

AUDITED FINANCIAL STATEMENTS

**FIRST CHANCE FOR CHILDREN
COLUMBIA, MISSOURI**

JUNE 30, 2014 AND 2013

**FIRST CHANCE FOR CHILDREN
COLUMBIA, MISSOURI**

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BAER & EDINGTON
certified public accountants and consultants

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, 2014 and 2013 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, 2014 and 2013, and the changes in its net assts and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baer & Edington LLC

Baer & Edington LLC
Certified Public Accountants and Consultants
January 19, 2015

FIRST CHANCE FOR CHILDREN
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	<u>ASSETS</u>	
	<u>2014</u>	<u>2013</u>
Current Assets:		
Cash	\$ 82,131	\$ 106,829
Investments	9,703	9,304
Accounts receivable	<u>107,908</u>	<u>55,720</u>
Total current assets	<u>\$ 199,742</u>	<u>\$ 171,853</u>
Other Assets:		
Security Deposit	<u>\$ 1,800</u>	<u>\$ 1,800</u>
Fixed Assets:		
Furniture and equipment	\$ 20,149	\$ 2,995
Less: Accumulated depreciation	<u>(400)</u>	<u>(1,641)</u>
Net fixed assets	<u>\$ 19,749</u>	<u>\$ 1,354</u>
TOTAL ASSETS	<u><u>\$ 221,291</u></u>	<u><u>\$ 175,007</u></u>
	<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities:		
Accounts payable	\$ 19,735	\$ 15,199
Credit card payable	5,484	12,082
Accrued payroll tax	948	867
Accrued vacation expense	<u>10,148</u>	<u>7,223</u>
Total current liabilities	<u>\$ 36,315</u>	<u>\$ 35,371</u>
Net Assets:		
Unrestricted net assets, designated scholarship fund	\$ 18,086	\$ 18,071
Unrestricted net assets, undesignated	<u>166,890</u>	<u>121,565</u>
TOTAL NET ASSETS	<u>\$ 184,976</u>	<u>\$ 139,636</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 221,291</u></u>	<u><u>\$ 175,007</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, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Support and Revenue:		
Grants - federal, state, and local	\$ 731,510	\$ 480,531
Donations	8,295	3,109
Interest income	201	290
Miscellaneous	251	1,759
	<u>740,257</u>	<u>485,689</u>
Total Support and Revenue	<u>\$ 740,257</u>	<u>\$ 485,689</u>
Expenses:		
Program	\$ 682,020	\$ 446,356
Management and general	12,897	29,586
	<u>694,917</u>	<u>475,942</u>
Total Expenses	<u>\$ 694,917</u>	<u>\$ 475,942</u>
Change in Net Assets	\$ 45,340	\$ 9,747
Net Assets, Beginning of Year	<u>139,636</u>	<u>129,889</u>
Net Assets, End of Year	<u><u>\$ 184,976</u></u>	<u><u>\$ 139,636</u></u>

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**FIRST CHANCE FOR CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014**

	PROGRAMS				Total Program	Management & General	Total
	Stay at Home Parent	Home Visitation	Powered by Moms	Child Abuse & Neglect			
Administrative and Program Costs							
Salaries and payroll taxes, and benefits	\$ 98,460	\$ 159,156	\$ 20,943	\$ 35,460	\$ 314,019	\$ 4,329	\$ 318,348
Administrative fee	6,134	15,762	216	10	22,122	6,770	28,892
Contractual costs	3,773	184,177	-	-	187,950	-	187,950
Depreciation	-	-	-	-	-	542	542
Grants and incentives	13,299	65,826	4,504	9,064	92,693	26	92,719
Miscellaneous	-	-	-	-	-	780	780
Rent	11,303	13,773	1,230	-	26,306	-	26,306
Supplies	2,069	13,504	229	400	16,202	256	16,458
Telephone	2,073	917	135	-	3,125	-	3,125
Training	1,267	5,065	75	-	6,407	-	6,407
Travel	4,026	7,823	373	974	13,196	194	13,390
Total Expenses	\$ 142,404	\$ 466,003	\$ 27,705	\$ 45,908	\$ 682,020	\$ 12,897	\$ 694,917

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**FIRST CHANCE FOR CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013**

	PROGRAMS				Total Program	Management & General	Total
	Stay at Home Parent	Home Visitation	Powered by Moms	Child Abuse & Neglect			
Administrative and Program Costs							
Salaries and payroll taxes, and benefits	\$ 140,889	\$ 46,384	\$ 7,437	\$ 50,303	\$ 245,013	\$ 26,022	\$ 271,035
Administrative fee	12,026	5,591	5	2,678	20,300	1,127	21,427
Contractual costs	27,309	29,465	-	15,520	72,294	-	72,294
Depreciation	-	-	-	-	-	428	428
Grants and incentives	24,450	20,315	680	15,597	61,042	-	61,042
Miscellaneous	-	-	-	-	-	935	935
Rent	16,816	6,017	1,401	1,700	25,934	486	26,420
Supplies	2,989	5,166	-	433	8,588	75	8,663
Telephone	2,181	-	15	-	2,196	-	2,196
Training	2,420	95	-	-	2,515	199	2,714
Travel	4,767	2,093	-	1,614	8,474	314	8,788
Total Expenses	\$ 233,847	\$ 115,126	\$ 9,538	\$ 87,845	\$ 446,356	\$ 29,586	\$ 475,942

