

Any Baby Can of Austin, Inc.

Financial and Compliance Report

August 31, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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.

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

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

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the State of Texas Uniform Grant Management Standards (UGMS), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2022 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 10, 2022

Any Baby Can of Austin, Inc.

Statements of Financial Position

As of August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 3,934,235	\$ 3,659,899
Accounts receivable		
Grants and contracts	1,725,985	1,799,476
Medical billings	159,201	104,033
Pledges and other, net	3,806	19,346
Prepaid expenses and other	50,098	40,045
Beneficial interest in assets held by others	371,635	290,143
Property and equipment, net	<u>2,718,016</u>	<u>2,806,806</u>
TOTAL ASSETS	<u><u>\$ 8,962,976</u></u>	<u><u>\$ 8,719,748</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 260,461	\$ 274,923
Accrued expenses	735,276	619,896
Deferred revenue	903,071	780,902
PPP note payable	<u>-</u>	<u>1,279,100</u>
Total current liabilities	1,898,808	2,954,821
NET ASSETS		
Without donor restrictions	4,626,465	4,190,087
With donor restrictions	<u>2,437,703</u>	<u>1,574,840</u>
Total net assets	<u>7,064,168</u>	<u>5,764,927</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,962,976</u></u>	<u><u>\$ 8,719,748</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Donations	\$ 493,407	\$ 226,984	\$ 720,391
Foundation contributions	60,300	2,243,447	2,303,747
In-kind contributions	77,643	-	77,643
Special events, net of donor direct benefit expense of \$4,131	150,171	60,000	210,171
Government grants	9,571,264	-	9,571,264
Medical billing	2,610	1,884,342	1,886,952
Investment income	31,119	67,402	98,521
Miscellaneous income	3,016	1,700	4,716
Net assets released from restrictions	3,621,012	(3,621,012)	-
Total revenue and other support	14,010,542	862,863	14,873,405
EXPENSES			
Program services	12,692,402	-	12,692,402
Management and general	119,985	-	119,985
Fundraising	761,777	-	761,777
Total expenses	13,574,164	-	13,574,164
CHANGE IN NET ASSETS	436,378	862,863	1,299,241
NET ASSETS, beginning of year	4,190,087	1,574,840	5,764,927
NET ASSETS, end of year	\$ 4,626,465	\$ 2,437,703	\$ 7,064,168

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Donations	\$ 486,320	\$ 71,707	\$ 558,027
Foundation contributions	749,766	1,059,748	1,809,514
In-kind contributions	68,113	-	68,113
Special events, net of donor direct benefit expense of \$20,908	219,831	75,000	294,831
Government grants	7,210,292	-	7,210,292
Medical billing	6,694	1,786,963	1,793,657
Investment income	14,035	15,487	29,522
Net assets released from restrictions	3,404,963	(3,404,963)	-
	12,160,014	(396,058)	11,763,956
EXPENSES			
Program services	10,589,601	-	10,589,601
Management and general	139,602	-	139,602
Fundraising	729,588	-	729,588
	11,458,791	-	11,458,791
CHANGE IN NET ASSETS	701,223	(396,058)	305,165
NET ASSETS, beginning of year	3,488,864	1,970,898	5,459,762
NET ASSETS, end of year	\$ 4,190,087	\$ 1,574,840	\$ 5,764,927

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, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,299,241	\$ 305,165
Adjustments to reconcile change in net assets to net cash provided by (used in) operations		
Depreciation	106,673	106,875
Net (gain) loss in value of beneficial interest	(81,492)	(16,583)
Change in operating assets and liabilities		
Grants and contracts receivable	73,491	326,271
Medical billings	(55,168)	11,304
Pledges and other receivable	15,540	65,478
Prepaid expenses and other	(10,053)	3,988
Accounts payable	(14,462)	13,684
Accrued expenses	115,380	147,118
Deferred revenue	122,169	780,902
Net cash provided by operating activities	1,571,319	1,744,202
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(17,883)	(7,006)
Net cash used in investing activities	(17,883)	(7,006)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payments on) debt issuance	(1,279,100)	1,279,100
Net cash provided by (used in) financing activities	(1,279,100)	1,279,100
Net change in cash and cash equivalents	274,336	3,016,296
CASH AND CASH EQUIVALENTS, beginning of year	3,659,899	643,603
CASH AND CASH EQUIVALENTS, end of year	\$ 3,934,235	\$ 3,659,899
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ -	\$ -

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.

