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ANY BABY CAN OF AUSTIN

Financial Statements and Compliance
with OMB Circular A-133 and
The State of Texas Audit Circular
(With Independent Auditors' Report Thereon)

August 31, 2015 and 2014 (Restated)



PMB Helin Donovan
CERTIFIED PUBLIC ACCOUNTANTS

ANY BABY CAN OF AUSTIN
Financial Statements and
Compliance with OMB Circular A-133 and
The State of Texas Single Audit Circular
August 31, 2015 and 2014

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Independent Auditors' Report

To the Board of Directors of
Any Baby Can of Austin
Austin, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Any Baby Can of Austin, which comprise the statements of financial position as of August 31, 2015 and 2014 (restated), 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.

Auditors' 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 of Austin as of August 31, 2015 and 2014 (restated), 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State of Texas Audit Circular* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2016 on our consideration of Any Baby Can of Austin'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's internal control over financial reporting and compliance.

PMB HELIN DONOVAN, LLP

PMB Helin Donovan, LLP

June 10, 2016
Austin, Texas

ANY BABY CAN OF AUSTIN
Statements of Financial Position
As of August 31, 2015 and 2014 (Restated)

	2015	(Restated) 2014
Assets		
Cash and cash equivalents	\$ 637,457	\$ 792,408
Accounts receivable		
Grants	947,235	851,263
Pledges, net	133,334	163,152
Prepaid expenses and other	19,539	923
Beneficial interest in assets held by others	224,276	246,764
Property and equipment, net	3,275,226	1,246,072
Total assets	<u>\$ 5,237,067</u>	<u>\$ 3,300,582</u>
 Liabilities and Net Assets		
Accounts payable	\$ 171,152	\$ 38,503
Accrued expenses	249,959	182,159
Line of credit	2,263	112,000
Mortgage payable	-	356,702
Total liabilities	<u>423,374</u>	<u>689,364</u>
 Net assets		
Unrestricted	3,272,605	1,172,209
Temporarily restricted	1,383,782	1,281,703
Permanently restricted	157,306	157,306
Total net assets	<u>4,813,693</u>	<u>2,611,218</u>
 Total liabilities and net assets	<u>\$ 5,237,067</u>	<u>\$ 3,300,582</u>

See accompanying notes and independent auditors' report.

ANY BABY CAN OF AUSTIN

Statement of Activities
Year Ended August, 31 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Other Support				
Donations	\$ 145,519	\$ 283,514	\$ -	\$ 429,033
Foundation contributions	230,144	1,020,120	-	1,250,264
In-kind contributions	142,544	-	-	142,544
Special events, net of donor direct benefit expense of \$90,119	368,578	-	-	368,578
Government grants	2,681,045	-	-	2,681,045
Medical billing	4,271	1,225,135	-	1,229,406
Investment Income	1,031	-	-	1,031
Miscellaneous income	3,080	-	-	3,080
Gain on disposal of asset	2,337,220	-	-	2,337,220
Net assets released from restrictions	2,426,690	(2,426,690)	-	-
Total Revenue and Other Support	<u>8,340,122</u>	<u>102,079</u>	<u>-</u>	<u>8,442,201</u>
Expenses				
Program services	5,333,937	-	-	5,333,937
Management and general	189,803	-	-	189,803
Fundraising	715,986	-	-	715,986
Total expenses	<u>6,239,726</u>	<u>-</u>	<u>-</u>	<u>6,239,726</u>
 Change in Net Assets	 2,100,396	 102,079	 -	 2,202,475
Net assets at beginning of year (Restated)	1,172,209	1,281,703	157,306	2,611,218
Net assets at end of year	<u>\$ 3,272,605</u>	<u>\$ 1,383,782</u>	<u>\$ 157,306</u>	<u>\$ 4,813,693</u>

See accompanying notes and independent auditors' report.

ANY BABY CAN OF AUSTIN

Statement of Activities
Year Ended August 31, 2014
(Restated)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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	<u>2,586,518</u>	<u>(2,576,518)</u>	<u>(10,000)</u>	<u>-</u>
Total Revenue and Other Support	<u>5,913,908</u>	<u>325,339</u>	<u>(10,000)</u>	<u>6,229,247</u>
Expenses				
Program services	5,063,498	-	-	5,063,498
Management and general	132,059	-	-	132,059
Fundraising	<u>723,820</u>	<u>-</u>	<u>-</u>	<u>723,820</u>
Total expenses	<u>5,919,377</u>	<u>-</u>	<u>-</u>	<u>5,919,377</u>
 Change in Net Assets	 (5,469)	 325,339	 (10,000)	 309,870
Net assets at beginning of year	1,177,678	956,364	167,306	2,301,348
Net assets at end of year (Restated)	<u>\$ 1,172,209</u>	<u>\$ 1,281,703</u>	<u>\$ 157,306</u>	<u>\$ 2,611,218</u>

See accompanying notes and independent auditors' report.

