

**AUDITED FINANCIAL STATEMENTS**

**FIRST CHANCE FOR CHILDREN  
COLUMBIA, MISSOURI**

**JUNE 30, 2016 AND 2015**

**FIRST CHANCE FOR CHILDREN  
COLUMBIA, MISSOURI**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
First Chance for Children  
Columbia, Missouri

### **Report on the Financial Statements**

We have audited the accompanying financial statements of First Chance for Children (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015 and the related statements of activities, functional expenses, 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**

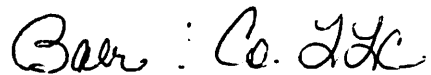
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 First Chance for Children as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Baer : Co. LLC". The signature is written in a cursive, flowing style.

Baer & Co., LLC  
Certified Public Accountants and Business Consultants  
December 3, 2016

**FIRST CHANCE FOR CHILDREN  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2016 AND 2015**

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash	\$ 120,118	\$ 132,087
Investments	9,583	9,617
Accounts receivable	<u>78,882</u>	<u>59,986</u>
Total current assets	<u>\$ 208,583</u>	<u>\$ 201,690</u>
Other Assets:		
Security Deposit	<u>\$ 1,800</u>	<u>\$ 1,800</u>
Fixed Assets:		
Furniture and equipment	\$ 20,149	\$ 20,149
Less: Accumulated depreciation	<u>(7,671)</u>	<u>(3,641)</u>
Net fixed assets	<u>\$ 12,478</u>	<u>\$ 16,508</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 222,861</u></u>	<u><u>\$ 219,998</u></u>
	<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities:		
Accounts payable	\$ 17,089	\$ 384
Credit card payable	2,613	10,001
Accrued payroll tax	1,708	220
Accrued vacation expense	<u>14,903</u>	<u>9,604</u>
Total current liabilities	<u>\$ 36,313</u>	<u>\$ 20,209</u>
Net Assets:		
Unrestricted net assets, designated reserves	\$ 18,116	\$ 18,101
Unrestricted net assets, undesignated	<u>168,432</u>	<u>181,688</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 186,548</u></u>	<u><u>\$ 199,789</u></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 222,861</u></u>	<u><u>\$ 219,998</u></u>

The Accompanying Notes are  
an Integral Part of these Financial Statements

**FIRST CHANCE FOR CHILDREN  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Support and Revenue:		
Grants - federal, state, and local	\$ 628,879	\$ 575,758
Donations	14,198	11,109
Interest income	185	193
Miscellaneous	457	1,562
	<u>                    </u>	<u>                    </u>
Total Support and Revenue	<u>\$ 643,719</u>	<u>\$ 588,622</u>
Expenses:		
Program	\$ 644,139	\$ 561,669
Management and general	12,821	12,140
	<u>                    </u>	<u>                    </u>
Total Expenses	<u>\$ 656,960</u>	<u>\$ 573,809</u>
Change in Net Assets	\$ (13,241)	\$ 14,813
Net Assets, Beginning of Year	<u>199,789</u>	<u>184,976</u>
Net Assets, End of Year	<u><u>\$ 186,548</u></u>	<u><u>\$ 199,789</u></u>

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**FIRST CHANCE FOR CHILDREN  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>PROGRAMS</b>				<b>Total Program</b>	<b>Management &amp; General</b>	<b>Total</b>
	<b>Stay at Home Parent</b>	<b>Home Visitation</b>	<b>Children's Services</b>	<b>Child Abuse &amp; Neglect</b>			
Administrative and Program Costs							
Salaries and payroll taxes, and benefits	\$ 100,779	\$ 209,534	\$ 11,717	\$ 17,609	\$ 339,639	\$ 4,081	\$ 343,720
Administrative fee	4,642	8,492	-	-	13,134	3,293	16,427
Contractual costs	6,823	170,725	3,208	-	180,756	-	180,756
Depreciation	-	-	-	-	-	4,030	4,030
Grants and incentives	16,218	24,245	7,347	2,357	50,167	1,000	51,167
Miscellaneous	-	-	-	-	-	187	187
Rent	12,000	15,225	711	-	27,936	-	27,936
Supplies	1,901	5,989	312	-	8,202	230	8,432
Telephone	1,963	1,092	15	-	3,070	-	3,070
Training	1,055	5,072	525	-	6,652	-	6,652
Travel	4,433	9,960	190	-	14,583	-	14,583
<b>Total Expenses</b>	<b>\$ 149,814</b>	<b>\$ 450,334</b>	<b>\$ 24,025</b>	<b>\$ 19,966</b>	<b>\$ 644,139</b>	<b>\$ 12,821</b>	<b>\$ 656,960</b>

