

Any Baby Can of Austin, Inc.

Financial and Compliance Report

August 31, 2017

C O N T E N T S

Page

Independent Auditor's Report 1

Financial Statements

Statements of Financial Position..... 3

Statements of Activities 4

Statements of Cash Flows 6

Notes to Financial Statements..... 7

Internal Controls and Compliance Reports

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*..... 18

Independent Auditor's Report on Compliance for Each
Major Federal and State Program and on Internal Control over Compliance in
Accordance with the Uniform Guidance and the Texas
Uniform Grant Management Standards..... 20

Schedule of Expenditures of Federal and State Awards 22

Notes to Schedule of Expenditures of Federal and State Awards 23

Schedule of Findings and Questioned Costs 24



Independent Auditor's Report

To the Board of Directors of
Any Baby Can of Austin, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Any Baby Can of Austin, Inc., a nonprofit organization, which comprise the statements of financial position as of August 31, 2017 and 2016, 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 audits 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.

Any Baby Can of Austin, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Any Baby Can of Austin, Inc. as of August 31, 2017 and 2016, and 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the Texas Uniform Grant Management Standards, 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 audits 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 our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2018 on our consideration of Any Baby Can of Austin, Inc.'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 of Austin, Inc.'s internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
March 21, 2018

Financial Statements

Any Baby Can of Austin, Inc.

Statements of Financial Position

August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 343,709	\$ 287,036
Accounts receivable		
Grants	594,970	1,690,433
Pledges, net	802,963	213,945
Prepaid expenses and other	38,033	31,160
Beneficial interest in assets held by others	255,669	233,475
Property and equipment, net	3,120,425	3,220,794
TOTAL ASSETS	<u>\$ 5,155,769</u>	<u>\$ 5,676,843</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 199,225	\$ 208,271
Accrued expenses	311,474	274,722
Total liabilities	510,699	482,993
Net assets		
Unrestricted	3,408,261	3,411,624
Temporarily restricted	1,079,503	1,624,920
Permanently restricted	157,306	157,306
Total net assets	<u>4,645,070</u>	<u>5,193,850</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,155,769</u>	<u>\$ 5,676,843</u>

The Notes to Financial Statements
are an integral part of these statements.

Any Baby Can of Austin, Inc.

Statement of Activities Year Ended August 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT				
Donations	\$ 488,240	\$ 5,948	\$ -	\$ 494,188
Foundation contributions	74,761	742,099	-	816,860
In-kind contributions	96,482	-	-	96,482
Special events, net of donor direct benefit expense of \$84,908	275,204	108,874	-	384,078
Government grants	4,573,131	-	-	4,573,131
Medical billing	15,812	1,325,949	-	1,341,761
Investment income	41,131	-	-	41,131
Miscellaneous income	3,350	-	-	3,350
Net assets released from restrictions	2,728,287	(2,728,287)	-	-
Total revenue and other support	8,296,398	(545,417)	-	7,750,981
EXPENSES				
Program services	7,517,681	-	-	7,517,681
Management and general	126,307	-	-	126,307
Fundraising	655,773	-	-	655,773
Total expenses	8,299,761	-	-	8,299,761
Change in net assets	(3,363)	(545,417)	-	(548,780)
NET ASSETS, beginning of year	3,411,624	1,624,920	157,306	5,193,850
NET ASSETS, end of year	\$ 3,408,261	\$ 1,079,503	\$ 157,306	\$ 4,645,070

The Notes to Financial Statements
are an integral part of these statements.

Any Baby Can of Austin, Inc.

Statement of Activities Year Ended August 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT				
Donations	\$ 538,834	\$ 42,315	\$ -	\$ 581,149
Foundation contributions	114,660	1,776,655	-	1,891,315
In-kind contributions	89,793	-	-	89,793
Special events, net of donor direct benefit expense of \$89,665	280,557	63,703	-	344,260
Government grants	4,158,198	1,200	-	4,159,398
Medical billing	1,537	1,226,470	-	1,228,007
Investment income	2,504	9,391	-	11,895
Miscellaneous income	2,695	35	-	2,730
Net assets released from restrictions	2,878,631	(2,878,631)	-	-
Total revenue and other support	8,067,409	241,138	-	8,308,547
EXPENSES				
Program services	7,019,545	-	-	7,019,545
Management and general	185,051	-	-	185,051
Fundraising	723,794	-	-	723,794
Total expenses	7,928,390	-	-	7,928,390
Change in net assets	139,019	241,138	-	380,157
NET ASSETS, beginning of year	3,272,605	1,383,782	157,306	4,813,693
NET ASSETS, end of year	\$ 3,411,624	\$ 1,624,920	\$ 157,306	\$ 5,193,850

The Notes to Financial Statements
are an integral part of these statements.

