# ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER

## Financial Statements (With Independent Auditors' Report Thereon)

August 31, 2014 and 2013

PMB Helin Donovan
CERTIFIED PUBLIC ACCOUNTANTS

# Independent Auditors' Report

To the Board of Directors of
Any Baby Can Child and Family Resource Center
Austin, TX

## Report on the Financial Statements

We have audited the accompanying financial statements of Any Baby Can Child and Family Resource Center ("Any Baby Can-Austin") (the "Organization"), which comprise the statements of financial position as of August 31, 2014 and 2013, and the related statements of activities 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Any Baby Can-Austin 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.

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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2015 on our consideration of Any Baby Can Child and Family Resource Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Any Baby Can Child and Family Resource Center's internal control over financial reporting and compliance.

**PMB HELIN DONOVAN, LLP**

PMB Helin Donovan, LLP

January 15, 2015
Austin, Texas

**ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER**

Statements of Financial Position

As of August 31, 2014 and 2013

| | 2014 | 2013 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 792,408 | $ 468,113 |
| Accounts receivable | | |
| Grants | 851,263 | 831,422 |
| Pledges, net | 163,152 | 223,896 |
| Prepaid expenses and other | 923 | 1,367 |
| Beneficial interest in assets held by other | 195,006 | 170,949 |
| Property and equipment, net | 1,246,072 | 1,320,084 |
| Total assets | $ 3,248,824 | $ 3,015,831 |
| **Liabilities and Net Assets** | | |
| Accounts payable | $ 38,503 | $ 44,171 |
| Accrued expenses | 182,159 | 195,016 |
| Line of credit | 112,000 | 150,000 |
| Mortgage payable | 356,702 | 377,054 |
| Total liabilities | 689,364 | 766,241 |
| Net assets | | |
| Unrestricted | 1,120,451 | 1,125,920 |
| Temporarily restricted | 1,281,703 | 956,364 |
| Permanently restricted | 157,306 | 167,306 |
| Total net assets | 2,559,460 | 2,249,590 |
| Total liabilities and net assets | $ 3,248,824 | $ 3,015,831 |

See accompanying notes and independent auditors' report.

**ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER**
Statement of Activities
Year Ended August 31, 2014

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **Revenue and Other Support** | | | | |
| Donations | $ 226,998 | $ 128,715 | $ - | $ 355,713 |
| Foundation contributions | 27,749 | 1,437,694 | - | 1,465,443 |
| In-kind contributions | 155,018 | - | - | 155,018 |
| Special events, net of donor direct benefit expense of $40,325 | 438,662 | - | - | 438,662 |
| Government grants | 2,408,373 | - | - | 2,408,373 |
| Medical billing | 22,129 | 1,335,448 | - | 1,357,577 |
| Investment income | 24,108 | - | - | 24,108 |
| Miscellaneous income | 24,353 | - | - | 24,353 |
| Net assets released from restrictions | 2,586,518 | (2,576,518) | (10,000) | - |
| Total Revenue and Other Support | 5,913,908 | 325,339 | (10,000) | 6,229,247 |
| **Expenses** | | | | |
| Program services | 5,063,498 | - | - | 5,063,498 |
| Management and general | 132,059 | - | - | 132,059 |
| Fundraising | 723,820 | - | - | 723,820 |
| Total Expenses | 5,919,377 | - | - | 5,919,377 |
| Change in Net Assets | (5,469) | 325,339 | (10,000) | 309,870 |
| Net assets at beginning of year | 1,125,920 | 956,364 | 167,306 | 2,249,590 |
| Net assets at end of year | $ 1,120,451 | $ 1,281,703 | $ 157,306 | $ 2,559,460 |

See accompanying notes and independent auditors' report.

**ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER**

Statement of Activities

Year Ended August, 31 2013

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **Revenue and Other Support** | | | | |
| Donations | $ 280,112 | $ 130,022 | $ - | $ 410,134 |
| Foundation contributions | - | 977,096 | - | 977,096 |
| In-kind contributions | 169,962 | - | - | 169,962 |
| Special events, net of donor direct benefit expense of $40,323 | 311,000 | 27,433 | - | 338,433 |
| Government grants | 2,565,590 | - | - | 2,565,590 |
| Medical billing | 31,673 | 1,389,472 | - | 1,421,145 |
| Investment Income | 1,060 | - | 10,002 | 11,062 |
| Miscellaneous income | 19,392 | - | - | 19,392 |
| Net assets released from restrictions | 2,584,728 | (2,584,728) | - | - |
| Total Revenue and Other Support | 5,963,517 | (60,705) | 10,002 | 5,912,814 |
| **Expenses** | | | | |
| Program services | 5,421,039 | - | - | 5,421,039 |
| Management and general | 112,248 | - | - | 112,248 |
| Fundraising | 608,558 - | - | - | 608,558 |
| Total Expenses | 6,141,845 | - | - | 6,141,845 |
| Change in Net Assets | (178,328) | (60,705) | 10,002 | (229,031) |
| Net assets at beginning of year | 1,304,248 | 1,017,069 | 157,304 | 2,478,621 |
| Net assets at end of year | $ 1,125,920 | $ 956,364 | $ 167,306 | $ 2,249,590 |

See accompanying notes and independent auditors' report.

**ANY BABY CAN CHILD AND FAMILY RESOURCE CENTER**
Statements of Cash Flow
As of August 31, 2014 and 2013

| | | 2014 | | 2013 |
|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | |
| Change in net assets | $ | 309,870 | $ | (229,031) |
| Adjustments to reconcile increase in net assets to net cash provided by (used in) operations: | | | | |
| Depreciation | | 88,650 | | 84,447 |
| Appreciation on beneficial interest in assets held by others | | (24,057) | | (11,062) |
| (Increase) decrease in operating assets: | | | | |
| Grants receivable | | (19,841) | | (37,740) |
| Pledge receivable | | 60,744 | | 33,362 |
| Prepaid expenses and other | | 444 | | 594 |
| Increase (decrease) in operating liabilities: | | | | |
| Accounts payable | | (5,668) | | (24,172) |
| Accrued expenses | | (12,857) | | (19,917) |
| Net cash provided by (used in) operating activities | | 397,285 | | (203,519) |
| **Cash flows from investing activities:** | | | | |
| Purchase of fixed assets | | (14,638) | | (12,842) |
| Net cash used in investing activities | | (14,638) | | (12,842) |
| **Cash flows from financing activities:** | | | | |
| Change in line of credit | | (38,000) | | 150,000 |
| Principal payments on mortgage | | (20,352) | | (18,974) |
| Net cash (used in) provided by financing activities | | (58,352) | | 131,026 |
| Net change in cash and cash equivalents | | 324,295 | | (85,335) |
| Cash and cash equivalents at beginning of year | | 468,113 | | 553,448 |
| Cash and cash equivalents at end of year | $ | 792,408 | $ | 468,113 |
| **Supplemental Disclosures** | | | | |
| Cash paid for interest | $ | 25,852 | $ | 27,603 |

See accompanying notes and independent auditors' report.

## (1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization

Any Baby Can of Austin, Inc. d/b/a Any Baby Can and Family Resource Center (the "Organization") is a Texas non-profit corporation chartered in 1993 as a comprehensive family service organization. The Organization's primary mission is to ensure that all children reach their potential through education, therapy and family support services.

The Organization founded as Any Baby Can of Austin in 1993 was at the direction of and with funding from the Texas Department of Health and focused on children with special health care needs. In 2000, this Organization merged with the Center for Development, Education, and Nutrition Family Resource Center (CEDEN), which was founded in 1979 as a resource center to promote and strengthen families in need of prenatal, early childhood and parenting education. In November 2003, the Candlelighters Childhood Cancer Foundation of the Austin Area, a grassroots, parent-driven nonprofit, which worked with children and families battling childhood cancer, became part of the Organization and in 2008, the Children's Hearing Aid Texas, an project with the purpose of providing hearing devices and auditory services to children in need was merged into the foundation.

The Organization is exempt from federal income tax under the Internal Revenue Code Section 501 (c) (3) for income related to its exempt purpose. The Organization is classified by the Internal Revenue Service as an organization other than a private foundation.

