

Any Baby Can of Austin, Inc.
Financial and Compliance Report
August 31, 2019

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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. (the Organization), which comprise the statements of financial position as of August 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019 and 2018, and changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

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The Board of Directors of
Any Baby Can of Austin, Inc.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization adopted ASU 2016-14 in fiscal year 2019. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal 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 is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal 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 May 18, 2020 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
May 18, 2020

Any Baby Can of Austin, Inc.

Statements of Financial Position

As of August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 643,603	\$ 255,063
Accounts receivable		
Grants and contracts	2,125,747	2,745,413
Pledges and other, net	200,161	394,250
Prepaid expenses and other	44,033	56,257
Beneficial interest in assets held by others	273,560	271,722
Property and equipment, net	<u>2,906,675</u>	<u>3,013,550</u>
TOTAL ASSETS	<u><u>\$ 6,193,779</u></u>	<u><u>\$ 6,736,255</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 261,239	\$ 249,580
Accrued expenses	<u>472,778</u>	<u>444,359</u>
Total liabilities	734,017	693,939
Net assets		
Without donor restrictions	3,488,864	3,506,532
With donor restrictions	<u>1,970,898</u>	<u>2,535,784</u>
Total net assets	<u>5,459,762</u>	<u>6,042,316</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 6,193,779</u></u>	<u><u>\$ 6,736,255</u></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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Donations	\$ 409,151	\$ 102,521	\$ 511,672
Foundation contributions	171,100	620,500	791,600
In-kind contributions	36,789	-	36,789
Special events, net of donor direct benefit expense of \$162,852	238,708	60,000	298,708
Government grants	6,482,969	-	6,482,969
Medical billing	22,603	1,991,711	2,014,314
Investment income	16,010	2,727	18,737
Miscellaneous income	3,512	7,565	11,077
Net assets released from restrictions	3,349,910	(3,349,910)	-
Total revenue and other support	10,730,752	(564,886)	10,165,866
EXPENSES			
Program services	9,937,266	-	9,937,266
Management and general	161,575	-	161,575
Fundraising	649,579	-	649,579
Total expenses	10,748,420	-	10,748,420
Change in net assets	(17,668)	(564,886)	(582,554)
NET ASSETS, beginning of year	3,506,532	2,535,784	6,042,316
NET ASSETS, end of year	\$ 3,488,864	\$ 1,970,898	\$ 5,459,762

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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Donations	\$ 411,064	\$ 73,507	\$ 484,571
Foundation contributions	20,750	2,417,775	2,438,525
In-kind contributions	80,685	-	80,685
Special events, net of donor direct benefit expense of \$168,181	295,988	94,881	390,869
Government grants	5,917,757	-	5,917,757
Medical billing	9,488	1,750,651	1,760,139
Investment income	19,508	-	19,508
Miscellaneous income	-	250	250
Net assets released from restrictions	3,038,089	(3,038,089)	-
Total revenue and other support	9,793,329	1,298,975	11,092,304
EXPENSES			
Program services	8,826,124	-	8,826,124
Management and general	158,339	-	158,339
Fundraising	710,595	-	710,595
Total expenses	9,695,058	-	9,695,058
Change in net assets	98,271	1,298,975	1,397,246
NET ASSETS, beginning of year	3,408,261	1,236,809	4,645,070
NET ASSETS, end of year	\$ 3,506,532	\$ 2,535,784	\$ 6,042,316

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, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (582,554)	\$ 1,397,246
Adjustments to reconcile change in net assets to net cash provided by (used in) operations		
Depreciation	106,875	106,875
Net (gain) loss in value of beneficial interest	(1,838)	(16,053)
Change in operating assets and liabilities		
Grants and contracts receivable	619,666	(1,400,327)
Pledges and other receivable	194,089	(341,403)
Prepaid expenses and other	12,224	(18,224)
Accounts payable	11,659	50,355
Accrued expenses	28,419	132,885
Net cash provided by (used in) operating activities	388,540	(88,646)
Net change in cash and cash equivalents	388,540	(88,646)
CASH AND CASH EQUIVALENTS, beginning of year	255,063	343,709
CASH AND CASH EQUIVALENTS, end of year	\$ 643,603	\$ 255,063
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 1,834	\$ 2,342

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

Any Baby Can of Austin, Inc.