Any Baby Can of Austin, Inc.
Statements of Cash Flows
Years Ended August 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (548,780)	\$ 380,157
Adjustments to reconcile change in net assets to net cash provided by (used in) operations		
Depreciation	112,278	120,306
Gain on sale of fixed assets	(3,150)	-
Net (gain) loss in value of beneficial interest	(22,194)	(9,199)
Change in operating assets and liabilities		
Grants receivable	1,095,463	(743,198)
Pledge receivable	(589,018)	(80,611)
Prepaid expenses and other	(6,873)	(11,621)
Accounts payable	(9,046)	37,119
Accrued expenses	36,752	24,763
	65,432	(282,284)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from sale of fixed assets	3,150	
Purchase of fixed assets	(11,909)	(65,874)
	(8,759)	(65,874)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in line of credit	-	(2,263)
	-	(2,263)
Net change in cash and cash equivalents	56,673	(350,421)
CASH AND CASH EQUIVALENTS, beginning of year	287,036	637,457
CASH AND CASH EQUIVALENTS, end of year	\$ 343,709	\$ 287,036
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 1,759	\$ 1,516

The Notes to Financial Statements are an integral part of these statements.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

Note 1. Organization

Organization

Any Baby Can of Austin, Inc. (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, Inc. 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, Children's Hearing Aid Texas, a project with the purpose of providing hearing devices and auditory services to children in need, was merged into the Organization.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted 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.

Net Asset Classifications

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 are 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, which 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.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

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.

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.

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 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 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 an appropriate discount rate.

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 at August 31, 2017 or 2016. 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 doubtful accounts as necessary.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

Contributed Services and Assets

During the years ended August 31, 2017 and 2016, 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 for the years ended August 31, 2017 and 2016 of \$96,482 and \$89,793, 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.

Property and Equipment

Property and equipment purchased for or exceeding \$2,500 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
Vehicles	3 - 5 years

Investments

The value of beneficial interests held by others is based on the value of the Organization's proportional share of the overall assets held by the trustee. Investment income and unrealized gains and losses from beneficial interests are reported as increase in temporarily restricted net assets until appropriated for expenditure. Alternatively, distributions made from the trustee to the Organization are reported as increases to unrestricted net assets and are available for use in normal operations.

Income Taxes

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.

The Organization recognizes in its financial statements the financial effect of a tax position, if that position is more likely than not to be sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the position. Tax positions taken related to the Organization's tax exempt status for federal tax purposes have been reviewed, and management is of the opinion that material positions taken by the Organization would more likely than not be sustained by examination. Accordingly, the Organization has not recorded an income tax liability for uncertain tax benefits.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

Use of Estimates

The preparation of financial statements in conformity with GAAP 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. Accordingly, actual results could differ from those estimates.

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.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federal reserve limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation up to certain limits. The Organization has not experienced any losses in such accounts.

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, 2017 and 2016.

Subsequent Events

The Organization evaluated events that occurred, for recognition and disclosure, after August 31, 2017 through March 21, 2018, the date these financial statements were available to be issued.

Note 3. Pledges Receivable

Pledges are stated at their realizable value net of a discount on long-term pledges and an allowance for uncollectible pledges. A risk-free interest rate of 1.46% and 0.92% was used to determine the present value of the long-term pledges at August 31, 2017 and 2016, respectively. Outstanding pledges have various maturity dates through July 2020. At August 31, 2017 and 2016 the discount on pledges was approximately \$2,992 and \$2,206, respectively, and the allowance for uncollectible pledges totaled \$10,397 and \$24,194, respectively.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

Note 4. Fair Value Measurements

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 2 investments. Income earned that exceeds 8% of the value of the funds is available for expenditure by the Organization.