### Summary of Significant Accounting Policies

**(a) Basis of Presentation** - The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (GAAP). For financial statement purposes, the Organization distinguishes between contributions of unrestricted assets, temporarily restricted assets, and permanently restricted assets.

**(b) Net Asset Classifications -** In accordance with GAAP, the Organization classifies its net assets into three categories as follows:

*Permanently Restricted* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

*Temporarily Restricted* - Net assets the use of which is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time. Temporarily restricted net assets include the portion of donor-restricted endowment funds that have not been appropriated for expenditure by the Organization.

*Unrestricted* – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be used for any purpose or designated for specific purposes by action of the Board of Directors.

Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification (ASC) Topic 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). ASC Topic 958-205 provides for disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The state of Texas adopted UPMIFA effective September 2007. The Organization has determined that the majority of its net assets do not meet the definition of endowments under UPMIFA. While not UPMIFA-defined endowments, the Organization intends many of its funds to be permanent and manages them accordingly. Further references to "endowment", "endowment fund", or "endowed assets" in these notes relate to those intentions of the Organization.

**(c) Cash and Cash Equivalents -** For purposes of the statement of cash flows, cash and cash equivalents consist of cash held in bank deposit accounts and short-term, highly liquid investments with purchased maturities of 90 days or less.

**(d) Contributions and grants** – Contributions and grants received (including unconditional promises to give, "Pledges") are recorded as unrestricted, temporarily restricted, or permanently restricted support in the period received depending on the existence and/or nature of any donor restrictions. Contributions received which are part of the Organization's ongoing major or central activities are recognized as revenue, while contributions which are peripheral or incidental are recognized as gains. Conditional promises to give are recognized as the conditions upon which they depend are substantially met. Promises to give are recognized as revenue only if sufficient evidence exists in the form of verifiable documentation that a promise was made and received.

The Organization reports contributions and grants as restricted support if the support is received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets in the reporting period in which the support is recognized. Donated assets are recorded at their estimated fair market values at the date of receipt.

Pledges and grants with maturity dates due within 12 months are recorded at net realizable value, while pledges with maturity dates in subsequent years are recorded at the present value of their net realizable value using a risk free interest rate.

**(e) Allowance for Doubtful Accounts** - Governmental grants included in receivables are individually analyzed for purposes of determining collectability at year end and an allowance was not deemed necessary for the years ended August 31, 2014 and 2013. The Organization evaluates the collectability of its pledges and adequacy of its allowance for doubtful accounts on a periodic basis. The evaluation includes historical loss experience, length of time the pledges are past due and adverse situations that may affect the donor's ability to honor its pledge. The Organization records and adjusts its allowance for bad debt balance as necessary.

**(f) Contributed Services and Assets** - During the years ended August 31, 2014 and 2013, the value of contributed services meeting the requirements for recognition in the financial statements was not material and no amounts have been recorded. Although individuals volunteer their time and perform a variety of tasks that assist the organization, these services do not meet the criteria for recognition as contributed services.
Contributed assets are recorded at their estimated fair value on the date of donation. The Organization received in-kind contributions of baby furniture, clothing, supplies and toys for the years ended August 31, 2014 and 2013 of $155,018 and $169,962, respectively.

The Organization reports contributions of land, buildings, and equipment as unrestricted, unless explicit donor stipulations specify how the donated assets must be used. Gifts of assets with explicit restrictions that specify how the assets are to be used are accounted for as restricted support. The Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**(g) Property and Equipment** - Property and equipment purchased for or exceeding $1,000 are recorded at cost. Property and equipment are depreciated using the straight-line method over the useful lives of the assets as follows: buildings and improvements 5 - 37 years; furniture and equipment 3 -5 years; and vehicles 3 - 5 years.

**(h) Investments -** Investments in equity securities with readily determinable fair values are based on quoted market values while the time deposits are estimated at fair value by summing the principal investment plus accrued interest. Investment income and unrealized gains and losses are reported as increases in unrestricted net assets unless the donor placed restrictions on the income's use. The change in fair value between years is reflected in the statement of activities in the year of the change as depreciation or appreciation in investments.

