

RAISING SPECIAL KIDS, INC.

Financial Statements and Independent Auditor's Report

For the Years Ended June 30, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter – Adoption of Accounting Standard

As discussed in Note B to the financial statements, in 2019, the Organization adopted new accounting guidance Accounting Standards Update (ASU) 2016-14. Our opinion is not modified with respect to this matter.



Phoenix, Arizona
December 30, 2019

RAISING SPECIAL KIDS, INC.
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets:		
Current assets:		
Cash and equivalents	\$ 1,181,189	\$ 1,086,085
Grants receivable	249,365	231,734
Prepaid expenses	49,238	30,425
Other	504	539
Total current assets	1,480,296	1,348,783
Deposits	2,800	2,800
Property and equipment, net	13,529	25,085
Total assets	\$ 1,496,625	\$ 1,376,668
Liabilities and net assets:		
Current liabilities:		
Accounts payable	\$ 36,528	\$ 8,498
Refundable advances	1,800	1,800
Total current liabilities	38,328	10,298
Net assets:		
Without Donor Restrictions		
Undesignated	1,123,297	1,061,820
Board designated	300,000	300,000
	1,423,297	1,361,820
With Donor Restrictions	35,000	4,550
Total net assets	1,458,297	1,366,370
Total liabilities and net assets	\$ 1,496,625	\$ 1,376,668

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

RAISING SPECIAL KIDS, INC.
Statements of Activities
For the Years Ended June 30, 2019 and 2018

	2019	2018
Changes in net assets without donor restrictions:		
Revenues and gains:		
Contracted services	\$ 442,615	\$ 425,450
Government grants	1,051,229	1,388,325
Investment revenue, net	1,763	881
Contributions and donations	284,368	252,743
Total revenues and gains without donor restrictions	1,779,975	2,067,399
Net assets released from restrictions:		
Restrictions satisfied by payment	4,550	45,450
Total revenues, gains, and other support without donor restrictions	1,784,525	2,112,849
Expenses:		
Program services:		
Parent support services	731,166	702,225
Training support services	596,225	778,164
Supporting services:		
Management and general	332,387	302,116
Fundraising	63,270	104,871
Total expenses	1,723,048	1,887,376
Increase in net assets without donor restrictions	61,477	225,473
Changes in net assets with donor restrictions:		
Contributions and donations	35,000	-
Net assets released from restrictions:		
Restrictions satisfied by payment	(4,550)	(45,450)
Increase (decrease) in net assets with donor restrictions	30,450	(45,450)
Increase in net assets	91,927	180,023
Net assets at beginning of year	1,366,370	1,186,347
Net assets at end of year	\$ 1,458,297	\$ 1,366,370

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, 2019 and 2018

June 30, 2019

	Programs			Fundraising	Management and General	Totals
	Parent Support Services	Training Support Services	Total Programs			
Salaries/payroll	\$ 593,061	\$ 419,339	\$ 1,012,400	\$ -	\$ 174,706	\$ 1,187,106
Travel	16,540	8,005	24,545	-	1,235	25,780
Office supplies	9,571	9,203	18,774	80	3,479	22,333
Printing	1,122	468	1,590	-	280	1,870
Resource materials	1,439	979	2,418	-	1,134	3,552
Contract labor	199	86,295	86,494	-	79,637	166,131
Occupancy	27,570	16,137	43,707	-	6,891	50,598
Telephone	5,731	3,872	9,603	-	1,659	11,262
Equipment rental	11,246	4,828	16,074	-	2,837	18,911
Insurance	4,147	2,903	7,050	-	1,244	8,294
Bank service charges	-	3,733	3,733	-	220	3,953
Postage	2,056	2,238	4,294	-	855	5,149
Professional fees	18,838	13,186	32,024	-	15,516	47,540
Information systems	13,727	6,410	20,137	-	7,148	27,285
Conferences and training	4,325	3,959	8,284	-	1,328	9,612
Newsletter	13,792	7,778	21,570	-	3,749	25,319
Special events	-	-	-	46,473	-	46,473
Other expenses	7,802	6,892	14,694	16,717	19,100	50,511
Subtotal	731,166	596,225	1,327,391	63,270	321,018	1,711,679
Depreciation	-	-	-	-	11,369	11,369
Total expenses	<u>\$ 731,166</u>	<u>\$ 596,225</u>	<u>\$ 1,327,391</u>	<u>\$ 63,270</u>	<u>\$ 332,387</u>	<u>\$ 1,723,048</u>

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

RAISING SPECIAL KIDS, INC.
Statements of Functional Expenses – continued
For the Years Ended June 30, 2019 and 2018

June 30, 2018

	Programs			Fundraising	Management and General	Totals
	Parent Support Services	Training Support Services	Total Programs			
Salaries/payroll	\$ 620,484	\$ 531,060	\$ 1,151,544	\$ -	\$ 184,431	\$ 1,335,975
Travel	4,786	11,920	16,706	-	150	16,856
Office supplies	3,137	14,665	17,802	-	3,079	20,881
Printing	290	384	674	-	101	775
Resource materials	(58)	2,671	2,613	-	300	2,913
Contract labor	610	101,824	102,434	-	36,788	139,222
Occupancy	18,603	22,535	41,138	-	6,049	47,187
Telephone	7,150	15,009	22,159	-	2,565	24,724
Equipment rental	4,738	6,959	11,697	-	1,748	13,445
Insurance	1,086	4,676	5,762	-	861	6,623
Bank service charges	-	3,139	3,139	-	180	3,319
Postage	2,986	3,197	6,183	-	1,050	7,233
Professional fees	14,268	16,530	30,798	-	12,042	42,840
Information systems	8,947	12,340	21,287	-	6,736	28,023
Conferences and training	1,744	9,375	11,119	-	861	11,980
Newsletter	6,859	14,033	20,892	-	3,122	24,014
Special events	-	-	-	66,855	-	66,855
Other expenses	6,595	7,847	14,442	38,016	22,612	75,070
Subtotal	702,225	778,164	1,480,389	104,871	282,675	1,867,935
Depreciation	-	-	-	-	19,441	19,441
Total expenses	<u>\$ 702,225</u>	<u>\$ 778,164</u>	<u>\$ 1,480,389</u>	<u>\$ 104,871</u>	<u>\$ 302,116</u>	<u>\$ 1,887,376</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, 2019 and 2018

