

Any Baby Can of Austin, Inc.

Financial and Compliance Report

August 31, 2016

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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 statement of financial position as of August 31, 2016, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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.

To the Board of Directors of
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, 2016, and changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Matters

The 2015 financial statements of Any Baby Can of Austin, Inc. were audited by another auditor who expressed an unmodified opinion on those statements on June 10, 2016.

Other Information

Our audit was 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 State of Texas Single 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. 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 14, 2017 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 14, 2017

Financial Statements

Any Baby Can of Austin, Inc.

Statements of Financial Position

August 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 287,036	\$ 637,457
Accounts receivable		
Grants	1,690,433	947,235
Pledges, net	213,945	133,334
Prepaid expenses and other	31,160	19,539
Beneficial interest in assets held by others	233,475	224,276
Property and equipment, net	3,220,794	3,275,226
TOTAL ASSETS	<u>\$ 5,676,843</u>	<u>\$ 5,237,067</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 208,271	\$ 171,152
Accrued expenses	274,722	249,959
Line of credit	-	2,263
Total liabilities	482,993	423,374
Net assets		
Unrestricted	3,411,624	3,272,605
Temporarily restricted	1,624,920	1,383,782
Permanently restricted	157,306	157,306
Total net assets	5,193,850	4,813,693
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,676,843</u>	<u>\$ 5,237,067</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, 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 \$89,655	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)	-	-
	<u>8,067,409</u>	<u>241,138</u>	<u>-</u>	<u>8,308,547</u>
EXPENSES				
Program services	7,019,545	-	-	7,019,545
Management and general	185,051	-	-	185,051
Fundraising	723,794	-	-	723,794
	<u>7,928,390</u>	<u>-</u>	<u>-</u>	<u>7,928,390</u>
Total expenses	<u>7,928,390</u>	<u>-</u>	<u>-</u>	<u>7,928,390</u>
Change in net assets	139,019	241,138	-	380,157
NET ASSETS, beginning of year	<u>3,272,605</u>	<u>1,383,782</u>	<u>157,306</u>	<u>4,813,693</u>
NET ASSETS, end of year	<u>\$ 3,411,624</u>	<u>\$ 1,624,920</u>	<u>\$ 157,306</u>	<u>\$ 5,193,850</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, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT				
Donations	\$ 205,639	\$ 283,514	\$ -	\$ 489,153
Foundation contributions	230,144	1,020,120	-	1,250,264
In-kind contributions	142,545	-	-	142,545
Special events, net of donor direct benefit expense of \$40,325	308,458	-	-	308,458
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	3,079	-	-	3,079
Gain on disposal of asset	2,337,220	-	-	2,337,220
Net assets released from restrictions	<u>2,426,690</u>	<u>(2,426,690)</u>	-	-
 Total revenue and other support	 8,340,122	 102,079	 -	 8,442,201
EXPENSES				
Program services	5,333,937	-	-	5,333,937
Management and general	189,803	-	-	189,803
Fundraising	<u>715,986</u>	<u>-</u>	<u>-</u>	<u>715,986</u>
 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, beginning of year	 <u>1,172,209</u>	 <u>1,281,703</u>	 <u>157,306</u>	 <u>2,611,218</u>
 NET ASSETS, end of year	 <u>\$ 3,272,605</u>	 <u>\$ 1,383,782</u>	 <u>\$ 157,306</u>	 <u>\$ 4,813,693</u>

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, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 380,157	\$ 2,202,475
Adjustments to reconcile change in net assets to net cash provided by operations		
Depreciation	120,306	98,599
Gain on sale of building	-	(2,337,220)
Net (gain) loss in value of beneficial interest	(9,199)	22,488
Change in operating assets and liabilities		
Grants receivable	(743,198)	(95,972)
Pledge receivable	(80,611)	29,818
Prepaid expenses and other	(11,621)	(18,616)
Accounts payable	37,119	132,649
Accrued expenses	24,763	67,800
	(282,284)	102,021
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(65,874)	(3,283,945)
Proceeds from sale of building	-	3,493,412
	(65,874)	209,467
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in line of credit	(2,263)	(109,737)
Principal payments on mortgage	-	(356,702)
	(2,263)	(466,439)
Net change in cash and cash equivalents	(350,421)	(154,951)
CASH AND CASH EQUIVALENTS, beginning of year	637,457	792,408
CASH AND CASH EQUIVALENTS, end of year	\$ 287,036	\$ 637,457
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 1,516	\$ 8,173

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, 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.

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.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

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.

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, 2016 or 2015. 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, Inc.

Notes to Financial Statements

Contributed Services and Assets

During the years ended August 31, 2016 and 2015, 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, 2016 and 2015 of \$89,793 and \$142,545, 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 or 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.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

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 tax exempt status for federal tax purposes have been reviewed, and management is of the opinion that material positions taken by the Organization and would more likely than not be sustained by examination. Accordingly, the Organization has not recorded an income tax liability for uncertain tax benefits.