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, Grants, and Other Support

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 contributions and grants are recognized as revenue when 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, and any conditions to receive have been met.

For government grants in which the restriction is met in the same period that the revenue is recognized, the Organization has elected to recognize as a net asset without donor restrictions. All other revenue and support is reported as restricted 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, 2021 or 2020. 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.

Contributed Services and Assets

During the years ended August 31, 2021 and 2020, 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, 2021 and 2020 of \$77,643 and \$68,113, respectively.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

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.

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.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

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 14 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, 2021 or 2020.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The update is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The ASU is effective for annual and interim periods beginning after December 15, 2018. The Organization adopted this update as of September 1, 2019. The adoption of this ASU did not have a significant impact on the financial statements.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

In June 2018, The FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve the scope and the accounting guidance for contributions received and made, primarily by not-for-profit organizations. The amendments in this ASU provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. ASU 2018-18 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Organization adopted this update as of September 1, 2020. The adoption of this ASU did not have a significant impact on the financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its Statement of Financial Position. For non-public companies, the ASU is effective for years beginning after December 15, 2021. Early adoption is permitted. The Organization is currently evaluating the impact of ASU 2016-02 on its financial statements.

Subsequent Events

The Organization evaluated events that occurred, for recognition and disclosure, after August 31, 2021 through May 10, 2022, the date these financial statements were available to be issued.

The Organization created an Investment Committee which had their first meeting on November 30, 2021. An investment policy governing the investment of unrestricted cash reserves was presented and approved by the Finance Committee and Board of Directors in February 2022. The goal of the investment portfolio is to provide real returns of 3-5% above inflation over long periods. The asset allocation guidelines provide for a target of 60% publicly traded global equities and 40% fixed income and cash securities. The organization funded their first investment under this policy in April 2022 using \$500,000 from unrestricted cash reserves.

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 .40% and .11% was used to determine the present value of the long-term pledges at August 31, 2021 and 2020, respectively. Outstanding pledges have various maturity dates through February 2022. At August 31, 2021 and 2020, the discount on pledges was approximately \$0 for each year, and the allowance for uncollectible pledges totaled \$35 and \$325, 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.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

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. The amount available for distribution for each respective year is calculated as 8% of the fair market value of the fund as of January 31 (the valuation date), to be distributed on a quarterly basis. Any return on investment in excess of distribution amount is to be added to the original gift and is recorded as an increase in donor restricted net assets as temporarily restricted until those amounts are appropriated for expenditure by the Organization. There were no distributions from these endowment funds for the year ended August 31, 2021 or 2020.

The table below summarizes the instruments recognized at fair value by level for the year ended August 31, 2021:

	2021			Total
	(Level 1)	(Level 2)	(Level 3)	
Beneficial interest held by others	\$ -	\$ 371,635	\$ -	\$ 371,635
	\$ -	\$ 371,635	\$ -	\$ 371,635

The table below summarizes the instruments recognized at fair value by level for the year ended August 31, 2020:

	2020			Total
	(Level 1)	(Level 2)	(Level 3)	
Beneficial interest held by others	\$ -	\$ 290,143	\$ -	\$ 290,143
	\$ -	\$ 290,143	\$ -	\$ 290,143

Any Baby Can of Austin, Inc.

Notes to Financial Statements

Note 5. Property and Equipment

Property and equipment as of August 31, 2021 and 2020 included:

	2021	2020
Land	\$ 135,000	\$ 135,000
Buildings and improvements	2,966,288	2,948,405
Furniture and equipment	423,070	423,070
Vehicles	64,015	64,015
	3,588,373	3,570,490
Accumulated depreciation	(870,357)	(763,684)
Total property and equipment	\$ 2,718,016	\$ 2,806,806

Depreciation expense was \$106,673 and \$106,875 respectively for the years ended August 31, 2021 and 2020.

