

INVEST IN KIDS

FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2017

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6

Taylor, Roth and Company, PLLC
Certified Public Accountants
working exclusively with nonprofit organizations

November 29, 2017

INDEPENDENT AUDITORS' REPORT

Board of Directors
Invest In Kids
Denver, Colorado

We have audited the accompanying financial statements of **Invest In Kids**, (a Colorado nonprofit corporation) which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the eighteen months 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 Invest In Kids as of June 30, 2017, and the changes in its net assets and its cash flows for the eighteen months then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Invest In Kids' 2015 financial statements, and expressed an unmodified audit opinion on those audited financial statements in their report dated September 6, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Taylor, Roth and Company PLLC
TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INVEST IN KIDS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)

	<u>June 30,</u> 2017	<u>December 31,</u> 2015
<u>Assets</u>		
Cash and cash equivalents - unrestricted	\$ 580,528	\$ 813,434
Cash and cash equivalents - temporarily restricted	626,741	587,566
Contracts receivable	118,127	171,283
Grants receivable - temporarily restricted (Note 3)	87,500	520,786
Pledges receivable - unrestricted and temporarily restricted	18,427	16,750
Prepaid expenses	44,687	30,075
Inventory	-	4,500
Investments (Note 4)	375	3,582
Property and equipment (Note 5)	69,768	20,029
Total assets	<u>\$ 1,546,153</u>	<u>\$ 2,168,005</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 33,794	\$ 49,672
Accrued payroll costs	21,015	39,123
Deferred rent (Note 6)	15,706	33,721
Deferred revenue	-	1,640
Total liabilities	<u>70,515</u>	<u>124,156</u>
<u>Net assets</u>		
<u>Unrestricted</u>		
Operating	691,629	903,889
Net investment in fixed assets	69,768	20,029
Temporarily restricted (Note 7)	714,241	1,119,931
Total net assets	<u>1,475,638</u>	<u>2,043,849</u>
Total liabilities and net assets	<u>\$ 1,546,153</u>	<u>\$ 2,168,005</u>

The accompanying notes are an integral part of these financial statements

INVEST IN KIDS
STATEMENT OF ACTIVITIES
FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2015)

	Eighteen months			Year
	2017			2015
	Unrestricted	Temporarily Restricted	Total	Total
<u>Revenue and other support</u>				
Foundations	\$ 164,748	1,240,792	\$ 1,405,540	\$ 1,408,213
Government	963,687	-	963,687	628,087
Special event income	717,023	-	717,023	333,488
Less: direct event expenses	(90,289)	-	(90,289)	(46,708)
Program income	99,692	-	99,692	15,000
Contributions	95,944	-	95,944	107,939
Investment income	5,295	-	5,295	2,898
In-kind contributions	-	-	-	1,568
Net assets released from restrictions (Note 8)	1,646,482	(1,646,482)	-	-
Total revenue and other support	<u>3,602,582</u>	<u>(405,690)</u>	<u>3,196,892</u>	<u>2,450,485</u>
<u>Expense</u>				
Program services				
The Incredible Years	1,814,143	-	1,814,143	1,045,686
Nurse-family partnership	1,025,197	-	1,025,197	657,772
Total program	2,839,340	-	2,839,340	1,703,458
Supporting services				
Management and general	275,791	-	275,791	167,584
Fundraising	649,972	-	649,972	374,723
Total expense	<u>3,765,103</u>	<u>-</u>	<u>3,765,103</u>	<u>2,245,765</u>
Change in net assets	(162,521)	(405,690)	(568,211)	204,720
Net assets, beginning of year	<u>923,918</u>	<u>1,119,931</u>	<u>2,043,849</u>	<u>1,839,129</u>
Net assets, end of year	<u>\$ 761,397</u>	<u>\$ 714,241</u>	<u>\$ 1,475,638</u>	<u>\$ 2,043,849</u>