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 their cash in bank deposit accounts, which, at times, may exceed federal reserved 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 project 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, 2016 and 2015.

Reclassifications

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported activity or net assets.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

Subsequent Events

The Organization evaluated events that occurred, for recognition and disclosure, after August 31, 2016 through March 8, 2017, 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 0.92% was used to determine the present value of the long-term pledges at August 31, 2016 and 2015, respectively. Outstanding pledges have various maturity dates through December 2019. At August 31, 2016 and 2015 the discount on pledges was approximately \$2,206 and \$1,364, respectively, and the allowance for uncollectible pledges totaled \$24,194 and \$14,967, respectively.

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. As discussed in Note 9, income earned that exceeds 8% of the value of the funds is available for expenditure by the Organization.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

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

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

The table below summarizes the instruments recognized at fair value by level for the year ended August 31, 2015:

	(Level 1)	(Level 2)	(Level 3)	Total
Beneficial interest held by others	\$ -	\$ 224,276	\$ -	\$ 224,276
	\$ -	\$ 224,276	\$ -	\$ 224,276

Note 5. Property and Equipment

Property and equipment as of August 31, 2016 and 2015 included:

	2016	2015
Land	\$ 135,000	\$ 135,000
Buildings and improvements	2,929,493	3,005,526
Furniture and equipment	423,069	468,298
Vehicles	64,015	81,706
	3,551,577	3,690,530
Accumulated depreciation	(330,783)	(415,304)
Total property and equipment	\$ 3,220,794	\$ 3,275,226

Depreciation expense was \$120,306 and \$98,599 for the years ended August 31, 2016 and 2015, respectively.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

Note 6. Line of Credit

The Organization obtained a line of credit agreement with a financial institution with a \$200,000 limit that matures on September 22, 2025 and bears interest at a variable interest rate, based upon the prime rate. No amounts were outstanding on the line of credit as of August 31, 2016. As of August 31, 2015, there was an outstanding balance of \$2,263 on the line of credit.

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at August 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Program use restrictions	\$ 1,617,615	\$ 939,156
Time restrictions	<u>7,305</u>	<u>444,626</u>
Total temporarily restricted net assets	<u>\$ 1,624,920</u>	<u>\$ 1,383,782</u>

Net assets released from temporary restrictions due to the satisfaction of requirements consisted of the following at August 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Program use restrictions	\$ 244,834	\$ 2,072,551
Time restrictions	<u>2,633,797</u>	<u>354,139</u>
Total temporarily restricted net assets	<u>\$ 2,878,631</u>	<u>\$ 2,426,690</u>

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.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

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.

The summary of changes in endowment assets for the years ended August 31, 2016 and 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets as of August 31, 2014	\$ 89,458	\$ -	\$ 157,306	\$ 246,764
Investment earnings, net	(22,488)	-	-	(22,488)
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

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, 2016 and 2015.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

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.

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 2016 and 2015.

Note 10. Commitments and Contingencies

Leases

The Organization has various equipment leases for copiers. Lease expense was \$34,910 and \$39,458 for the years ended August 31, 2016 and 2015, respectively.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

Minimum future rentals for the equipment leases as of August 31, 2016 are as follows:

Year ending August 31,		
2017	\$	36,567
2018		38,765
2019		13,725
2020		900
Total	\$	89,957

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.

Note 11. Concentrations

During the years ended August 31, 2016 and 2015, the Organization received 50% and 44%, 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.

As of August 31, 2016, the Organization had amounts due to one customer that accounted for 34% of accounts payable on the statement of financial position.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

Note 12. Special Events

Special events revenue, net of expenses, for the years ended August 31, 2016 and 2015 consisted of the following:

	2016	2015
Harvest Classic	\$ 35,800	\$ 66,000
Bailey Tennis Tournament	13,360	12,944
Rockin Round Up	109,733	153,591
Other	183,367	75,923
Total	<u>\$ 342,260</u>	<u>\$ 308,458</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, 2016 with summarized comparative totals for 2015 are as follows:

	Program Services	Management and General	Fundraising	Total 2016	Total 2015
Salaries, benefits and payroll taxes	\$ 5,071,389	\$ 64,422	\$ 436,230	\$ 5,572,041	\$ 4,832,730
Communication	66,656	1,866	7,478	76,000	66,127
Staff professional development	40,438	2,367	2,836	45,641	31,377
Travel	152,029	962	346	153,337	142,160
Professional fees and contracts	1,049,384	25,081	64,773	1,139,238	325,015
Office and program supplies	35,194	4,976	2,503	42,673	38,297
Printing and duplication	17,726	1,484	20,116	39,326	19,651
Subscriptions and dues	598	376	468	1,442	4,619
Equipment rental and maintenance	36,203	2,396	3,424	42,023	51,430
Equipment and technology purchases	55,241	24	12,284	67,549	123,094
Occupancy	111,539	3,976	13,953	129,468	119,927
Client assistance	219,054	1,167	-	220,221	143,855
Events expenses	358	40,141	17,223	57,722	18,727
Business expense	36,208	30,532	64,870	131,610	81,575
Depreciation expense	103,465	5,281	11,560	120,306	98,597
In-kind expense	24,063	-	65,730	89,793	142,545
Total expenses	\$ 7,019,545	\$ 185,051	\$ 723,794	\$ 7,928,390	\$ 6,239,726



**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, 2016, 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 14, 2017.