The table below summarizes the instruments recognized at fair value by level for the year ended August 31, 2017:

	2017			
	(Level 1)	(Level 2)	(Level 3)	Total
Beneficial interest held by others	\$ -	\$ 255,669	\$ -	\$ 255,669
	\$ -	\$ 255,669	\$ -	\$ 255,669

The table below summarizes the instruments recognized at fair value by level for the year ended August 31, 2016:

	2016			
	(Level 1)	(Level 2)	(Level 3)	Total
Beneficial interest held by others	\$ -	\$ 233,475	\$ -	\$ 233,475
	\$ -	\$ 233,475	\$ -	\$ 233,475

Any Baby Can of Austin, Inc.

Notes to Financial Statements

Note 5. Property and Equipment

Property and equipment as of August 31, 2017 and 2016 included:

	2017	2016
Land	\$ 135,000	\$ 135,000
Buildings and improvements	2,941,401	2,929,493
Furniture and equipment	423,069	423,069
Vehicles	64,015	64,015
	3,563,485	3,551,577
Accumulated depreciation	(443,060)	(330,783)
Total property and equipment	\$ 3,120,425	\$ 3,220,794

Depreciation expense was \$112,278 and \$120,306 for the years ended August 31, 2017 and 2016, respectively.

Note 6. Line of Credit

The Organization obtained a line of credit agreement with a financial institution with a \$350,000 limit that matures upon demand and bears interest at a variable interest rate, based upon the prime rate plus 2.80%. No amounts were outstanding on the line of credit as of August 31, 2017 and 2016.

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at August 31, 2017 and 2016:

	2017	2016
Program use restrictions	\$ 1,072,198	\$ 1,617,615
Time restrictions	7,305	7,305
Total temporarily restricted net assets	\$ 1,079,503	\$ 1,624,920

Any Baby Can of Austin, Inc.

Notes to Financial Statements

Net assets released from temporary restrictions due to the satisfaction of requirements consisted of the following at August 31, 2017 and 2016:

	2017	2016
Program use restrictions	\$ 2,692,061	\$ 2,633,797
Time restrictions	36,226	244,834
Use of temporarily restricted net assets	\$ 2,728,287	\$ 2,878,631

Note 8. 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 classified 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 a 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 \$157,306 to remain in perpetuity and a distribution equal to 8% of the value in excess of the original gift to be distributed to the Organization on a quarterly basis and available for expenditure. As discussed in Note 4, during 2009 the Organization transferred these endowed funds to ACF.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

The summary of changes in endowment assets for the years ended August 31, 2017 and 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets as of August 31, 2015	\$ 66,970	\$ -	\$ 157,306	\$ 224,276
Investment earnings, net	1,894	7,305	-	9,199
Endowment assets as of August 31, 2016	\$ 68,864	\$ 7,305	\$ 157,306	\$ 233,475
Investment earnings, net	22,194	-	-	22,194
Endowment assets as of August 31, 2017	\$ 91,058	\$ 7,305	\$ 157,306	\$ 255,669

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, 2017 and 2016.

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 up to approximately 8% of its endowment fund's market value above the original gift as determined 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.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

Note 9. 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 2017 and 2016.

Note 10. Commitments and Contingencies

Leases

The Organization has various equipment leases for copiers. Lease expense was \$37,153 and \$34,910 for the years ended August 31, 2017 and 2016, respectively.

Minimum future rentals for the equipment leases as of August 31, 2017 are as follows:

Year Ending August 31,		
2018	\$	38,761
2019		13,724
2020		900
2021		675
Total	\$	<u>54,060</u>

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.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

Note 11. Concentrations

During the years ended August 31, 2017 and 2016, the Organization received 59% and 50%, respectively, of total revenue from contracts funded through federal, state, and local governments. 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.

Note 12. Special Events

Special events revenue, net of expenses, for the years ended August 31, 2017 and 2016 consisted of the following:

	2017	2016
Harvest Classic	\$ 82,453	\$ 35,800
Bailey Tennis Tournament	-	13,360
Rockin Round Up	129,711	109,733
Other	87,006	185,367
Total	<u>\$ 299,170</u>	<u>\$ 344,260</u>

Note 13. Related Party

During the year ended August 31, 2016, the Organization contracted with a company that a current board member is involved with to complete HVAC upgrades in the amount of \$65,875. The board member did not participate in the Organization's decision to contract with this company. This amount is included in property and equipment, net in the accompanying statements of financial position.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

Note 14. Functional Classification of Expenses

Functional expenses for the year ended August 31, 2017 with summarized comparative totals for 2016 are as follows:

	Program Services	Management and General	Development	Total 2017	Total 2016
Salaries, benefits and payroll taxes	\$ 5,423,820	\$ 93,631	\$ 466,727	\$ 5,984,178	\$ 5,572,041
Communication	63,697	502	5,865	70,064	76,000
Staff professional development	44,523	443	1,058	46,024	45,641
Travel	160,350	375	1,021	161,746	153,337
Professional fees and contracts	1,165,136	9,660	31,242	1,206,038	1,139,238
Office and program supplies	28,277	2,069	3,366	33,712	42,673
Printing and duplication	12,210	54	13,458	25,722	39,326
Subscriptions and dues	2,135	-	-	2,135	1,442
Equipment rental and maintenance	38,736	307	2,775	41,818	42,023
Equipment and technology purchases	2,593	1	1,166	3,760	67,549
Occupancy	93,890	4,266	9,223	107,379	129,468
Client assistance	219,849	702	1,207	221,758	220,221
Events expenses	84,908	-	8,575	93,483	57,722
Business expense	44,044	11,596	37,544	93,184	131,610
Depreciation expense	100,730	2,701	8,847	112,278	120,306
In-kind expense	32,783	-	63,699	96,482	89,793
Total expenses	<u>\$ 7,517,681</u>	<u>\$ 126,307</u>	<u>\$ 655,773</u>	<u>\$ 8,299,761</u>	<u>\$ 7,928,390</u>



**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

To the Board of Directors
Any Baby Can of Austin, Inc.

We have audited, 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, the financial statements of Any Baby Can of Austin, Inc. (the Organization), which comprise the statement of financial position as of August 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated March 21, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Any Baby Can of Austin, Inc.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
March 21, 2018



**Independent Auditor's Report on Compliance for each
Major Federal and State Program and on Internal Control over Compliance in
Accordance with the Uniform Guidance and the Texas
Uniform Grant Management Standards**

To the Board of Directors
Any Baby Can of Austin, Inc.

Report on Compliance for Each Major Federal and State Program

We have audited Any Baby Can of Austin, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the *Texas Uniform Grant Management Standards (UGMS)* issued by the Texas Comptroller of Public Accounts that could have a direct and material effect on each of the Organization's major federal and state programs (Major Programs) for the year ended August 31, 2017. The Organization's Major Programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's Major Programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*; and UGMS. Those standards, the Uniform Guidance and UGMS, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a Major Program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each Major Program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Program

In our opinion, Any Baby Can of Austin, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its Major Programs for the year ended August 31, 2017.

Any Baby Can of Austin, Inc.

Report on Internal Control over Compliance

Management of Any Baby Can of Austin, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each Major Program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each Major Program and to test and report on internal control over compliance in accordance with the Uniform Guidance and UGMS, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of the testing based on the requirements of the Uniform Guidance and UGMS. Accordingly, this report is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
March 21, 2018

Any Baby Can of Austin, Inc.
Schedule of Expenditures of Federal and State Awards
Year Ended August 31, 2017

Grantor/Pass-through Grantor/Program or Cluster Title	CFDA	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Awards			
U.S. Department of Education			
Pass-through programs from			
Texas Department of Assistive and Rehabilitative Services			
Special Education - Grants to States (IDEA, Part B)	84.027	5382001545-01	\$ 39,960
Special Education - Grants for Infants and Families	84.181	5382001545-01	608,000
Total U.S. Department of Education			<u>647,960</u>
U.S. Department of Housing and Urban Development			
Pass-through programs from			
Housing Authority of the City of Austin			
Public and Indian Housing	14.850	C-0204	55,333
Total U.S. Department of Housing and Urban Development			<u>55,333</u>
U.S. Department of Health and Human Services			
Pass-through programs from			
Texas Department of Assistive and Rehabilitative Services			
Temporary Assistance for Needy Families	93.558	5382001545-01	109,266
Pass-through programs from			
Texas Department of State Health Services			
Children with Special Healthcare Needs FSCR Program -			
Maternal and Child Health Block Grant	93.994	2016-003966-02	71,211
Children with Special Healthcare Needs Case Management Program -			
Maternal and Child Health Block Grant	93.994	2016-003952-02	253,450
Total Maternal and Child Health Block Grant			<u>324,661</u>
Total U.S. Department of Health and Human Services			<u>433,927</u>
Total expenditures of federal awards			<u>1,137,220</u>
State Awards			
Texas Department of Assistive and Rehabilitative Services			
Early Childhood Intervention	N/A	5382001545-01	73,762
Respite Services	N/A	5382001545-02	2,800
Total Texas Department of Assistive and Rehabilitative Services			<u>76,562</u>
Texas Department of Health and Human Services			
Nurse Family Partnership	N/A	529-16-0045-00001	840,311
Total Texas Department of Health and Human Services			<u>840,311</u>
Texas Department of Family and Protective Services			
Austin Children's Shelter - Project HOPES	N/A	24125747	453,569
Total Texas Department of Family and Protective Services			<u>453,569</u>
Total expenditures of state awards			<u>1,370,442</u>
Total expenditures of federal and state awards			<u><u>\$ 2,507,662</u></u>