	2019	2018
Cash flow from operating activities:		
Cash received from contracted services, government grants, contributions and donations	\$ 1,772,887	\$ 2,065,783
Cash received from interest	1,763	881
Cash paid to employees for services	(1,187,106)	(1,335,975)
Cash paid to suppliers for goods and services	(492,440)	(521,272)
Net cash provided by operating activities	95,104	209,417
Cash flow from investing activities:		
Cash paid for the purchase of property and equipment	-	(2,858)
Net cash used in investing activities	-	(2,858)
Net increase in cash and equivalents	95,104	206,559
Cash and equivalents at beginning of year	1,086,085	879,526
Cash and equivalents at end of year	\$ 1,181,189	\$ 1,086,085
	2019	2018
Reconciliation of change in net assets to net cash provided by operating activities:		
Increase in net assets	\$ 91,927	\$ 180,023
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,369	19,441
Loss on disposal of fixed assets	187	285
(Increase) decrease in grants receivable	(17,631)	11,990
(Increase) decrease in prepaid expenses	(18,813)	(8,553)
(Increase) decrease in other assets	35	300
Increase (decrease) in accounts payable	28,030	6,356
Increase (decrease) in refundable advances	-	(425)
Total adjustments	3,177	29,394
Net cash provided by operating activities	\$ 95,104	\$ 209,417

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, 2019 and 2018

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 contracted services.

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 Not-for-Profits. 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 presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. As of June 30, 2019 and 2018, the Organization did not have any perpetual donor restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

RAISING SPECIAL KIDS, INC.
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Cash and equivalents

The Organization's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

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, net

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets. The useful lives range from five to ten years. The Organization's policy is to capitalize renewals and betterments acquired for greater than \$500 and expense normal repairs and maintenance as incurred. The Organization's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

In-kind donations

The organization received donated professional services of \$8,400 and \$7,400 for the years ended June 30, 2019 and 2018, respectively. Such amounts, which are based upon information provided by third-party service providers, are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and supporting services on the accompanying statements of activities and statements of functional expenses.

RAISING SPECIAL KIDS, INC.
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Several volunteers have made significant contributions of their time in furtherance of the Organization’s mission. These services are not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under US GAAP. Volunteer hours not recognized in the financial statements were received for the following programs:

	2019	2018
Parent-to-parent peer support	1,320	1,409
Training / other professional services	250	280
Board of Directors	246	168
Fund development	30	72
Total volunteer hours	1,846	1,929

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*.

Functional expenses

The cost of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting services, are allocated based on the best estimate of management.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Income taxes

The Organization is exempt from income tax under Internal Revenue Code (IRC) Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization’s management has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

RAISING SPECIAL KIDS, INC.
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. The adoption of this ASU has no effect on the net assets or changes in net assets for the entire year. Rather the adoption provides for additional disclosure.

NOTE C – AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets at June 30, 2019 and 2018:

	2019	2018
Financial assets at year-end:		
Cash and equivalents	\$ 1,181,189	\$ 1,086,085
Grants receivable	249,365	231,734
Total financial assets	1,430,554	1,317,819
Less amounts not available to be used within one year:		
Net assets with donor restrictions	35,000	4,550
Less net assets with purpose restrictions to be met in less than a year	(35,000)	(4,550)
Designated reserve established by the board	300,000	300,000
	300,000	300,000
Financial assets available to meet general expenditures over the next twelve months	\$ 1,130,554	\$ 1,017,819

The Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. As part of the liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificate of deposits.

RAISING SPECIAL KIDS, INC.
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

NOTE D – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following at June 30, 2019 and 2018:

	2019	2018
Property and equipment	\$ 132,487	\$ 172,272
Less: accumulated depreciation	(118,958)	(147,187)
Property and equipment, net	\$ 13,529	\$ 25,085

For the years ended June 30, 2019 and 2018, depreciation expense totaled \$11,369 and \$19,441, respectively.

NOTE E – LEASE COMMITMENTS

Total rent expense incurred under operating leases totaled \$67,918 and \$63,621 for the years ended June 30, 2019 and 2018, respectively.

For years subsequent to 2019, minimum annual future rental payments under the lease agreements are as follows:

Year ending June 30:	
2020	\$ 54,094
2021	54,264
2022	54,458
2023	52,250
2024	12,312
Total minimum payments required	\$ 227,378

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, 2019 and 2018 for a total of \$4,037 and \$4,972, respectively.

RAISING SPECIAL KIDS, INC.
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

NOTE G – CONCENTRATION OF RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and equivalents. The Organization maintains its cash and equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organization’s cash and equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such amounts.

A significant portion of the organization’s annual funding comes from three major sources for the fiscal years ended June 30, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Arizona Department of Education	9%	24%
Arizona Department of Economic Security	33%	28%
U.S. Department of Education	22%	19%

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

NOTE H – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 30, 2019, which is the date the financial statements were available to be issued. The Organization is not aware of any material subsequent events.