for space, to serve as a reading center, at 475 Bill Kennedy Way SE, Suite C, Atlanta, GA 30316, from June 20, 2017 through June 19, 2022 at a monthly rent ranging from \$4,513 to \$4,878 plus escalations. During 2017, rentals under lease obligations were \$35,815. Minimum future rental payments under this lease are summarized as follows:

**Year Ending December 31,**

2018	\$ 45,940
2019	55,749
2020	56,845
2021	57,969
2022	<u>29,269</u>
Total	<u>\$ 245,772</u>

PJP occupies space that serves as a reading center at the Andrus Children's Center, 1156 North Broadway, Yonkers, NY from January 1, 2017 through December 31, 2017 on a month-to-month basis, at a donated rental value of \$600 per month. For this period, PJP received free use of this location. As a result, the statement of revenues and support includes \$7,200 of donated rent, and functional expenses include \$7,200 of rent expense.

**Pajama Program, Inc.**  
*(A Nonprofit Corporation)*

**Notes to Financial Statements**  
**December 31, 2017**

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PJP occupies space that serves as a reading center at the Middletown Township Parks & Recreation Poricy Park Conservancy located in Middletown, NJ from January 1, 2017 through December 31, 2017 on a month-to-month basis, at a donated rental value of \$300 per month. For this period, PJP received free use of this location. As a result, the statement of revenues and support includes \$3,600 of donated rent, and functional expenses include \$3,600 of rent expense.

PJP occupies space that serves as a distribution center at 171 Madison Avenue in New York City from January 1, 2017 through December 31, 2017 on a month-to-month basis, at a donated rental value of \$2,800 per month. For this period, PJP received free use of this location. As a result, the statement of revenues and support includes \$33,600 of donated rent, and functional expenses include \$33,600 of rent expense.

Total rent expense for the year ended December 31, 2017 was \$183,799 consisting of paid rental expense of \$139,399 and in-kind rent of \$44,400.

**10. Employee 401(k) Plan**

PJP provides a 401(k) retirement plan. To be eligible, participants must have been employed three months and have attained the age of 21 years. The organization does not contribute to this plan.

**11. Cash and In-Kind Contributions (Unrestricted)**

Cash and in-kind contributions are as follows:

Cash Donations		\$ 1,992,609
Donated Books and Pajamas	\$ 3,347,535	
Donated Rents	<u>44,400</u>	<u>3,391,935</u>
Total		<u>\$ 5,384,544</u>

**12. Contributed Services**

No amounts have been reflected in the financial statements for contributed services. Other than rent, PJP generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist PJP. The value of this contributed time and expense is not reflected in the accompanying financial statements because it does not meet the recognition criteria and cannot be objectively measured or valued.

**13. Tax Status**

PJP is a qualified nonprofit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local taxes under comparable laws. Accordingly, it is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. PJP recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. No provision for income taxes was required for the year 2017.

**Pajama Program, Inc.**  
*(A Nonprofit Corporation)*

**Notes to Financial Statements**  
**December 31, 2017**

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**14. Capital Campaign**

PJP initiated a campaign to renovate its reading center located at 114 East 39<sup>th</sup> Street and support program growth. From January 1, 2013 through December 31, 2017, children have made 14,200 visits to our NYC Reading Center to participate in our programming, but the waitlist has grown exponentially. Through this campaign, PJP will be able to invite 33% more children per year to attend its programs.

**15. Subsequent Events**

PJP evaluated events and transactions that occurred subsequent to the date of the statement of financial position but prior to the issuance date of the financial statements to determine the necessity for recognitions and/or reporting of any of these events and transactions in the financial statements. As of October 23, 2018, there are no subsequent events to be recognized or reported.

## **Supplemental Schedule**

**Pajama Program, Inc.**  
(A Nonprofit Corporation)

**Statement of Functional Expenses**  
**December 31, 2017**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Book and Pajama Distributions	\$ 3,313,291	\$ -	\$ -	\$ 3,313,291
Wages	533,049	107,602	132,476	773,127
Program Expenses - General	502,780	-	-	502,780
Cost of Pajamas and Books	252,940	-	-	252,940
Rent	168,262	15,537	-	183,799
Fundraising Events Expenses	-	-	133,166	133,166
Freight and Postage	116,571	3,886	9,066	129,523
Payroll Taxes and Fringes	85,126	17,184	21,156	123,466
Travel, Lodging and Meals	94,842	-	10,539	105,381
General Fundraising Expenses	-	-	59,606	59,606
Marketing, Advertising and Promotion	-	-	59,006	59,006
Repairs and Maintenance	-	41,374	-	41,374
Professional Fees	-	40,555	-	40,555
Dues and Subscriptions	-	29,611	-	29,611
Office Expenses	-	23,821	-	23,821
Utilities and Telephone	1,962	17,653	-	19,615
Insurance	12,682	3,169	-	15,851
Bank Charges and Credit Card				
Processing Fees	-	10,946	-	10,946
Licenses and Fees	-	10,177	-	10,177
Volunteer Appreciation Expenses	9,048	-	-	9,048
Background Checks	8,559	-	-	8,559
Depreciation	-	3,346	-	3,346
<b>Total Expenses</b>	<b>\$ 5,099,112</b>	<b>\$ 324,861</b>	<b>\$ 425,015</b>	<b>\$ 5,848,988</b>