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 4.291% through October 4, 2020 and 4.247% beginning October 5, 2020 and thereafter. No amounts were outstanding on the line of credit as of August 31, 2021 and 2020.

Note 7. PPP Note Payable

On April 20, 2020, the Company entered into a Note (the Note) with PlainsCapital Bank (the Lender) for \$1,279,100 pursuant to the terms of the Paycheck Protection Program (PPP) authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act (CARES Act). The Note accrued interest at a rate of 1.0% per annum and was due two years from the date of the Note, at which time all unpaid principal, accrued interest would be due and payable. In accordance with the CARES Act, no interest or principal would be due during the first six months following execution, although interest would accrue over this six month deferral period.

Under the terms of the Program, PPP loan recipients could apply for and be granted forgiveness for all or a portion of the loan granted under the PPP. Such forgiveness was determined, subject to limitations, based on the use of loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and the maintenance of the Company's payroll levels.

On January 8, 2021, the entire principal balance of the PPP loan of \$1,279,100 and related accrued interest of \$9,238 was deemed forgiven and paid in full by the Small Business Administration (SBA). The Organization's Statement of Activities for the current year ended August 31, 2021 reflects the revenue from the PPP loan forgiveness.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

Note 8. Net Assets with Donor Restrictions

Net Assets with Donor Restrictions consisted of the following at August 31, 2021 and 2020:

	2021	2020
Program use restrictions	\$ 2,142,596	\$ 1,344,444
Endowment restrictions	295,107	230,396
Total net assets with donor restrictions	\$ 2,437,703	\$ 1,574,840

Net assets released from Net Assets with Donor Restrictions due to the satisfaction of requirements consisted of the following at August 31, 2021 and 2020:

	2021	2020
Program use restrictions	\$ 3,621,012	\$ 3,404,963

Note 9. Endowments

The Organization has interpreted Texas UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization 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

The Organization's endowments consist of two funds established for the benefit of children in the Austin community.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

The Mary Sams Memorial Fund represents a gift of bonds given in perpetuity to the Organization that is classified as Net Assets with Donor Restrictions. This endowment requires the original endowment of \$157,306 to remain in perpetuity. The remaining portion of this donor-restricted endowment fund that is not classified as permanently restricted is classified as temporarily restricted until those amounts are appropriated for expenditure by the Organization. As discussed in Note 4, during 2009 the Organization transferred these endowed funds to ACF.

The second endowment fund was established by the Organization using its own unrestricted funds and is held at ACF as well. These funds, and any gains/losses in these funds, are recorded under Net Assets without Donor Restrictions.

Both of these endowment funds are recorded at fair value on the Statements of Financial Position as Beneficial Interests in Assets Held by Others.

The summary of changes in endowment assets for the years ended August 31, 2021 and 2020 is as follows:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Endowment assets as of August 31, 2019	\$ 56,332	\$ 217,228	\$ 275,398
Investment earnings, net	3,415	13,168	16,583
Endowment assets as of August 31, 2020	59,747	230,396	290,143
Investment earnings, net	16,781	64,711	81,492
Endowment assets as of August 31, 2021	<u>\$ 76,528</u>	<u>\$ 295,107</u>	<u>\$ 371,635</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, 2021 and 2020.

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.

Any Baby Can of Austin, Inc.

Notes to Financial Statements

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 Mary Sams Memorial Fund endowment requires the original endowment of \$157,306 to remain in perpetuity, with 8% of the fair market value of the fund as of January 31 each year (the valuation date) to be available for distribution on a quarterly basis. Any return on investment in excess of distribution amount is to be added to the original gift and is recorded as an increase in donor restricted net assets as temporarily restricted until those amounts are appropriated for expenditure by the Organization. There were no distributions from this endowment for the years ended August 31, 2021 or 2020.

The second endowment fund that was established by the Organization using its own unrestricted funds had no distributions as well for the years ended August 31, 2021 or 2020. This fund was established to provide general support for the Organization and distributions of the spendable amount of the endowment fund are at the request of the Organization in agreement with Austin Community Foundation's (ACF's) Endowment Fund policies.