Notes to Financial Statements

Note 1. Organization

Organization

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

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

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). For financial statement purposes, the Organization reports information regarding its financial position and activities according to two classes of net assets; net assets with donor restrictions and net assets without donor restrictions.

Net Asset Classifications

The Organization classifies its net assets into two categories as follows:

Net Assets With Donor Restrictions: Net assets subject to donor-imposed stipulations that they may be maintained permanently by the Organization or may be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time. When a restriction is satisfied, Net Assets with Donor Restrictions are reclassified to Net Assets without Donor Restrictions.

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed stipulations. Net Assets without Donor Restrictions may be used for any purpose or designated for specific purposes by action of the Board of Directors.

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

Any Baby Can of Austin, Inc.

Notes to Financial Statements

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

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU, effective for fiscal years beginning after December 15, 2017, has been applied retrospectively to all periods presented.

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 revenue without donor restrictions or with donor restrictions in the period received depending on the existence and/or nature of any donor restrictions. 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets without donor restrictions 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, 2019 or 2018. The Organization evaluates the collectability of its pledges and adequacy of its allowance for doubtful accounts on a periodic basis. The evaluation includes historical loss experience, length of time the pledges are past due, and adverse situations that may affect the donor's ability to honor its pledge. The Organization records and adjusts its allowance for doubtful accounts as necessary.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

Contributed Services and Assets

During the years ended August 31, 2019 and 2018, 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, 2019 and 2018 of \$36,789 and \$80,685, respectively.

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

Property and Equipment

Property and equipment purchased for or exceeding \$2,500 are recorded at cost. Property and equipment are depreciated using the straight-line method over the useful lives of the assets as follows:

Buildings and improvements	5 - 37 years
Furniture and equipment	3 - 5 years
Vehicles	3 - 5 years

Investments

The value of beneficial interests held by others is based on the value of the Organization's proportional share of the overall assets held by the trustee. Investment income and unrealized gains and losses from beneficial interests are reported as net assets with donor restrictions until appropriated for expenditure. Alternatively, distributions made from the trustee to the Organization are reported as increases to net assets without donor restrictions and are available for use in normal operations.

Income Taxes

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

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

Any Baby Can of Austin, Inc.

Notes to Financial Statements

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional Expenses

The expense information contained in the statements of activities reports certain categories of expenses that are attributable to program services or supporting functions of the Organization. The costs of providing program or other activities have been summarized on a functional basis in Note 13 of the financial statements. Accordingly, certain costs are allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Communication	FTE count
Professional fees and contracts	FTE count
Supplies and printing	FTE count
Equipment rental	FTE count
Occupancy	Square footage
Depreciation	Square footage

Concentration of Credit Risk

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

Long-lived Assets

Long-lived assets held and used by the Organization are reviewed for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, the Organization compares the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets and is recorded in the period in which the determination was made. No indicators of impairment existed at August 31, 2019 or 2018.

Reclassifications

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

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, 2019 through May 18, 2020, the date these financial statements were available to be issued.

The extent of the operational and financial impact the COVID-19 pandemic may have on the Organization has yet to be determined and is dependent on its duration and spread, any related operational restrictions and the overall economy. However, while it is premature to accurately predict its full impact, the Organization expects certain revenue streams to be negatively impacted including special events revenue, as the Organization's primary fundraising event was cancelled, and medical billing revenue, as services rendered have declined as a result of the pandemic.

