

RAISING SPECIAL KIDS, INC.

Financial Statements and Independent Auditor's Report

For the Years Ended June 30, 2017 and 2016

RAISING SPECIAL KIDS, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Raising Special Kids, Inc.

We have audited the accompanying financial statements of Raising Special Kids, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows 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 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 Raising Special Kids, Inc. as of June 30, 2017 and 2016, 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.

Baldwin & Baldwin PLLC

Phoenix, Arizona
February 1, 2018

RAISING SPECIAL KIDS, INC.
Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets:		
Current assets:		
Cash and cash equivalents - operating	\$ 879,526	\$ 750,075
Grants receivable	243,724	187,732
Prepaid expenses	21,872	25,097
Other	839	1,037
Total current assets	1,145,961	963,941
Deposits	2,800	2,800
Property and equipment - net	41,953	62,218
Total assets	\$ 1,190,714	\$ 1,028,959
Liabilities and net assets:		
Current liabilities:		
Accounts payable	\$ 2,142	\$ 4,035
Refundable advances	2,225	6,300
Total current liabilities	4,367	10,335
Net assets:		
Unrestricted - undesignated	836,347	818,624
Unrestricted - designated	300,000	200,000
Temporarily restricted	50,000	-
Total net assets	1,186,347	1,018,624
Total liabilities and net assets	\$ 1,190,714	\$ 1,028,959

The accompanying notes are an integral part of these financial statements.

RAISING SPECIAL KIDS, INC.
Statements of Activities
For the Years Ended June 30, 2017 and 2016

	2017	2016
Changes in unrestricted net assets:		
Revenues and other increases:		
Contracted services	\$ 293,451	\$ 311,560
Government grants	1,404,399	1,352,728
Investment revenue	658	572
Contributions and donations	189,233	145,462
Other Income	-	740
Total revenues and other increases	1,887,741	1,811,062
Net assets released from restrictions:		
Restrictions satisfied by payment	-	-
Total unrestricted revenues	1,887,741	1,811,062
Expenses and other decreases:		
Program services:		
Parent support services	742,500	655,912
Training support services	794,595	768,422
Support services:		
General and administrative	206,778	164,617
Fundraising	26,145	84,615
Total expenses and other decreases	1,770,018	1,673,566
Increase in unrestricted net assets	117,723	137,496
Changes in temporarily restricted net assets:		
Contributions and donations - temporarily restricted	50,000	-
Net assets released from restrictions:		
Restrictions satisfied by payment	-	-
Increase in temporarily restricted net assets	50,000	-
Increase in net assets	167,723	137,496
Net assets at beginning of year	1,018,624	881,128
Net assets at end of year	\$ 1,186,347	\$ 1,018,624

The accompanying notes are an integral part of these financial statements.

RAISING SPECIAL KIDS, INC.
Statements of Functional Expenses
For the Years Ended June 30, 2017 and 2016

June 30, 2017

	Programs			Fundraising	General and Administrative	Totals
	Parent Support Services	Training Support Services	Total Programs			
Salaries/payroll	\$ 593,748	\$ 558,084	\$ 1,151,832	\$ 9,522	\$ 129,039	\$ 1,290,393
Travel	3,242	13,070	16,312	116	131	16,559
Office supplies	5,694	17,048	22,742	-	5,962	28,704
Printing	1,593	551	2,144	-	172	2,316
Resource materials	30	2,478	2,508	-	383	2,891
Contract labor	34,110	87,264	121,374	-	-	121,374
Occupancy	16,830	24,442	41,272	-	7,707	48,979
Telephone	2,336	8,773	11,109	-	1,961	13,070
Equipment rental	3,395	9,060	12,455	-	2,197	14,652
Insurance	1,815	5,716	7,531	-	1,303	8,834
Bank service charges	-	2,912	2,912	-	431	3,343
Postage	5,809	7,613	13,422	-	2,478	15,900
Professional fees	12,580	16,320	28,900	-	11,325	40,225
Information systems	6,765	15,461	22,226	-	7,322	29,548
Conferences and training	47,046	6,712	53,758	-	1,385	55,143
Newsletter	2,166	11,026	13,192	-	2,328	15,520
Other expenses	5,341	8,065	13,406	16,507	10,590	40,503
Subtotal	742,500	794,595	1,537,095	26,145	184,714	1,747,954
Depreciation	-	-	-	-	22,064	22,064
Total expenses	<u>\$ 742,500</u>	<u>\$ 794,595</u>	<u>\$ 1,537,095</u>	<u>\$ 26,145</u>	<u>\$ 206,778</u>	<u>\$ 1,770,018</u>

The accompanying notes are an integral part of these financial statements.