ANY BABY CAN OF AUSTIN

Statements of Cash Flows
As of August 31, 2015 and 2014

	<u>2015</u>	<u>(Restated) 2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,202,475	\$ 309,870
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation	98,599	88,650
Gain on sale of building	(2,337,220)	-
Change in beneficial interest in assets held by others	22,488	(24,057)
(Increase) decrease in operating assets:		
Grants receivable	(95,972)	(19,841)
Pledge receivable	29,818	60,744
Prepaid expenses and other	(18,616)	444
Increase (decrease) in operating liabilities:		
Accounts payable	132,649	(5,668)
Accrued expenses	67,800	(12,857)
Net cash provided by operating activities	<u>102,021</u>	<u>397,285</u>
Cash flows from investing activities:		
Purchase of fixed assets	(3,283,945)	(14,638)
Proceeds from sale of building	3,493,412	-
Net cash provided by (used in) investing activities	<u>209,467</u>	<u>(14,638)</u>
Cash flows from financing activities:		
Change in line of credit	(109,737)	(38,000)
Principal payments on mortgage	(356,702)	(20,352)
Net cash used in financing activities	<u>(466,439)</u>	<u>(58,352)</u>
Net change in cash and cash equivalents	(154,951)	324,295
Cash and cash equivalents at beginning of year	792,408	468,113
Cash and cash equivalents at end of year	<u>\$ 637,457</u>	<u>\$ 792,408</u>
Supplemental Disclosures		
Cash paid for interest	<u>\$ 8,173</u>	<u>\$ 25,852</u>

See accompanying notes and independent auditors' report.

ANY BABY CAN OF AUSTIN
Notes to the Financial Statements
August 31, 2015 and 2014 (Restated)

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Any Baby Can of Austin (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, a project with the purpose of providing hearing devices and auditory services to children in need, was merged into the Organization.

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.

ANY BABY CAN OF AUSTIN
Notes to the Financial Statements – Continued
August 31, 2015 and 2014 (Restated)

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.

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, 2015 and 2014. 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.

ANY BABY CAN OF AUSTIN
Notes to the Financial Statements - Continued
August 31, 2015 and 2014 (Restated)

(f) Contributed Services and Assets - During the years ended August 31, 2015 and 2014, 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, 2015 and 2014 of \$142,544 and \$155,018, 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, 2015 and 2014, 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, 2012.

(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. Significant estimates include useful lives of fixed assets, valuation of reserve for uncollectible receivables, valuation of investments, and functional allocation of expenses.

ANY BABY CAN OF AUSTIN
Notes to the Financial Statements - Continued
August 31, 2015 and 2014 (Restated)

(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 consist principally of cash and cash equivalents, investments and pledges receivable. The Organization had uninsured balances that exceeded the maximum federal deposit insurance corporation limits of \$334,000 and \$0 as of August 31, 2015 and 2014, respectively. Beneficial interest 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 and other factors which may affect collectability.

(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, 2015 and 2014.

(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, 2015, this date was June 10, 2016.

(2) RESTATEMENT

The audited statement of financial position as of August 31, 2014, dated January 15, 2015, previously underreported investments discovered in fiscal year 2015. There was an additional endowment that the Organization had established in 2007. The Organization has restated the August 31, 2014 statement of financial position to properly include this investment. As a result of this correction, the following adjustments have been made:

Statement of Financial Position	August 31, 2014, as previously reported	Adjustment	August 31, 2014, as restated
Beneficial interest in assets held by others	\$ 195,006	\$ 51,758	\$ 246,764
Total assets	\$ 3,248,824	\$ 51,758	\$ 3,300,582
Total net assets	\$ 2,559,460	\$ 51,758	\$ 2,611,218

ANY BABY CAN OF AUSTIN
Notes to the Financial Statements - Continued
August 31, 2015 and 2014 (Restated)

(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 0.50% was used to determine the present value of the long-term pledges at August 31, 2015 and 2014, respectively. All pledges mature within 24 months. At August 31, 2015 and 2014 the discount on pledges was approximately \$1,364 and \$1,651, respectively, and the allowance for uncollectible pledges totaled \$14,967 and \$17,734, respectively.

(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 1 investments. As discussed in Note 10, income earned that exceeds 8% of the value of the funds is available for expenditure by the Organization.