Note 3. Pledges Receivable

Pledges are stated at their realizable value net of a discount on long-term pledges and an allowance for uncollectible pledges. A risk-free interest rate of 1.42% and 2.70% was used to determine the present value of the long-term pledges at August 31, 2019 and 2018, respectively. Outstanding pledges have various maturity dates through July 2020. At August 31, 2019 and 2018, the discount on pledges was approximately \$198 and \$1,206, respectively, and the allowance for uncollectible pledges totaled \$2,120 and \$5,806, 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 \$157,306 to the Austin Community Foundation (ACF) to take advantage of ACF's investment expertise and to allow these funds to gain synergies with other funds held by ACF. ACF does not hold variance power over these endowed funds; therefore, the Organization can request distribution at any point in time. The Organization has classified these funds as permanently restricted and they are considered Level 2 investments. Income earned that exceeds 8% of the value of the funds is available for expenditure by the Organization.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

The table below summarizes the instruments recognized at fair value by level for the year ended August 31, 2019:

	2019			Total
	(Level 1)	(Level 2)	(Level 3)	
Beneficial interest held by others	\$ -	\$ 273,560	\$ -	\$ 273,560
	\$ -	\$ 273,560	\$ -	\$ 273,560

The table below summarizes the instruments recognized at fair value by level for the year ended August 31, 2018:

	2018			Total
	(Level 1)	(Level 2)	(Level 3)	
Beneficial interest held by others	\$ -	\$ 271,722	\$ -	\$ 271,722
	\$ -	\$ 271,722	\$ -	\$ 271,722

Note 5. Property and Equipment

Property and equipment as of August 31, 2019 and 2018 included:

	2019	2018
Land	\$ 135,000	\$ 135,000
Buildings and improvements	2,941,400	2,941,400
Furniture and equipment	423,070	423,070
Vehicles	64,015	64,015
	3,563,485	3,563,485
Accumulated depreciation	(656,810)	(549,935)
Total property and equipment	\$ 2,906,675	\$ 3,013,550

Depreciation expense was \$106,875 for each of the years ended August 31, 2019 and 2018.

Note 6. Line of Credit

The Organization obtained a line of credit agreement with a financial institution with a \$600,000 limit that matures upon demand and bears interest at a variable interest rate, based upon the prime rate plus 5.07% through June 19, 2019 and 4.291% beginning June 20, 2019 and thereafter. No amounts were outstanding on the line of credit as of August 31, 2019 and 2018.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

Note 7. Net Assets with Donor Restrictions

Net Assets with Donor Restrictions consisted of the following at August 31, 2019 and 2018:

	2019	2018
Program use restrictions	\$ 1,753,670	\$ 2,321,283
Endowment restrictions	217,228	214,501
Total Net Assets with Donor Restrictions	\$ 1,970,898	\$ 2,535,784

Net assets released from Net Assets with Donor Restrictions due to the satisfaction of requirements consisted of the following at August 31, 2019 and 2018:

	2019	2018
Program use restrictions	\$ 3,349,910	\$ 2,793,124
Time restrictions	-	244,965
Use of Net Assets with Donor Restrictions	\$ 3,349,910	\$ 3,038,089

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. Both the permanent and temporary restricted net assets are classified as Net Assets with Donor Restrictions on the face of the 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

Any Baby Can of Austin, Inc.

Notes to Financial Statements

The Organization's endowment consists of one fund established for the benefit of children in the Austin community. This endowment requires the original endowment of \$157,306 to remain in perpetuity and a distribution equal to 8% of the value in excess of the original gift to be distributed to the Organization on a quarterly basis and available for expenditure. As discussed in Note 4, during 2009 the Organization transferred these endowed funds to ACF.

The summary of changes in endowment assets for the years ended August 31, 2019 and 2018 is as follows:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Endowment assets as of August 31, 2017	\$ 52,648	\$ 203,021	\$ 255,669
Investment earnings, net	4,573	11,480	16,053
Endowment assets as of August 31, 2018	\$ 57,221	\$ 214,501	\$ 271,722
Investment earnings, net	(889)	2,727	1,838
Endowment assets as of August 31, 2019	<u>\$ 56,332</u>	<u>\$ 217,228</u>	<u>\$ 273,560</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, 2019 and 2018.

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.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

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 net assets with donor restrictions.

Note 9. Retirement Plan

The Organization offers a 403(b) retirement plan. All employees are eligible to participate on their first day of employment. The Organization will match 50% of an employee's contributions up to 4% of their salary deferral after an employee has been employed for one year. Any employee contributions made toward the retirement plan are 100% vested. Participating employees vest employer contributions at 25% per year of service, reaching 100% after four years. Employer retirement match expense for the years ended August 31, 2019 and 2018 was approximately \$53,800 and \$42,270 respectively.