The Accompanying Notes are  
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**FIRST CHANCE FOR CHILDREN  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>PROGRAMS</b>					Management & General	Total
	Stay at Home Parent	Home Visitation	Powered by Moms	Child Abuse & Neglect	Total Program		
Administrative and Program Costs							
Salaries and payroll taxes, and benefits	\$ 98,436	\$ 174,820	\$ 17,437	\$ 19,381	\$ 310,074	\$ 3,811	\$ 313,885
Administrative fee	4,206	5,750	-	-	9,956	3,039	12,995
Contractual costs	4,981	142,070	-	-	147,051	-	147,051
Depreciation	-	-	-	-	-	3,241	3,241
Grants and incentives	19,446	18,142	135	11,500	49,223	-	49,223
Miscellaneous	-	-	-	-	-	1,321	1,321
Rent	13,568	10,681	793	-	25,042	-	25,042
Supplies	2,111	4,825	113	400	7,449	91	7,540
Telephone	1,566	1,045	135	-	2,746	-	2,746
Training	557	317	-	-	874	65	939
Travel	3,380	4,905	-	969	9,254	572	9,826
<b>Total Expenses</b>	<b>\$ 148,251</b>	<b>\$ 362,555</b>	<b>\$ 18,613</b>	<b>\$ 32,250</b>	<b>\$ 561,669</b>	<b>\$ 12,140</b>	<b>\$ 573,809</b>

The Accompanying Notes are  
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**FIRST CHANCE FOR CHILDREN  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (13,241)	\$ 14,832
Adjustments to reconcile Change in Net Assets to net Cash Provided by Operating Activities:		
Depreciation	\$ 4,030	\$ 3,241
Change in assets and liabilities		
Decrease (increase) in accounts receivable	(18,896)	47,922
Increase/(decrease) in accounts payable	16,705	(19,350)
Increase/(decrease) in credit card payable	(7,388)	4,517
Increase/(decrease) in accrued payroll taxes	1,488	(748)
Increase/(decrease) in accrued vacation	5,299	(544)
<b>Total Adjustments</b>	<u>\$ 1,238</u>	<u>\$ 35,038</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ (12,003)</u>	<u>\$ 49,870</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	\$ -	\$ -
Portfolio reinvestments and purchases	34	86
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>\$ 34</u>	<u>\$ 86</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>\$ -</u>	<u>\$ -</u>
Net Increase (Decrease in Cash	\$ (11,969)	\$ 49,956
Cash, Beginning of Year	<u>132,087</u>	<u>82,131</u>
Cash, End of Year	<u><u>\$ 120,118</u></u>	<u><u>\$ 132,087</u></u>

The Accompanying Notes are  
an Integral Part of these Financial Statements

**FIRST CHANCE FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Purposes of the Organization**

First Chance for Children (the "Organization") is a nonprofit corporation which was organized to promote early childcare in the home, early childhood programs, and parent education. These programs are supported by a grant from the Department of Social Services as well as funds from the Columbia Housing Authority and other various organizations. Improving a child's readiness for school is one of the primary goals of First Chance for Children.

**B. Basis of Accounting**

These financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenue and assets are recognized when earned, and expenses and liabilities are recognized when incurred. The Organization follows accounting and reporting standards applicable to nonprofit organizations. For financial reporting purposes, activities are classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions, as follows:

Unrestricted: Net assets are not subject to donor-imposed restrictions. Revenues are reported as unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

Temporarily Restricted: Net assets subject to donor-imposed restrictions that may or will be met by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted: Net assets subject to donor-imposed restrictions which require that they be maintained permanently by the Organization. There are no permanently restricted net assets.

**C. Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand and cash held in checking and money market accounts. The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. All deposit accounts are insured by FDIC insurance and management believes that the Organization is not exposed to significant credit risk on cash.

**FIRST CHANCE FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**D. Income Tax Status**

First Chance for Children qualifies as a tax exempt corporation under Section 501(c)(3) of the U.S. Internal Revenue Code and is not a private foundation pursuant to section 509(a) of the code.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2013, 2014, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

**E. Contributions**

All contributions are considered to be available for the general program of the Organization unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donors are reported as an increase in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are received.

**F. Contributed Goods and Services**

The Organization reports amounts in the financial statements for voluntary donations of goods and services when those goods or services create or enhance non-financial assets or require specialized skill provided by individuals possessing those skills. These goods and services would be typically purchased if not provided by donation and the amounts involved can be objectively measured.

**G. Use of Estimates**

Preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates. The nature of those estimates, however, is such as variances in actual results are generally immaterial.

**H. Functional Expenses**

The costs of providing the program and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

**FIRST CHANCE FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**I. Property and Equipment**

Property and equipment are recorded at cost. The Organization's policy is to capitalize expenditures for furniture and equipment with costs in excess of \$2,000. Lesser amounts are expensed. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Furniture and equipment are depreciated over three to seven years. Depreciation expense for the fiscal year ending June 30, 2016 totaled \$4,030.

**NOTE 2: CASH**

Cash consists of the following at June 30:

	2016	2015
Checking accounts	\$ 96,550	\$ 88,552
Money market accounts	23,568	43,535
<b>Total Cash</b>	<b>\$ 120,118</b>	<b>\$ 132,087</b>

**NOTE 3: INVESTMENTS**

The Organization held \$9,583 and \$9,617 in various investments at June 30, 2016 and 2015, respectively. The Organization carries its investments at fair value. Investments consist of funds administered by the Community Foundation of Central Missouri. Investments are combined with other funds administered by the Community Foundation of Central Missouri and are not covered by Securities Investor Protection Corporation or other insurance.