ANY BABY CAN OF AUSTIN
Notes to the Financial Statements - Continued
August 31, 2015 and 2014 (Restated)

(5) PROPERTY AND EQUIPMENT

Property and equipment as of August 31, 2015 and 2014 included:

	<u>2015</u>	<u>2014</u>
Buildings and improvements	\$ 2,610,273	\$ 1,566,949
Land	530,253	233,198
Furniture and equipment	468,298	404,640
Vehicles	81,706	81,709
	<u>\$3,690,530</u>	<u>2,286,496</u>
Accumulated depreciation	(415,304)	(1,040,424)
Total property and equipment	<u><u>\$3,275,226</u></u>	<u><u>\$ 1,246,072</u></u>

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. The gain on the sale of building and land totaled \$2,337,220.

Depreciation expense was \$98,597 and \$88,650 for the years ended August 31, 2015 and 2014, respectively.

(6) 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%. During the fiscal year, the Organization paid off the existing mortgage from proceeds of the sale of the property at 1711 E. 7th Street. Proceeds from the sale were used to purchase outright the new facility at 6207 Sheridan Ave, Austin, TX 78723.

(7) 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, 2015 and 2014). As of August 31, 2015 and 2014, there was an outstanding balance of \$2,263 and \$112,000, respectively, on the line of credit.

(8) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at August 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Program use restrictions	\$ 939,156	\$ 805,829
Time restrictions	444,626	475,874
Total temporarily restricted net assets	<u><u>\$ 1,383,782</u></u>	<u><u>\$ 1,281,703</u></u>

ANY BABY CAN OF AUSTIN
Notes to the Financial Statements - Continued
August 31, 2015 and 2014 (Restated)

Net assets released from temporary restrictions due to the satisfaction of requirements consisted of the following at August 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Program use restrictions	\$ 2,072,551	\$ 2,257,163
Time restrictions	354,139	319,355
Total temporarily restricted net assets	<u>\$ 2,426,690</u>	<u>\$ 2,576,518</u>

(9) PERMANENTLY RESTRICTED NET ASSETS

At August 31, 2015 and 2014, the Organization had permanently restricted net assets restricted of:

	<u>2015</u>	<u>2014</u>
Investment in perpetuity, the income from which is expendable	<u>\$ 157,306</u>	<u>\$ 157,306</u>

(10) 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 \$157,306 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 4, during 2009 the Organization transferred these endowed funds to ACF.

ANY BABY CAN OF AUSTIN
Notes to the Financial Statements - Continued
August 31, 2015 and 2014 (Restated)

The summary of changes in endowment assets for the years ended August 31, 2015 and 2014 is as follows:

	<u>Unrestricted (Restated)</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total (Restated)</u>
Endowment assets August 31, 2014	\$ 89,458	\$ -	\$ 157,306	\$ 246,764
Release from restrictions	-	-	-	-
Investment earnings, net	<u>(22,488)</u>	<u>-</u>	<u>-</u>	<u>(22,488)</u>
Endowment assets August 31, 2015	<u>\$ 66,970</u>	<u>\$ -</u>	<u>\$ 157,306</u>	<u>\$ 224,276</u>

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, 2015 and 2014.

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 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.

ANY BABY CAN OF AUSTIN
Notes to the Financial Statements - Continued
August 31, 2015 and 2014 (Restated)

(11) 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 2015 and 2014.

(12) COMMITMENTS AND CONTINGENCIES

Leases

The Organization has various equipment leases for copiers. Lease expense was approximately \$39,458 and \$33,783 for the years ended August 31, 2015 and 2014, respectively.

Minimum future rentals for the equipment leases as of August 31, 2015 are as follows:

Year Ending August 31,		
2016	\$	32,880
2017		32,586
2018		32,586
2019		10,862
Total	\$	<u>108,914</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.

(13) CONCENTRATIONS

During the years ended August 31, 2015 and 2014, the Organization received 44% and 42% 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.

ANY BABY CAN OF AUSTIN
Notes to the Financial Statements - Continued
August 31, 2015 and 2014 (Restated)

(14) SPECIAL EVENTS

Special events revenue, net of expenses for the years ended August 31, 2015 and 2014, consisted of the following:

Harvest Classic	\$	66,000	\$	60,100
Bailey Tennis Tournament		12,944		16,429
Rockin Round Up		153,591		193,346
Season for Caring		60,120		60,200
Other		75,923		108,587
Total	\$	<u>368,578</u>	\$	<u>438,662</u>

(15) RELATED PARTY

During the years ended August 31, 2015 and 2014, the Organization received contributions of \$69,084 and \$86,568 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.