RAISING SPECIAL KIDS, INC.
Statements of Functional Expenses
For the Years Ended June 30, 2017 and 2016

June 30, 2016

	Programs			Fundraising	General and Administrative	Totals
	Parent Support Services	Training Support Services	Total Programs			
Salaries/payroll	\$ 557,566	\$ 565,207	\$ 1,122,773	\$ 69,203	\$ 89,235	\$ 1,281,211
Travel	10,965	8,410	19,375	-	292	19,667
Office supplies	8,513	12,286	20,799	-	2,794	23,593
Printing	365	429	794	-	119	913
Resource materials	1,476	2,037	3,513	-	480	3,993
Contract labor	-	82,673	82,673	-	-	82,673
Occupancy	19,737	22,160	41,897	-	6,716	48,613
Telephone	4,701	5,524	10,225	-	1,528	11,753
Equipment rental	6,009	7,060	13,069	-	1,953	15,022
Insurance	3,339	3,923	7,262	-	1,085	8,347
Bank service charges	20	1,508	1,528	-	598	2,126
Postage	2,176	2,579	4,755	-	793	5,548
Professional fees	13,720	17,359	31,079	-	11,649	42,728
Information systems	9,157	10,464	19,621	-	4,778	24,399
Conferences and training	2,305	8,141	10,446	-	8,447	18,893
Newsletter	8,175	9,649	17,824	-	2,663	20,487
Other expenses	7,688	9,013	16,701	15,412	6,576	38,689
Subtotal	655,912	768,422	1,424,334	84,615	139,706	1,648,655
Depreciation	-	-	-	-	24,911	24,911
Total expenses	<u>\$ 655,912</u>	<u>\$ 768,422</u>	<u>\$ 1,424,334</u>	<u>\$ 84,615</u>	<u>\$ 164,617</u>	<u>\$ 1,673,566</u>

The accompanying notes are an integral part of these financial statements.

RAISING SPECIAL KIDS, INC.
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash flow from operating activities:		
Cash received from contracts, grants, and contributions	\$ 1,877,016	\$ 1,885,512
Cash received from interest	658	572
Cash paid to employees for services	(1,290,393)	(1,281,211)
Cash paid to suppliers for goods and services	(456,031)	(381,316)
Net cash provided by operating activities	131,250	223,557
Cash flow from investing activities:		
Cash paid for the purchase of property and equipment	(1,799)	(14,449)
Net cash used in investing activities	(1,799)	(14,449)
Net increase in cash and equivalents	129,451	209,108
Cash and equivalents at beginning of year	750,075	540,967
Cash and equivalents at end of year	\$ 879,526	\$ 750,075
Reconciliation of change in net assets to net cash provided by operating activities:		
Increase in net assets	\$ 167,723	\$ 137,496
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	22,064	24,911
Loss on disposal of fixed assets	-	62
(Increase) decrease in grants receivable	(55,992)	68,722
(Increase) decrease in prepaid expenses	3,225	(15,512)
(Increase) decrease in other assets	198	(139)
Increase (decrease) in accounts payable	(1,893)	1,717
Increase (decrease) in refundable advances	(4,075)	6,300
Total adjustments	(36,473)	86,061
Net cash provided by operating activities	\$ 131,250	\$ 223,557

The accompanying notes are an integral part of these financial statements.

RAISING SPECIAL KIDS, INC.
Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

NOTE A – DESCRIPTION OF ORGANIZATION

Raising Special Kids, Inc. (organization) began operations in Arizona in 1985 and provides support, information and education to parents of children with disabilities through parent-to-parent training and linkages. Throughout all areas, Raising Special Kids, Inc. attempts to develop services for parents representing the variety of cultures and families in Arizona. The organization is funded primarily by government grants and contracts.

General and administrative activities include the functions necessary to provide support for the organization's program activities. General and administrative activities include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for NFPs. The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of accounting

The organization prepares its financial statements using the accrual basis of accounting and accounting principles generally accepted in the United States of America.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net assets

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

RAISING SPECIAL KIDS, INC.
Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Unrestricted, undesignated net assets

Unrestricted, undesignated net assets are resources available to support operations. The only limits on the use of unrestricted, undesignated net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Unrestricted, designated net assets

Unrestricted, designated net assets consist of a cash reserve established by the Board of Directors and increases or decreases each year based on the Board's discretion.

Temporarily restricted net assets

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The organization's unspent contributions are classified in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted, undesignated net assets. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use. The organization had no temporarily restricted net assets for the year ended June 30, 2016.