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.

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

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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
March 14, 2017



Independent Auditor's Report on Compliance for Each Major State Program and on Internal Control Over Compliance in Accordance with the State of Texas Single Audit Circular

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

Report on Compliance for Each Major State Program

We have audited Any Baby Can of Austin, Inc.'s (the Organization) compliance with the types of compliance requirements described in the Uniform Grant Management Standards issued by the Texas Comptroller of Public Accounts that could have a direct and material effect on each of the Organization's major state programs for the year ended August 31, 2016. The Organization's major 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 state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major 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 the audit requirements of the State of Texas Single Audit Circular. Those standards and the State of Texas Single Audit Circular 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 state 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 state program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major State 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 state programs for the year ended August 31, 2016.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to above that are required to be reported in accordance with the state of Texas Single Audit Circular and which are described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major state program is not modified with respect to these matters.

The Organization's response to the non-compliance findings identified in our audit is 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.

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 state 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 state program and to test and report on internal control over compliance in accordance with 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.

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 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 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 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, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

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

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.

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 State of Texas Single Audit Circular. 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 14, 2017

Any Baby Can of Austin, Inc.

Schedule of Expenditures of Federal and State Awards

Year Ended August 31, 2016

Grantor/Pass-through Grantor/Program or Cluster Title	CFDA	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Awards			
SPECIAL EDUCATION CLUSTER (IDEA)			
U.S. Department of Education			
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	\$ 447,684
Total Special Education Cluster (IDEA)			447,684
U.S. Department of Education			
Pass-through programs from			
Texas Department of Assistive and Rehabilitative Services			
Early Childhood Intervention Program - Special Education:			
Grants to States	84.027	5382001545	48,960
Total U.S. Department of Education			496,644
TANF CLUSTER			
U.S. Department of Health and Human Services			
Pass-through programs from			
Texas Department of Assistive and Rehabilitative Services			
Early Childhood Intervention Program -			
Temporary Assistance for Needy Families	93.558	53802C7002	72,299
Total TANF Cluster			72,299
U.S. Department of Health and Human Services			
Pass-through programs from			
Texas Department of State Health Services			
Children with Special Healthcare Needs Program -			
Maternal and Child Health Block Grant	93.994	53802C7002	86,221
Total U.S. Department of Health and Human Services			158,520
Total expenditures of federal awards			655,164
State Awards			
Texas Department of Assistive and Rehabilitative Services			
Early Childhood Intervention Program -			
Early Childhood Intervention	N/A	5382001545	48,280
Early Childhood Intervention Program -			
Respite Services	N/A	5382001545	3,791
Total Texas Department of Assistive and Rehabilitative Services			52,071
Texas Department of Health and Human Services			
Nurse Family Partnership	N/A	529-08-0110-00002	744,999
Total Texas Department of Health and Human Services			744,999
Texas Department of State Health			
BCH/CASE	N/A	2013-041728	209,650
Family Services and Community Resources	N/A	2013-041760	5,000
Total Texas Department of State Health			214,650
Texas Department of Family and Protective Services			
Austin Children's Shelter - Project HOPES	N/A	24125747	457,064
Total Texas Department of Family and Protective Services			457,064
Total expenditures of state awards			1,468,784
Total expenditures of federal and state Awards			\$ 2,123,948

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	\$ 2,123,948
Plus non-federal and non-state funding sources	<u>2,035,450</u>
Total government grants per statement of activities	<u>\$ 4,159,398</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 \$1,737,682 for the year ended August 31, 2016.

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.

Any Baby Can of Austin, Inc.
 Schedule of Findings and Questioned Costs
 Year Ended August 31, 2016

Section I. Summary of Auditors' Results

A. 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

B. State Awards

Internal control over major state programs:	
Material weakness 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:	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?	Yes
Identification of major state program:	

<u>Grant Number</u>	<u>Name of State Program</u>
24125747	Austin Children's Shelter - Project HOPES

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
Year Ended August 31, 2016

Section II. Financial Statement Findings

None reported

Section III. State Award Findings and Questioned Costs

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.

Effect or Potential Effect: The errors noted could result in ineligible participants receiving benefit from grant funds.

Recommendation: The governing body and management of Any Baby Can of Austin, Inc. should implement controls such that documents are completed and retained prior to individuals participating in programs.

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.

Planned Implementation Date of Corrective Action: Immediately

Person Responsible for Corrective Action: Chief Programs Officer (proper documentation and review of participant eligibility during client in-take); Chief Financial Officer (proper retention of documentation for contract compliance).

Section IV. Summary Schedule of Prior State Award Audit Findings

None reported