**(i) Income Taxes** - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Unrelated business income, of which the Organization had no significant amounts for the years ended August 31, 2014 and 2013, is subject to federal income taxes. Accordingly, there is no provision or liability for federal income taxes in the accompanying financial statements.

The Organization recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the taxing authorities, based on the technical merits of the positions. The tax benefits recognized in the consolidated financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

The Organization is generally no longer subject to tax examinations relating to US federal tax returns for years prior to fiscal year ended August 31, 2011.

**(j) Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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 estimated.

**(k) Functional Expenses** - The expense information contained in the statements of activities is presented on a functional basis. Accordingly, certain expenses are allocated between functional categories based on management's estimates.

**(l) Concentration of Credit Risk -** Financial instruments which potentially subject the Organization to concentrations of credit risk consists principally of cash and cash equivalents, investments and pledges receivable. There were no cash and cash equivalents held by one institution that exceeded the maximum federal deposit insurance corporation limits at August 31, 2014 and 2013, respectively. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the statements of financial position. For pledges receivable, the Organization performs ongoing credit evaluations of the donor's financial condition.

**(m) Long-Lived Assets** - Long-lived assets held and used by the Organization are reviewed for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, the Organization compares the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets and is recorded in the period in which the determination was made. No indicators of impairment existed at August 31, 2014 and 2013.

**(n) Subsequent Events** - The Organization evaluates events that occur subsequent to the statement of financial position date of periodic reports, but before financial statements are issued for periods ending on such dates, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which the Organization's financial statements are issued. For the financial statements as of and for the year ending August 31, 2014, this date was January 15, 2015 (see Note 16).

## (2) PLEDGES RECEIVABLE

Pledges are stated at their realizable value net of a discount on long-term pledges and an allowance for uncollectible pledges. Interest rate of 0.50% was used to determine the present value of the long-term pledges at August 31, 2014 and 2013, respectively. All pledges mature within 24 months. At August 31, 2014 and 2013 the discount on pledges was approximately \$1,700 and \$1,200, respectively, and the allowance for uncollectible pledges totaled \$17,734 and \$24,404, respectively.

## (3) FAIR VALUE MEASURMENTS

The Organization has established a three-level valuation hierarchy for disclosure of fair value measurements, and expands disclosures about fair value measurements to include how fair value is determined for assets and liabilities. Fair value is defined as an exit price representing the amount that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The significant levels of inputs are as follows:

- *Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities

- *Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.
- *Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

During 2009, the Organization transferred endowment funds totaling $157,304 to the Austin Community Foundation ("ACF") to take advantage of ACF's investment expertise and to allow these funds to gain synergies with other funds held by ACF. ACF does not hold variance power over these endowed funds; therefore, the Organization can request distribution at any point in time. The Organization has classified these funds as permanently restricted and they are considered Level 1 investments. As discussed in Note 9, income earned that exceeds 8% of the value of the funds is available for expenditure by the Organization.

## (4) PROPERTY AND EQUIPMENT

Property and equipment as of August 31, 2014 and 2013 included:

| | 2014 | 2013 |
|---|---|---|
| Buildings and improvements | $ 1,566,949 | $ 1,566,949 |
| Land | 233,198 | 233,198 |
| Furniture and equipment | 404,640 | 390,002 |
| Vehicles | 81,709 | 81,709 |
| | 2,286,496 | 2,271,858 |
| Accumulated depreciation | (1,040,424) | (951,774) |
| Total property and equipment | $ 1,246,072 | $ 1,320,084 |

Depreciation expense was $88,650 and $84,447 for the years ended August 31, 2014 and 2013, respectively.

## (5) LONG-TERM DEBT

Any Baby Can of Austin, Inc. entered into a mortgage agreement with a financial institution in the principal amount of $495,200 that is collateralized by the building and land of the Organization maturing on October 1, 2020 with a fixed interest rate of 6.93%. Monthly payments are $3,850 beginning October 1, 2005, with a final balloon payment of approximately $198,147 due upon maturity.