The Accompanying Notes are
an Integral Part of these Financial Statements

**FIRST CHANCE FOR CHILDREN
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 45,340	\$ 9,747
Adjustments to reconcile Change in Net Assets to net Cash Provided by Operating Activities:		
Depreciation	\$ 542	\$ 428
Realized and unrealized change in value of investments	-	(273)
Loss on Disposal of Asset	1,211	-
Change in assets and liabilities		
Decrease (increase) in accounts receivable	(52,188)	(36,079)
Increase/(decrease) in accounts payable	4,536	1,199
Increase/(decrease) in credit card payable	(6,598)	10,799
Increase/(decrease) in accrued payroll taxes	81	867
Increase/(decrease) in accrued vacation	2,925	(5,956)
Total Adjustments	\$ (49,491)	\$ (29,015)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (4,151)</u>	<u>\$ (19,268)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	\$ (20,946)	\$ -
Portfolio reinvestments and purchases	399	67
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>\$ (20,547)</u>	<u>\$ 67</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>\$ -</u>	<u>\$ -</u>
Net Increase (Decrease in Cash)	\$ (24,698)	\$ (19,201)
Cash, Beginning of Year	106,829	126,030
Cash, End of Year	<u>\$ 82,131</u>	<u>\$ 106,829</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, 2014 AND 2013**

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, 2014 AND 2013**

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 2011, 2012, and 2013 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, 2014 AND 2013**

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 \$500. 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, 2014 totaled \$542.

NOTE 2: CASH

Cash consists of the following at June 30:

	<u>2014</u>	<u>2013</u>
Checking accounts	\$ 38,639	\$ 61,982
Money market accounts	<u>43,492</u>	<u>44,847</u>
Total Cash	<u><u>\$ 82,131</u></u>	<u><u>\$ 106,829</u></u>

NOTE 3: INVESTMENTS

The Organization held \$9,703 and \$9,304 in various investments at June 30, 2014 and 2013, 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, 2014:

Money Market Pool	\$ 2,398	24.71%
Equity Pool	1,981	20.42%
Fixed Income Pool	<u>5,324</u>	<u>54.87%</u>
Total Investments	<u><u>\$ 9,703</u></u>	<u><u>100.00%</u></u>

Investments consist of the following categories at June 30, 2013:

Money Market Pool	\$ 2,342	25.17%
Equity Pool	1,853	19.92%
Fixed Income Pool	<u>5,109</u>	<u>54.91%</u>
Total Investments	<u><u>\$ 9,304</u></u>	<u><u>100.00%</u></u>

**FIRST CHANCE FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

NOTE 4: GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable total \$107,908 and \$55,720 at June 30, 2014 and 2013, 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>2014</u>	<u>2013</u>
Furniture and Equipment	\$ 20,149	\$ 2,995
Less: Accumulated Depreciation	<u>(400)</u>	<u>(1,641)</u>
Total Fixed Assets, net	<u>\$ 19,749</u>	<u>\$ 1,354</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, 2014 and 2013 were \$7,836 and \$8,391, 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, 2014 and 2013 were \$2,372 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 \$10,148 and \$7,223 at June 30, 2014 and 2013, respectively.

**FIRST CHANCE FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

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, 2014.

	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	\$ 2,398	\$ -	\$ -	\$ 2,398
Equity Pool	1,981	-	-	1,981
Fixed Income Pool	5,324	-	-	5,324
Total Marketable Securities	<u>\$ 9,703</u>	<u>-</u>	<u>-</u>	<u>\$ 9,703</u>

The following are the major categories of assets measure at fair values on a recurring basis as of June 30, 2013:

	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	\$ 2,342	\$ -	\$ -	\$ 2,342
Equity Pool	1,853	-	-	1,853
Fixed Income Pool	5,109	-	-	5,109
Total Marketable Securities	<u>\$ 9,304</u>	<u>-</u>	<u>-</u>	<u>\$ 9,304</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, 2014 and 2013.

**FIRST CHANCE FOR CHILDREN
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

NOTE 10: CONCENTRATION OF REVENUE

First Chance for Children received approximately 99% of its annual revenue from the State of Missouri during the year ended June 30, 2014 and 2013. 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. The Organization's lease expense totaled \$21,600 and \$21,600 for the years ended June 30, 2014 and 2013, respectively. The monthly lease payment is \$1,800.

Future annual lease commitments are as follows:

2015	\$	21,600
2016		21,600
2017		<u>5,400</u>
Total Lease		
Payments	\$	<u>48,600</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, 2014 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, 2014, there were no significant adjustments in premiums based on actual experience.

NOTE 13: SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 19, 2015, the date on which the financial statements were available to be issued.