The Notes to Schedule of Expenditures of Federal and State Awards are an integral part of this statement.

Any Baby Can of Austin, Inc.

Notes to Schedule of Expenditures of Federal and State Awards

Summary of Significant Accounting Policies

Reporting Entity

The schedule of expenditures of federal and state awards (the Schedule) includes the activity of all the federal and state grant programs administered by Any Baby Can of Austin, Inc. (the Organization). The Schedule presents total federal and state awards expended for each individual program.

Basis of Accounting

The expenditures for each of the federal and state financial assistance programs are presented on the accrual basis of accounting, consistent with the Organization's basic financial statements. The amounts reported in the financial statements agree with the amounts reported in the schedule as follows:

Total federal and state awards per schedule of expenditures	\$ 2,507,662
Plus non-federal and non-state funding sources	<u>2,065,469</u>
Total government grants per statement of activities	<u>\$ 4,573,131</u>

State and Local Funds

In accordance with the terms of the Early Childhood Intervention Program, the Organization provided other sources of funds to support the program totaling \$1,760,300 for the year ended August 31, 2017.

Insurance Coverage

Any Baby Can of Austin, Inc. carried insurance coverage of \$2,000,000 per incident for employee theft and \$1,000,000 for forgery and alteration during the grant period.

Indirect Cost Rate

The Organization has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Any Baby Can of Austin, Inc.
 Schedule of Findings and Questioned Costs
 Year Ended August 31, 2017

Section 1. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified opinion

Internal control over financial reporting:

Material weakness identified? No

Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over compliance:

Material weakness identified? No

Significant deficiency(ies) identified that are not considered to be material weaknesses? No

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of Uniform Guidance? No

Identification of major federal program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.181	Early Childhood Intervention Program - Special Education: Grants for Infants and Families with Disabilities

Dollar threshold used to distinguish programs: \$750,000

Auditee qualified as low-risk auditee: No

State Awards

Internal control over major state programs:

Material weakness identified? No

Significant deficiency(ies) identified that are not considered to be material weaknesses? No

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of the State of Texas Single Audit Circular? No

Identification of major state program:

<u>Grant Number</u>	<u>Name of State Program</u>
5382001545-01	Nurse-Family Partnership Program

Dollar threshold used to distinguish Type A programs: \$300,000

Auditee qualified as low-risk auditee: Yes

Any Baby Can of Austin, Inc.
Schedule of Findings and Questioned Costs – Continued
Year Ended August 31, 2017

Section 2. Financial Statement Findings

None reported

Section 3. Federal Award Findings and Questioned Costs

None reported

Section 4. State Award Findings and Questioned Costs

None reported

Section 5. Summary Schedule of Prior Federal Award Audit Findings

None reported

Section 6. Summary Schedule of Prior State Award Audit Findings

Finding 2016-001

Austin Children's Shelter - Project HOPES

Criteria: Participants are required to meet all eligibility requirements.

Condition and Context: For the year ended August 31, 2016, documentation of eligibility requirements for two participants was incomplete.

Cause: Documentation of eligibility requirements was not retained.

Responsible Official's Response and Corrective Action Planned: With adoption of an online service provision tool in April 2016, most client forms and data are recorded electronically. After that time, any new client documentation required, by contract or industry guideline, to be completed, and maintained on paper, a digital, scanned version is maintained in the online service provision tool. The two participant files determined to lack eligibility documentation, as examined through this audit, were verified externally, through process of the prime contracting agency, to meet eligibility requirements for the program in question. The individuals responsible for reviewing documentation of participant eligibility at client in-take have been reminded to verify that all such documentation is retained and management agrees to perform additional quality control reviews over future in-take materials.

Status of Prior State Finding: Planned corrective action completed this fiscal year.