Future minimum principal payments on long-term debt as of August 31, 2014 are as follows:

| | |
|---|---|
| 2014 | 22,203 |
| 2015 | 23,791 |
| 2016 | 25,494 |
| 2017 | 27,317 |
| 2018 | 29,272 |
| 2018 and thereafter | 228,625 |
| Total | $ 356,702 |

## (6) LINE OF CREDIT

Any Baby Can of Austin, Inc. obtained a line of credit agreement with a financial institution with a $200,000 limit that matures on September 22, 2025 and bears interests at a variable interest rate, based upon the prime rate (3.25% at August 31, 2014). As of August 31, 2014 and 2013, there was an outstanding balance of $112,000 and $150,000, respectively, on the line of credit.

## (7) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at August 31, 2014 and 2013:

| | 2014 | 2013 |
|---|---|---|
| Program use restrictions | $ 805,829 | $ 485,927 |
| Time restrictions | 475,874 | 470,437 |
| Total temporarily restricted net assets | $ 1,281,703 | $ 956,364 |

Net assets released from temporary restrictions due to the satisfaction of requirements consisted of the following at August 31, 2014 and 2013:

| | 2014 | 2013 |
|---|---|---|
| Program use restrictions | $ 2,257,163 | $ 2,212,021 |
| Time restrictions | 319,355 | 372,707 |
| Total temporarily restricted net assets | $ 2,576,518 | $ 2,584,728 |

## (8) PERMANENTLY RESTRICTED NET ASSETS

At August 31, 2014 and 2013, the Organization had permanently restricted net assets restricted of:

| | 2014 | 2013 |
|---|---|---|
| Investment in perpetuity, the income from which is expendable | $ 157,306 | $ 167,306 |

## (9) ENDOWMENTS

The Organization has interpreted Texas UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by Texas UPMIFA.

In accordance with Texas UPMIFA, the Organization considers the following factors in making a determination on the amount, if any, to be available for distribution from each endowment fund:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization.

The Organization's endowment consists of one fund established for the benefit of children in the Austin community. This endowment requires the original endowment of $157,304 to remain in perpetuity and a distribution equal to 8% of the value in excess the original gift to be distributed to the Organization on a quarterly basis and available for expenditure. As discussed in Note 3, during 2009 the Organization transferred these endowed funds to ACF.

The summary of changes in endowment assets for the years ended August 31, 2014 and 2013 is as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment assets August 31, 2013 | $ 3,643 | $ - | $ 167,306 | $ 170,949 |
| Release from restrictions | 10,000 | - | (10,000) | - |
| Investment earnings, net | 24,057 | - | - | 24,057 |
| Endowment assets August 31, 2014 | $ 37,700 | $ - | $ 157,306 | $ 195,006 |

### *Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or Board of Directors requires the Organization to retain as a fund of perpetual duration. There were no funds with deficiencies as of August 31, 2014 and 2013.

### *Return Objectives and Risk Parameters*

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that produce a yield that preserves the endowment's purchasing power by meeting the Organization's Spending Policy, expenses and inflation over a long time horizon, while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

### *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### *Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Organization has a policy of appropriating for distribution each year approximately eight percent of its endowment fund's market value above the original gift as determine on the valuation date of January 31 to be distributed monthly based on the donor's instructions. Any return on investment in excess of the distribution amount is to be added back to the original gift recorded as an increase in permanently restricted net assets.

## (10) RETIREMENT PLAN

The Organization has a defined contribution pension plan that was established on January 1, 2004 for the benefit of its employees. An employee must work at least 1,000 hours per year and have a minimum of one year of service to be eligible for employer contributions and six months of service to be eligible for employee contributions. All contributions made and any earnings thereon are 100% vested at all times. No employer contributions were made to the plan for 2014 and 2013.

## (11) COMMITMENTS AND CONTINGENCIES

### *Leases*

The Organization has various equipment leases for copiers. Lease expense was approximately $33,783 and $34,965 for the years ended August 31, 2014 and 2013, respectively.