The accompanying notes are an integral part of these financial statements

INVEST IN KIDS

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2015)**

	Eighteen Months					Year	
	2017					2015	
	Program Services			Supporting Services		Total	Total
The Incredible Years	Nurse Family Partnership	Total Program	Management and General	Fund-raising			
Salaries	\$ 911,392	\$ 637,415	\$ 1,548,807	\$ 178,128	\$ 276,069	\$ 2,003,004	\$ 1,198,755
Payroll taxes & benefits	151,572	107,274	258,846	36,247	56,214	351,307	217,104
Site expenses	263,631	-	263,631	-	-	263,631	97,144
Professional fees	67,767	117,087	184,854	11,097	15,699	211,650	112,716
Fundraising expense	-	-	-	-	204,018	204,018	69,461
Rent	59,435	39,201	98,636	11,064	16,912	126,612	93,560
Evaluation services	119,510	-	119,510	-	-	119,510	81,640
Travel & meals	50,992	23,383	74,375	716	8,502	83,593	68,771
Education & training	57,069	12,440	69,509	3,841	2,988	76,338	55,880
Technology support	22,450	11,418	33,868	12,892	22,239	68,999	50,901
Program materials	56,612	-	56,612	-	-	56,612	65,166
Publications	4,080	9,350	13,430	902	18,516	32,848	14,421
Conference	-	31,236	31,236	-	-	31,236	40,271
Technical consulting	12,890	8,182	21,072	2,993	6,965	31,030	10,177
Supplies	8,152	4,660	12,812	1,691	4,353	18,856	13,163
Dues & subscriptions	4,626	3,039	7,665	1,144	3,844	12,653	7,320
Insurance	4,936	5,106	10,042	871	1,509	12,422	6,926
Accounting services	1,190	761	1,951	10,115	352	12,418	11,141
Postage	963	2,139	3,102	186	5,636	8,924	5,852
Building expenses	4,018	2,847	6,865	751	1,226	8,842	4,773
Printing	2,577	1,811	4,388	506	768	5,662	3,866
Bank fees	814	550	1,364	838	1,428	3,630	2,400
Incentives & honorariums	396	887	1,283	71	390	1,744	571
Equipment & maintenance	-	-	-	-	-	-	5,227
All other	-	-	-	-	-	-	1,818
	1,805,072	1,018,786	2,823,858	274,053	647,628	3,745,539	2,239,024
Depreciation	9,071	6,411	15,482	1,738	2,344	19,564	6,741
Total	\$ 1,814,143	\$ 1,025,197	\$ 2,839,340	\$ 275,791	\$ 649,972	\$ 3,765,103	\$ 2,245,765

The accompanying notes are an integral part of these financial statements

INVEST IN KIDS
STATEMENT OF CASH FLOWS
FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2015)

	<u>Eighteen Months</u>	<u>Year</u>
	<u>2017</u>	<u>2015</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (568,211)	\$ 212,742
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Gains)losses on investments	(228)	1,212
Depreciation	19,564	6,741
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in contracts receivable	53,156	(37,398)
(Increase)decrease in grants receivable	433,286	(447,786)
(Increase)decrease in prepaid expenses	(4,245)	(2,199)
(Increase)decrease in pledges receivable	(1,677)	4,944
(Increase)decrease in inventory	4,500	(4,500)
Increase(decrease) in accounts payable	(26,245)	(16,742)
Increase(decrease) in payroll accruals	(18,108)	22,536
Increase(decrease) in deferred rent	(18,015)	(9,775)
Increase(decrease) in deferred revenue	(1,640)	(1,560)
Net cash provided(used) by operating activities	<u>(127,863)</u>	<u>(271,785)</u>
<u>Cash flows from investing activities</u>		
(Purchase) of fixed assets	(69,303)	(12,911)
Proceeds from investments	3,462	96,072
(Reinvestment) of earnings	(27)	-
Net cash provided(used) by investing activities	<u>(65,868)</u>	<u>83,161</u>
Net increase(decrease) in cash and cash equivalents	(193,731)	(188,624)
Cash and cash equivalents, beginning of year	<u>1,401,000</u>	<u>1,589,624</u>
Cash and cash equivalents, end of year	<u>\$ 1,207,269</u>	<u>\$ 1,401,000</u>

The accompanying notes are an integral part of these financial statements

INVEST IN KIDS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 - NATURE OF ACTIVITIES

Invest In Kids (the Organization) was incorporated as a nonprofit corporation in 1998 in Colorado. The Organization's mission is to improve the health and well-being of vulnerable young children and families throughout Colorado. Working in partnership with local communities, the Organization identifies, introduces, implements, and ensures the success of research-based, proven programs. Current programs include:

The Incredible Years (IY) is a highly effective program that has proven, through over 25 years of rigorous research, to improve the social and emotional health of children ages 3-8. IY works with children, their parents, and teachers to give each of them the skills necessary for children to arrive at school emotionally and socially ready to learn, and to succeed once they are there. IY produces significant reductions in conduct problems and significant increases in social skills at home and school. The program is made up of three distinct units that work together to achieve outstanding outcomes: Parenting Education (strengthens positive parenting skills), Dinosaur School (skill building for children, taught in classrooms), and Teacher Education (teaches proven classroom management strategies).

Nurse-Family Partnership (NFP) is a program that provides home visitation by nurses to low-income, first-time mothers on a weekly or bi-weekly basis, starting early in pregnancy and continuing until the second birthday of the child. NFP has over 30 years of research validating its effectiveness and produces improved pregnancy outcomes, better child health and development, and more economic self-sufficiency for the families who participate.