Note 10. 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, 2021 and 2020 was approximately \$73,950 and \$60,600 respectively.

Note 11. Commitments and Contingencies

Leases

The Organization has various equipment leases for copiers as well as a facility lease. Lease expense was approximately \$44,146 and \$44,193 for the years ended August 31, 2021 and 2020, respectively.

Minimum future lease payments as of August 31, 2021 are as follows:

Year Ending August 31,		
2022	\$	44,056
2023		44,056
2024		21,656
2025		10,456
2026		9,573
Total	\$	<u>129,797</u>

Any Baby Can of Austin, Inc.

Notes to Financial Statements

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 12. Concentrations

During the years ended August 31, 2021 and 2020, the Organization received approximately 64% and 61%, 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, state, or local awards.

Note 13. Special Events

Special events revenue, net of expenses, for the years ended August 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Harvest Classic	\$ 60,000	\$ 75,000
One Stellar Night	105,228	147,973
Other	<u>44,943</u>	<u>71,858</u>
Total	<u>\$ 210,171</u>	<u>\$ 294,831</u>

Any Baby Can of Austin, Inc.

Notes to Financial Statements

Note 14. Functional Classification of Expenses

Functional expenses for the year ended August 31, 2021 are as follows:

	Program Services	Management and General	Fundraising	Total 2021
Salaries, benefits and payroll taxes	\$ 10,032,339	\$ 96,483	\$ 560,719	\$ 10,689,541
Communication	107,747	491	3,634	111,872
Staff professional development	145,197	567	4,188	149,952
Travel	37,744	10	31	37,785
Professional fees and contracts	1,132,545	479	58,397	1,191,421
Office and program supplies	100,611	345	3,466	104,422
Printing and duplication	7,965	22	4,259	12,246
Subscriptions and dues	126,365	412	6,480	133,257
Equipment rental and maintenance	32,867	2,128	1,549	36,544
Equipment and technology purchases	259,856	3,388	1,469	264,713
Occupancy	96,749	1,704	8,172	106,625
Client assistance	397,342	-	-	397,342
Fundraising expenses	-	-	23,364	23,364
Business expense	92,760	12,075	25,929	130,764
Depreciation expense	95,780	1,881	9,012	106,673
In-kind expense	26,535	-	51,108	77,643
Total expenses	<u>\$12,692,402</u>	<u>\$ 119,985</u>	<u>\$761,777</u>	<u>\$13,574,164</u>

Functional expenses for the year ended August 31, 2020 are as follows:

	Program Services	Management and General	Fundraising	Total 2020
Salaries, benefits and payroll taxes	\$ 8,277,381	\$ 92,763	\$ 506,737	\$ 8,876,881
Communication	92,894	547	3,350	96,791
Staff professional development	114,137	372	2,520	117,029
Travel	160,794	49	193	161,036
Professional fees and contracts	1,150,004	3,970	12,959	1,166,933
Office and program supplies	41,582	2,357	1,646	45,585
Printing and duplication	9,866	359	4,088	14,313
Subscriptions and dues	54,169	5,736	5,592	65,497
Equipment rental and maintenance	32,888	191	1,541	34,620
Equipment and technology purchases	32,607	1,947	2,847	37,401
Occupancy	138,883	1,641	8,445	148,969
Client assistance	317,773	1,350	0	319,123
Fundraising expenses	-	-	62,796	62,796
Business expense	56,764	26,692	53,372	136,828
Depreciation expense	97,461	1,628	7,786	106,875
In-kind expense	12,398	-	55,716	68,114
Total expenses	<u>\$ 10,589,601</u>	<u>\$ 139,602</u>	<u>\$ 729,588</u>	<u>\$ 11,458,791</u>

Any Baby Can of Austin, Inc.

Notes to Financial Statements

Note 15. 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 2021 and 2021.