(16) FUNCTIONAL CLASSIFICATION OF EXPENSES

Functional expenses for the year ended August 31, 2015 with comparative totals for 2014 are as follows:

	Program Services	Management and General	Fundraising	Total 2015	Total 2014
Salaries, benefits and payroll taxes	\$ 4,304,303	\$ 67,523	\$ 460,904	\$ 4,832,730	\$ 4,809,310
Communication	56,476	3,142	6,509	66,127	54,375
Staff professional development	23,479	5,236	2,662	31,377	28,967
Travel	140,430	1,580	150	142,160	136,127
Professional fees and contracts	220,183	47,427	57,405	325,015	155,628
Office and program supplies	33,176	2,283	2,838	38,297	37,201
Printing and duplication	7,534	27	12,090	19,651	24,983
Subscriptions and dues	3,710	159	750	4,619	1,457
Equipment rental and maintenance	47,782	420	3,228	51,430	33,963
Equipment and technology purchases	119,300	442	3,352	123,094	7,830
Occupancy	96,024	11,343	12,560	119,927	119,951
Client assistance	138,693	2,731	2,431	143,855	159,428
Events expenses	-	490	18,237	18,727	44,878
Business expense	26,550	41,324	13,701	81,575	61,611
Depreciation expense	83,711	5,676	9,210	98,597	88,650
In-kind expense	32,586	-	109,959	142,545	155,018
Total expenses	<u>\$ 5,333,937</u>	<u>\$ 189,803</u>	<u>\$ 715,986</u>	<u>\$ 6,239,726</u>	<u>\$ 5,919,377</u>

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

To the Board of Directors
Any Baby Can of Austin

Report on Compliance for Each Major Federal Program

We have audited Any Baby Can of Austin 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 (the "Organization"), which comprise the statement of financial position as of August 31, 2015, 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 June 10, 2016.

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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control 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*.

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.

PMB HELIN DONOVAN, LLP*PMB Helin Donovan, LLP*

June 10, 2016
Austin, Texas

Independent Auditors' Report on Compliance with Requirements For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and The State of Texas Single Audit Circular

To the Board of Directors
Any Baby Can of Austin

Report on Compliance for Each Major Federal Program

We have audited Any Baby Can of Austin's (the "Organization") compliance with the types of compliance requirements in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the State of Texas Single Audit Circular that could have a direct and material effect on each of the Organization's major federal and state programs for the year ended August 31, 2015. The Organization's major federal and state 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal and state 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; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and The State of Texas Single Audit Circular. Those standards and OMB Circular A-133 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 federal 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 that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Organization's compliance.

Unmodified Opinion on Each of the Other Major Federal and State Programs

In our opinion, the Organization 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 other major federal and state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2015.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance with the compliance requirements referred to above that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-001. Our opinion on each major federal and state program is not modified with respect to this matter.

The Organization's response to the noncompliance findings identified in our audit is described in the Schedule of Findings and Questioned Costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the 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 federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and The State of Texas Single Audit Circular, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 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 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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a significant deficiency.

The Organization's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of This Report

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 that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose

PMB HELIN DONOVAN, LLP

PMB Helin Donovan, LLP

June 10, 2016
Austin, Texas

Any Baby Can of Austin
Schedule of Expenditures of Federal and State Awards
Year Ended August 31, 2015

Grantor / Pass-Through Grantor / Program or Cluster Title	CFDA	Grant/Contract Award Number	Federal Expenditures
Federal Awards:			
SPECIAL EDUCATION CLUSTER (IDEA)			
<u>U.S. Department of Education</u>			
Pass-through programs from:			
Texas Department of Assistive and Rehabilitative Services			
Early Childhood Intervention Program - Special Education: Grants for Infants and Families with Disabilities	84.181	5382001545	\$ 443,277
Total Special Education Cluster (IDEA)			443,277
<u>U.S. Department of Education</u>			
Pass-through programs from:			
Texas Department of Assistive and Rehabilitative Services			
Early Childhood Intervention Program - Special Education: Grants to States	84.027	5382001545	54,719
Total U.S. Department of Education			497,996
TANF CLUSTER			
<u>U.S. Department of Health and Human Services</u>			
Pass-through programs from:			
Texas Department of Assistive and Rehabilitative Services			
Early Childhood Intervention Program - Temporary Assistance for Needy Families	93.558	53802C7002	166,626
Total TANF Cluster			166,626
Total Expenditures of Federal Awards			664,622
State of Texas Awards:			
<u>Texas Department of Assistive and Rehabilitative Services</u>			
Early Childhood Intervention Program - Early Childhood Intervention	N/A	5382001545	29,924
Early Childhood Intervention Program - Respite Services	N/A	5382001545	2,940
Total Texas Department of Assistive and Rehabilitative Services			32,864
<u>Texas Department of Health and Human Services</u>			
Nurse Family Partnership	N/A	529-08-0110-00002	725,921
Total Texas Department of Health and Human Services			725,921
<u>Texas Department of State Health -</u>			
BCH/CASE	N/A	2013-041728	251,750
Family Services and Community Resources	N/A	2013-041760	68,216
Total Texas Department of State Health			319,966
<u>Texas Department of Family and Protective Services</u>			
Austin Children's Shelter-Project HOPES	N/A	24125747	220,927
Total Texas Department of Family and Protective Services			220,927
Total Expenditures of State Awards			1,299,678
Total Expenditures of Federal and State Awards			\$ 1,964,300