Note 10. Commitments and Contingencies

Leases

The Organization has various equipment leases for copiers as well as a facility lease. Lease expense was approximately \$40,670 and \$40,100 for the years ended August 31, 2019 and 2018, respectively.

Minimum future lease payments as of August 31, 2019 are as follows:

Year Ending August 31,		
2020	\$	44,073
2021		43,848
2022		43,173
2023		43,173
2024		20,773
Total	\$	<u>195,040</u>

Contracts with Grantors

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

Contingencies

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

Any Baby Can of Austin, Inc.

Notes to Financial Statements

Note 11. Concentrations

During the years ended August 31, 2019 and 2018, the Organization received 63% and 53%, respectively, of total revenue from contracts funded through federal, state, and local governments. It is reasonably possible that at some time these contracts could cease, or funding could be reduced, which would have a severe impact on the Organization. However, the Organization does not expect these contracts will be lost in the near future. The Organization also relies on private contributions to provide matches towards grants and also to provide supplemental funds for programs and other expenses not funded by federal awards.

Note 12. Special Events

Special events revenue, net of expenses, for the years ended August 31, 2019 and 2018 consisted of the following:

	2019	2018
Harvest Classic	\$ 60,000	\$ 90,000
Benefit Concert	169,280	224,551
Other	69,428	76,318
Total	\$ 298,708	\$ 390,869

Note 13. Functional Classification of Expenses

Functional expenses for the year ended August 31, 2019 are as follows:

	Program Services	Management and General	Fundraising	Total 2019
Salaries, benefits and payroll taxes	\$ 7,575,910	\$ 89,436	\$ 427,665	\$ 8,093,011
Communication	83,356	247	1,523	85,126
Staff professional development	119,970	391	2,236	122,597
Travel	300,642	200	831	301,673
Professional fees and contracts	1,177,110	28,844	28,000	1,233,954
Office and program supplies	30,731	76	1,061	31,868
Printing and duplication	19,797	400	10,965	31,162
Subscriptions and dues	36,804	112	7,748	44,664
Equipment rental and maintenance	33,293	197	1,780	35,270
Equipment and technology purchases	60,897	1,136	3,569	65,602
Occupancy	123,528	1,537	9,225	134,290
Client assistance	210,839	-	879	211,718
Events expenses	-	-	61,119	61,119
Business expense	53,903	37,498	61,301	152,702
Depreciation expense	95,802	1,501	9,572	106,875
In-kind expense	14,684	-	22,105	36,789
Total expenses	\$ 9,937,266	\$ 161,575	\$ 649,579	\$ 10,748,420

Any Baby Can of Austin, Inc.

Notes to Financial Statements

Functional expenses for the year ended August 31, 2018 are as follows:

	Program Services	Management and General	Fundraising	Total 2018
Salaries, benefits and payroll taxes	\$ 6,611,283	\$ 71,602	\$ 441,903	\$ 7,124,788
Communication	77,124	196	6,386	83,706
Staff professional development	103,257	8,032	2,752	114,041
Travel	237,142	968	558	238,668
Professional fees and contracts	1,106,911	49,256	70,060	1,226,227
Office and program supplies	47,394	1,314	2,377	51,085
Printing and duplication	21,569	136	8,449	30,154
Subscriptions and dues	36,240	131	15,846	52,217
Equipment rental and maintenance	40,329	267	2,440	43,036
Equipment and technology purchases	94,549	124	469	95,142
Occupancy	103,415	2,298	11,374	117,087
Client assistance	178,058	-	1,295	179,353
Events expenses	-	-	33,206	33,206
Business expense	56,423	22,119	40,246	118,788
Depreciation expense	92,824	1,896	12,155	106,875
In-kind expense	19,606	-	61,079	80,685
Total expenses	<u>\$ 8,826,124</u>	<u>\$ 158,339</u>	<u>\$ 710,595</u>	<u>\$ 9,695,058</u>

Note 14. Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash, cash equivalents and line of credit. See Note 6 for information about the Organization's line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities and the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operation for 2019 and 2018.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

As of August 31, 2019, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Cash and cash equivalents	\$	643,603
Accounts receivable		
Grants and contracts		2,125,747
Pledges and other, net		200,161
Beneficial interest in assets held by others		<u>273,560</u>
	\$	<u>3,243,071</u>



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

To the Board of Directors of
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, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated May 18, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Weaver and Tidwell, L.L.P.
1601 South MoPac Expressway, Suite D250 | Austin, Texas 78746
Main: 512.609.1900

The Board of Directors of
Any Baby Can of Austin, Inc.