Minimum future rentals for the equipment leases as of August 31, 2014 are as follows:

| **Year Ending August 31,** | | |
|---|---|---|
| 2015 | $ | 28,812 |
| 2016 | | 0 |
| Total | $ | 28,812 |

### *Contracts with Grantors*

The Organization is funded by contracts that are subject to review and audit by grantor agencies. These contracts have certain compliance requirements and if audits by the grantor agencies disclose any areas of substantial noncompliance, the Organization may be required to refund any disallowed costs. Management believes the Organization has complied with applicable requirements.

***Contingencies***

The Organization from time to time may be involved in contingencies relating to claims arising out of its ordinary course of business. Management believes that there are no claims or actions pending or threatened against the Organization, the ultimate disposition of which would have a material impact on the Organization's financial position, results of operations or cash flows.

## (12) CONCENTRATIONS

During the years ended August 31, 2014 and 2013, the Organization received 42% and 46% of total revenue from contracts funded through federal, state and local governments, respectively. It is reasonably possible that at some time these contracts could cease, or funding could be reduced, which would have a severe impact on the Organization. However, the Organization does not expect these contracts will be lost in the near future. The Organization also relies on private contributions to provide matches towards grants and also to provide supplemental funds for programs and other expenses not funded by federal awards.

## (13) SPECIAL EVENTS

Special events revenue, net of expenses for the years ended August 31, 2014 and 2013, consisted of the following:

| | 2014 | 2013 |
|---|---|---|
| Harvest Classic | $ 60,100 | $ 60,000 |
| Bailey Tennis Tournament | 16,429 | 12,987 |
| Rockin Round Up | 193,346 | 193,024 |
| Season for Caring | 60,200 | 27,433 |
| Other | 108,587 | 44,989 |
| Total | $ 438,662 | $ 338,433 |

## (14) RELATED PARTY

During the years ended August 31, 2014 and 2013, the Organization received contributions of $86,568 and $61,652 respectively from various members of the board. These amounts represent actual cash contributions received and are included in contributions in the accompanying statements of activities.

## (15) FUNCTIONAL CLASSIFCIATION OF EXPENSES

Functional expenses for the year ended August 31, 2014 with comparative totals for 2013 are as follows:

| | Program Services | Management and General | Fundraising | Total 2014 | Total 2013 |
|---|---|---|---|---|---|
| Salaries, benefits and payroll taxes | $ 4,277,629 | $ 84,240 | $ 447,441 | $ 4,809,310 | $ 4,956,584 |
| Communication | 47,068 | 1,166 | 6,141 | 54,375 | 62,821 |
| Staff professional development | 16,370 | 1,084 | 11,513 | 28,967 | 35,431 |
| Travel | 134,255 | 1,803 | 69 | 136,127 | 164,521 |
| Professional fees and contracts | 122,680 | 14,829 | 18,119 | 155,628 | 157,492 |
| Office and program supplies | 29,260 | 1,781 | 6,160 | 37,201 | 36,305 |
| Printing and duplication | 7,008 | 172 | 17,803 | 24,983 | 46,476 |
| Subscriptions and dues | - | 1,457 | - | 1,457 | 1,103 |
| Equipment rental and maintenance | 32,132 | 201 | 1,630 | 33,963 | 34,965 |
| Equipment and technology purchases | 7,596 | 151 | 83 | 7,830 | 14,162 |
| Occupancy | 99,183 | 6,047 | 14,721 | 119,951 | 140,512 |
| Client assistance | 156,533 | 2,749 | 146 | 159,428 | 136,488 |
| Events expenses | - | 105 | 44,773 | 44,878 | 51,952 |
| Business expense | 25,653 | 12,664 | 23,294 | 61,611 | 48,624 |
| Depreciation expense | 76,521 | 3,610 | 8,519 | 88,650 | 84,447 |
| In-kind expense | 31,610 | - | 123,408 | 155,018 | 169,962 |
| Total expenses | $ 5,063,498 | $ 132,059 | $ 723,820 | $ 5,919,377 | $ 6,141,845 |

## (16) SUBSEQUENT EVENTS

In October 2014, the Organization sold its land and building for approximately $3,705,000 and purchased a new building and land for approximately $2,250,000. The cash settlement for the two transactions resulted in a cash payment to the Organization of approximately $978,000 and the Organization paid off its existing mortgage in full.