Permanently restricted net assets

Permanently restricted net assets are resources whose use by the organization is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The organization had no permanently restricted net assets for the years ended June 30, 2017 and 2016.

Classification of transactions

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses are reported as decreases in unrestricted net assets.

Cash and cash equivalents

Cash equivalents consist of short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash; and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

RAISING SPECIAL KIDS, INC.
Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Grants receivable

Grants receivable are primarily unsecured non-interest bearing amounts due from grantors on cost reimbursement or performance grants. Management believes that all outstanding grants receivable are collectible in full, therefore no allowance for uncollectible receivables has been provided.

Property and equipment

Property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. Property and equipment are capitalized if they have a cost of \$500 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows: Property and equipment 5-10 years. Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Accounting for contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Gifts-in-kind contributions

The organization periodically receives contributions in a form other than cash or investments. If the organization receives a contribution of property or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the organization's capitalization policy. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use. Donated supplies are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed.

RAISING SPECIAL KIDS, INC.
Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Gifts-in-kind contributions – continued

The organization benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the organization's program operations and in its fund-raising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated services with an estimated fair value of \$6,000 and \$7,190 for the years ended June 30, 2017 and 2016, respectively, met those criteria and are included in contributions and donations in the statements of activities. Those services were for monthly accounting services.

Volunteer hours not recognized in the financial statements were received for the following programs:

	2017	2016
Parent-to-parent peer support	2,216	2,544
Training / other professional services	731	935
Board of Directors	629	438
Fund development	265	139
General and administrative - clerical	-	52
Total volunteer hours	3,841	4,108

Grant revenue

Grants from governmental agencies which are restricted are reflected as unrestricted revenue since these funds are received and spent during the same year as permitted by FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*.

Expense recognition and allocation

The cost of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

RAISING SPECIAL KIDS, INC.
Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Expense recognition and allocation – continued

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Tax status

The organization is incorporated exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The organization is not classified as a private foundation.

NOTE C – CASH AND CASH EQUIVALENTS – OPERATING

Cash and cash equivalents at June 30, 2017 and 2016 consisted of the following:

	2017	2016
Cash on hand	\$ 300	\$ 300
Cash at Wells Fargo Bank	725,571	596,401
Cash at Arizona Business Bank	153,655	153,374
Total cash and cash equivalents	\$ 879,526	\$ 750,075

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2017 and 2016, are as follows:

	2017	2016
Property and equipment	\$ 210,350	\$ 208,551
Less: accumulated depreciation	(168,397)	(146,333)
Net property and equipment	\$ 41,953	\$ 62,218

Depreciation expense for years ended June 30, 2017 and 2016 totaled \$22,064 and \$24,911, respectively.

RAISING SPECIAL KIDS, INC.
Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

NOTE E – OPERATING LEASE COMMITMENTS

The organization leases office space and office equipment under the provisions of long-term lease agreements classified as operating leases for accounting purposes. The operating leases have remaining noncancelable lease terms of one to four years. The following is a schedule of future minimum rental payments:

Year ending June 30:		
2018	\$	54,895
2019		14,644
2020		600
Thereafter		-
Total minimum payments required	\$	<u>70,139</u>

Rent expense for all leases, which is included in occupancy, equipment rental, and information systems in the statement of functional expenses, was \$67,015 and \$66,669 for the years ended June 30, 2017 and 2016, respectively.

NOTE F – RETIREMENT PLAN

The organization maintains a defined contribution 403(b) Salary Reduction Plan which is available to all employees. Under the plan, employees can elect to have their salary reduced on a pre-tax basis, based on a percentage of compensation. The organization has the option of matching employee contributions and the employee may contribute up to 15% of his or her salary. Raising Special Kids, Inc. contributed 1% of each eligible employee's salary to the plan during the fiscal years ended June 30, 2017 and 2016 for a total of \$5,321 and \$4,358, respectively.

NOTE G – CONCENTRATION OF RISK

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation limits. The organization deposits its cash with high quality financial institutions, and management believes the organization is not exposed to significant credit risk on those amounts.

A significant portion of the organization's annual funding comes from three major sources for the fiscal years ended June 30, 2017 and 2016 as follows:

	2017	2016
Arizona Department of Education	26%	27%
US Department of Education	20%	22%
Arizona Department of Economic Security	15%	16%

Raising Special Kids, Inc.'s services are dependent on continued funding from these contracts and grants.

RAISING SPECIAL KIDS, INC.
Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

NOTE H – SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 1, 2018, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.