As of August 31, 2021, 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	\$	3,934,235
Accounts receivable		
Grants and contracts		1,725,985
Medical Billings		159,201
Pledges and other, net		3,806
Beneficial interest in assets held by others		<u>371,635</u>
	\$	<u>6,194,862</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, 2021, 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 10, 2022.

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

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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 10, 2022

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

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

Report on Compliance for Each Major Federal and State Program

We have audited Any Baby Can of Austin, Inc.'s (the Organization) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement and the State of Texas Uniform Grant Management Standards (UGMS) that could have a direct and material effect on each of the Organization's major federal and state programs for the year ended August 31, 2021. The Organization's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal and state programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and UGMS. Those standards, the Uniform Guidance, and UGMS require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and 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 federal and state program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal and 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 federal and state programs for the year ended August 31, 2021.

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.

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 and 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 federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and UGMS, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
May 10, 2022

Any Baby Can of Austin, Inc.
 Schedule of Expenditures of Federal and State Awards
 Year Ended August 31, 2021

Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures of Awards
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	HHS000640200024	\$ 98,640
Early Childhood Intervention Program - Special Education - Grants for Infants and Families	84.181	HHS000640200024	1,810,566
Total U.S. Department of Education			1,909,206
U.S. Department of Health and Human Services			
Pass-through programs from			
Texas Department of Family and Protective Services			
Nurse Family Partnership - Temporary Assistance for Needy Families	93.558	529-16004500001	1,526,032
Pass-through programs from			
Texas Health and Human Services Commission			
Early Childhood Intervention Program - Temporary Assistance for Needy Families	93.558	HHS000640200024	183,117
Total Temporary Assistance for Needy Families (TANF) Cluster			1,709,149
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	HHS000532700002	83,138
Children with Special Healthcare Needs Case Management Program - Maternal and Child Health Block Grant	93.994	HHS000315700005	188,846
Total Maternal and Child Health Block Grant			271,984
Pass-through programs from			
Texas Department of Family and Protective Services to United Way			
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	24532533	429,000
Provider Relief Fund	93.498		39,885
Total U.S. Department of Health and Human Services			2,450,018
Total Expenditures of Federal Awards			4,359,224
State Awards			
Texas Health and Human Services Commission			
Early Childhood Intervention Program -			
Early Childhood Intervention	N/A	HHS000640200024	1,216,194
Early Childhood Intervention Program - Respite Services	N/A	HHS000640200024	9,942
Total Texas Health and Human Services Commission			1,226,136
Texas Department of Family and Protective Services			
Nurse Family Partnership	N/A	529-16004500001	65,679
Pass-through programs from:			
SAFE - Project HOPES	N/A	24767186	424,454
Total Texas Department of Family and Protective Services			490,133
Total Expenditures of State Awards			1,716,269
Total Expenditures of Federal and State Awards			\$ 6,075,493

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 award expenditures per schedule	\$ 6,075,493
Plus local funding sources	<u>3,495,771</u>
Total government grants per statement of activities	<u>\$ 9,571,264</u>

Local Funds

In accordance with the terms of the Early Childhood Intervention Program, the Organization provided sources of funds other than federal and state to support the program totaling \$2,446,501 for the year ended August 31, 2021.

Insurance Coverage

Any Baby Can of Austin, Inc. carried insurance coverage of \$1,700,000 per incident for employee theft and \$500,000 for forgery and alteration during the grant period.

Indirect Cost Rate

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

Any Baby Can of Austin, Inc.

Schedule of Findings and Questioned Costs

Year Ended August 31, 2021

Section 1. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
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:

Federal Assistance Listing 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:	Yes

State Awards

Internal control over major state programs:	
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 510(a) of the State of Texas Single Audit Circular?	No

Identification of major state program:

Grant Number

Name of Federal Program or Cluster

HHS00640200024

Early Childhood Intervention Program - Early Childhood Intervention and Respite Services

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

Any Baby Can of Austin, Inc.
Schedule of Findings and Questioned Costs – Continued
Year Ended August 31, 2021

Section 2. Financial Statement Findings

None reported

Section 3. Federal and State Award Findings and Questioned Costs

None reported

Section 4. Schedule of Prior Audit Findings and Questioned Costs

None reported