Purpose of this Report

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
May 18, 2020



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

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

Report on Compliance for Each Major Federal Program

We have audited Any Baby Can of Austin, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended August 31, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal 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 Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance, 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 our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal 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 federal programs for the year ended August 31, 2019.

The Board of Directors of
Any Baby Can of Austin, Inc.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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.

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

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
May 18, 2020

Any Baby Can of Austin, Inc.
 Schedule of Expenditures of Federal Awards
 Year Ended August 31, 2019

Grantor/Pass-through Grantor/Program or Cluster Title	CFDA	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Awards			
U.S. Department of Education			
Pass-through programs from			
Texas Health and Human Services Commission			
Early Childhood Intervention Program - Special Education - Grants to States	84.027	HHS000191200018	\$ 157,680
Early Childhood Intervention Program - Special Education - Grants for Infants and Families with Disabilities	84.181	HHS000191200018	<u>1,105,865</u>
Total U.S. Department of Education			1,263,545
U.S. Department of Health and Human Services			
Pass-through programs from			
Department of Family and Protective Services			
Nurse Family Partnership - Temporary Assistance for Needy Families	93.558	529-16-0045-00001	1,370,849
Pass-through programs from			
Texas Health and Human Services Commission			
Early Childhood Intervention Program - Temporary Assistance for Needy Families	93.558	HHS000191200018	<u>259,551</u>
Total Temporary Assistance for Needy Families (TANF) Cluster			1,630,400
Pass-through programs from			
Texas Department of State Health Services			
Children with Special Healthcare Needs FSCR Program - Maternal and Child Health Block Grant	93.994	2016-003966-02	74,061
Children with Special Healthcare Needs Case Management Program - Maternal and Child Health Block Grant	93.994	2016-003952-02	178,846
Pass-through programs from			
Department of Family and Protective Services to United Way			
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	24532533	<u>450,001</u>
Total U.S. Department of Health and Human Services			<u>2,333,308</u>
Total Expenditures of Federal Awards			<u>\$ 3,596,853</u>

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

Any Baby Can of Austin, Inc.

Notes to Schedule of Expenditures of Federal Awards

Summary of Significant Accounting Policies

Reporting Entity

The schedule of expenditures of federal awards (the Schedule) includes the activity of all the federal grant programs administered by Any Baby Can of Austin, Inc. (the Organization). The Schedule presents total federal 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 awards per schedule of expenditures	\$	3,596,853
Plus state and local funding sources		<u>2,886,116</u>
Total government grants per statement of activities	\$	<u>6,482,969</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 \$2,541,656 for the year ended August 31, 2019.

Insurance Coverage

Any Baby Can of Austin, Inc. carried insurance coverage of \$1,760,000 per incident for employee theft and \$502,500 for forgery and alteration during the grant period.

Indirect Cost Rate

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

Any Baby Can of Austin, Inc.
 Schedule of Findings and Questioned Costs
 Year Ended August 31, 2019

Section 1. Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over compliance:	
Material weakness identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of Uniform Guidance?	No
Identification of major federal program:	

CFDA Number	Name of Federal Program or Cluster
93.558	Nurse Family Partnership - Temporary Assistance for Needy Families (TANF Cluster)
93.558	Early Childhood Intervention Program - Temporary Assistance for Needy Families (TANF Cluster)

Dollar threshold used to distinguish programs:	\$750,000
Auditee qualified as low-risk auditee:	No

Section 2. Financial Statement Findings

None reported

Section 3. Federal Award Findings and Questioned Costs

None reported