See accompanying notes to the schedule of expenditures of federal and state awards.

ANY BABY CAN OF AUSTIN
Notes to Schedule of Federal and State Awards
Year Ended August 31, 2015

(1) Summary of Significant Accounting Policies

(a) 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 (the “Organization”). The Organization is defined in Note 1 of the Organization’s basic financial statements.

(b) Basis of Presentation

The Schedule presents total federal and state awards expended for each individual program in accordance with the OMB A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *Texas Uniform Grant Management Standards*.

(c) Basis of Accounting

The expenditures for each of the federal and state financial assistance programs are presented on the accrual basis of accounting, which is defined in Note 1 of the Organization’s basic financial statements.

(2) Relationship to Federal and State Financial Reports

The amounts reported in the financial statements agree with the amounts reported in the accompanying Schedule which is prepared on the basis explained in Note 1 of the Organization’s financial statements as follows:

Total federal and state awards per schedule of expenditures	\$1,964,300
Plus non-federal and non-state funding sources	<u>716,745</u>
Total government grants per statement of activities	<u><u>\$2,681,045</u></u>

(3) 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 \$1,490,250 for the year ended August 31, 2015.

(4) Insurance Coverage

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

(5) Subsequent Events

Any Baby Can of Austin’s management has evaluated subsequent events through June 10, 2016, the date the report was available to be issued.

ANY BABY CAN OF AUSTIN
Schedule of Findings and Questioned Costs
Year Ended August 31, 2015

Section I - Summary of Auditors' Results

A Financial Statements

Type of auditors' report issued:	Unqualified opinion
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

B. Federal Awards

Internal control over compliance:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes
Identification of major federal program:	

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
Cluster	Special Education Cluster(IDEA)

Dollar threshold used to distinguish programs:	\$300,000
Auditee qualified as low-risk auditee:	Yes

C. State Awards

Internal control over compliance:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	No

ANY BABY CAN OF AUSTIN
Schedule of Findings and Questioned Costs
Year Ended August 31, 2015

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

Unqualified

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 programs:

<u>Grant Number</u>	<u>Name of State Program</u>
529-08-0110-00002	Nurse Family Partnership – State of Texas

Dollar threshold used to distinguish programs:

\$300,000

Auditee qualified as low-risk auditee:

Yes

Section II - Financial Statement Findings

None reported

Section III (A) – Federal Award Findings and Questioned Costs

Finding 2015-001:

CFDA 84.181 Early Childhood Intervention Program-Special Education: Grants for
Infants and Families with Disabilities

Significant Deficiency and Noncompliance

Criteria: Reports are required to be filed within 30 days of month end.

Condition and Context: For the year ended August 31, 2015, four monthly reports were filed
after the deadline.

Cause: Reorganization and new staffing resulted in late filings of certain reports.

Effect or Potential Effect: The errors noted could result in default under the contract resulting
in late or unfunded reimbursements.

Recommendation: The governing body and management of Any Baby Can should implement
controls such that reports are timely filed.

ANY BABY CAN OF AUSTIN
Schedule of Findings and Questioned Costs
Year Ended August 31, 2015

Section IV (A) – Summary Schedule of Federal Prior Audit Findings

None reported

Section IV (B) – Summary Schedule of State Prior Audit Findings

None reported

System Review Report

December 4, 2014

To the Partners of
PMB Helin Donovan, LLP
and the AICPA National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of **PMB Helin Donovan, LLP** (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended June 30, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*; audits of employee benefit plans, and examinations of service organizations [Service Organizations Control (SOC) 1 and 2 engagements].

In our opinion, the system of quality control for the accounting and auditing practice of **PMB Helin Donovan, LLP** applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended June 30, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. **PMB Helin Donovan, LLP** has received a peer review rating of *pass*.

Davis Kinard & Co, PC

Certified Public Accountants