Investments consist of the following categories at June 30, 2016:

Money Market Pool	\$ 2,363	24.66%
Equity Pool	1,906	19.89%
Fixed Income Pool	5,314	55.45%
<b>Total Investments</b>	<b>\$ 9,583</b>	<b>100.00%</b>

Investments consist of the following categories at June 30, 2015:

Money Market Pool	\$ 2,407	25.03%
Equity Pool	1,904	19.80%
Fixed Income Pool	5,306	55.17%
<b>Total Investments</b>	<b>\$ 9,617</b>	<b>100.00%</b>

**FIRST CHANCE FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 4: GRANTS AND ACCOUNTS RECEIVABLE**

Grants and accounts receivable total \$78,882 and \$59,986 at June 30, 2016 and 2015, respectively. The amounts are considered fully collectible.

**NOTE 5: EQUIPMENT AND ACCUMULATED DEPRECIATION**

Equipment is recorded at cost if purchased or at fair value if donated. The Organization capitalizes equipment over \$2,000. Depreciation is calculated using the straight-line method over a period of 5-7 years.

	<u>2016</u>	<u>2015</u>
Furniture and Equipment	\$ 20,149	\$ 20,149
Less: Accumulated Depreciation	<u>(7,671)</u>	<u>(3,641)</u>
Total Fixed Assets, net	<u>\$ 12,478</u>	<u>\$ 16,508</u>

**NOTE 6: DEFERRED COMPENSATION**

The Organization has a SIMPLE IRA retirement plan under section 408(p) of the Internal Revenue Code. The Organization contributes to the plan for participating eligible employees on a monthly basis. Total employer's contribution for the years ended June 30, 2016 and 2015 were \$8,685 and \$7,795, respectively.

**NOTE 7: HEALTH SAVINGS ACCOUNT**

The Organization has a Health Savings Account plan under section 233 of the Internal Revenue Code. Total employer's contributions for the years ended June 30, 2016 and 2015 were \$2,891 and \$2,372, respectively.

**NOTE 8: ACCRUED VACATION**

The Organization records the value of earned time off as a liability at the end of the year. The total value of such pay is \$14,903 and \$9,604 at June 30, 2016 and 2015, respectively.

**FIRST CHANCE FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 9: FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following are the major categories of assets measured at fair values on a recurring basis as of June 30, 2016.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Marketable Securities				
Money Market Pool	\$ 2,363	\$ -	\$ -	\$ 2,363
Equity Pool	1,906	-	-	1,906
Fixed Income Pool	5,314	-	-	5,314
Total Marketable Securities	<u>\$ 9,583</u>	<u>-</u>	<u>-</u>	<u>\$ 9,583</u>

The following are the major categories of assets measure at fair values on a recurring basis as of June 30, 2015:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Marketable Securities				
Money Market Pool	\$ 2,407	\$ -	\$ -	\$ 2,407
Equity Pool	1,904	-	-	1,904
Fixed Income Pool	5,306	-	-	5,306
Total Marketable Securities	<u>\$ 9,617</u>	<u>-</u>	<u>-</u>	<u>\$ 9,617</u>

Fair Value of Financial Instruments

Due to their short-term nature, the carrying value of cash, short term receivables, other assets, accounts payable, and other liabilities approximately their fair value at June 30, 2016 and 2015.

**FIRST CHANCE FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 10: CONCENTRATION OF REVENUE**

First Chance for Children received approximately 96% of its annual revenue from the State of Missouri during the years ended June 30, 2016 and 2015. The grants from the State of Missouri are awarded annually.

**NOTE 11: LEASES**

The Organization leases office space in Columbia, Missouri. The Organization entered into a lease agreement for the period October 1, 2012 through September 30, 2014, which has been extended to September 30, 2016, and extended again to September 30, 2018. The Organization's lease expense totaled \$21,600 and \$21,600 for the years ended June 30, 2016 and 2015, respectively. The monthly lease payment is \$1,800 through September 2016, \$1,900 through September 2017 and \$1,980 through September 2018.

Future annual lease commitments are as follows:

2017	\$	22,500
2018		23,520
2019		<u>5,940</u>
Total Lease Payments	\$	<u><u>51,960</u></u>

**NOTE 12: RISK MANAGEMENT**

Significant losses are covered by commercial insurance for all major programs, property, general liability, and workers' compensation. During the year ended June 30, 2016 there were no significant reductions in insurance coverage. Also, there have been no settlement amounts that have exceeded insurance coverage.

The Organization is insured under a retrospectively-rated policy for workers' compensation coverage. Whereas, the initial premium may be adjusted based on actual experience. Adjustments in premiums are recorded when paid or received. During the year ended June 30, 2016, there were no significant adjustments in premiums based on actual experience.

**NOTE 13: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 3, 2016, the date on which the financial statements were available to be issued.