The Organization is funded primarily by foundation awards, government grants, special events and contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. **Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. **Basis of Presentation**

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

3. **Cash and Cash Equivalents**

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

4. Donations

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities, as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

5. Capitalization and Depreciation

The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. The fair value of donated assets is similarly capitalized. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

6. Inventory

Inventory, which consists of item donated for auction, are stated at fair value at date of donation.

7. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

9. Functional Reporting of Expenses

For the eighteen months ended June 30, 2017, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Concluded)

10. Fair Value Measurements

The Organization is subject to the provisions of the *Fair Value Measurements and Disclosures* accounting standard. This standard requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

11. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

12. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

13. Subsequent Events

Management has evaluated subsequent events through November 29, 2017, the date the financial statements were available to be issued.

NOTE 3 - GRANTS RECEIVABLE

Mile High United Way gave an annual commitment totaling \$70,000 towards The Incredible Years project during 2017. At June 30, 2017, the outstanding amount totaled \$52,500.

The Caring for Colorado Foundation gave a one-year commitment totaling \$35,000 for general support during 2017. At June 30, 2017, the outstanding amount totaled \$35,000.

These two awards represent 100% of the grants receivable. Management does not believe a present value discount or allowance for uncollectable would be significant to these financial statements. The remaining amounts of the grants are to be received as follows:

<u>Description</u>	<u>Amount</u>
2017-2018	<u>\$ 87,500</u>

NOTE 4 - INVESTMENTS

The Organization holds an account for the purposes of accepting stock donations. The fair value of account is based on quoted market prices (Level 1 inputs) and consisted of:

<u>Description</u>	<u>Fair Value</u>
Cash and cash equivalents	<u>\$ 375</u>

Investment income is summarized as follows:

<u>Description</u>	<u>Amount</u>
Unrealized and realized gains	228
Interest and dividends	27
Less: fees	<u>(750)</u>
Net investment return	<u>\$ (495)</u>

Additionally, the Organization earned interest income of \$5,790 on its operating cash accounts.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Furniture and equipment	\$ 130,320
Less: accumulated depreciation	<u>(60,552)</u>
Net property and equipment	<u>\$ 69,768</u>

Depreciation expense for the eighteen months was \$19,564.

NOTE 6 - LEASE COMMITMENTS

The Organization leases office space in Denver, Colorado. The lease provided for a five-month rent abatement at the start of the lease period in 2011. Deferred rent in the accompanying statement of financial position results from the straight-line recognition of rent expense over the term of the lease. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 97,079
2018	<u>8,104</u>
Total	<u>\$ 105,183</u>

NOTE 7 - TEMPORARILY RESTRICTED

Temporarily restricted net assets are available for the following purposes:

<u>Description</u>	<u>Amount</u>
The Incredible Years	\$ 579,209
Time restricted	83,684
Nurse-Family Partnership	38,659
Technology	<u>12,689</u>
Total	<u>\$ 714,241</u>

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS

During the eighteen months, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes:

<u>Description</u>	<u>Amount</u>
The Incredible Years	\$ 1,351,081
Time restricted	227,895
Technology	60,511
Nurse-Family Partnership	6,863
Livingston	<u>132</u>
Total	<u>\$ 1,646,482</u>

NOTE 9 - PENSION PLAN

The Organization adopted a contributory defined contribution plan. The plan covers employees 21 years of age and older, who have been employed 90 days or longer, and work over 1,000 hours per year. The organization has a discretionary match of up to 3% of an employee's contribution. Total pension expense for the current year was \$19,983.

NOTE 10 - RELATED PARTIES

During the year, the Organization paid \$50,737 for wages provided by a family member of the Executive Director. The family member does not directly report to the Executive Director. The board and management believe that this arrangement is in the best interest of the Organization and was evaluated in accordance with the Organization's conflict of interest policy.

NOTE 11 - CONCENTRATION OF CREDIT RISK

Cash and cash equivalents have been placed in a single financial institution. Amounts in excess of \$250,000 are not insured by the FDIC or related entity.

NOTE 12 - PRIOR PERIOD ADJUSTMENT

During 2017, it was determined that expenses and accounts payable were understated and net assets was overstated in 2015 in the amount of \$8,022. Rent expense of \$8,246 was unrecorded as a payable. Other corrections of \$(224) were also made to correct accounts payable. Corrections to expenses, payables and net assets were made resulting in the following restated balances for 2015:

	Original	Change	Restated
Expenses - administration	\$2,237,743	\$8,022	\$2,245,765
Accounts payable	\$41,650	\$8,022	\$49,672
Change in net assets	\$212,742	(\$8,022)	\$204,720
Net Assets, end of year	\$2,051,871	(\$8,022)	\$2,043,849