



FEDERATION FOR CHILDREN
WITH SPECIAL NEEDS

**FINANCIAL STATEMENTS
OCTOBER 31, 2014 AND 2013
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

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OCTOBER 31, 2014 AND 2013**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Federation for Children with Special Needs, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Federation for Children with Special Needs, Inc. (a Massachusetts nonprofit corporation) which comprise the statements of financial position as of October 31, 2014 and 2013, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 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 Federation for Children with Special Needs, Inc. as of October 31, 2014 and 2013, 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.

Alexander, Brown, Fenning & Co., P.C.
Boston, Massachusetts
March 16, 2015

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

**STATEMENTS OF FINANCIAL POSITION
OCTOBER 31, 2014 AND 2013**

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 510,069	\$ 359,614
Grants, contracts and other receivables	452,980	480,145
Prepaid expenses	46,609	17,309
	<hr/>	<hr/>
Total current assets	1,009,658	857,068
 DEPOSIT	 25,732	 28,224
	<hr/>	<hr/>
Total assets	<u>\$ 1,035,390</u>	<u>\$ 885,292</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 46,522	\$ 34,651
Accrued expenses	33,111	31,106
Current portion of accrued rent	21,152	13,460
Deferred revenue	27,325	17,568
	<hr/>	<hr/>
Total current liabilities	128,110	96,785
 ACCRUED RENT, net of current portion	 9,578	 31,332
	<hr/>	<hr/>
Total liabilities	137,688	128,117
 NET ASSETS:		
Unrestricted	811,722	702,007
Temporarily restricted	85,980	55,168
	<hr/>	<hr/>
Total net assets	897,702	757,175
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 1,035,390</u>	<u>\$ 885,292</u>

The accompanying notes are an integral part of these statements.

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED OCTOBER 31, 2014 AND 2013**

	<u>2014</u>			<u>2013</u>		
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUES:						
Special event contributions and support	\$ 228,028	\$ -	\$ 228,028	\$ 204,953	\$ -	\$ 204,953
Less - direct expenses	<u>54,281</u>	<u>-</u>	<u>54,281</u>	<u>47,107</u>	<u>-</u>	<u>47,107</u>
Special events, net	173,747	-	173,747	157,846	-	157,846
Grants and contracts	2,590,169	-	2,590,169	2,479,040	-	2,479,040
Contributions	154,592	75,742	230,334	154,438	27,500	181,938
Program income	117,383	-	117,383	134,079	-	134,079
Conference fees	76,440	-	76,440	87,023	-	87,023
Miscellaneous	14,562	-	14,562	14,320	-	14,320
Net assets released from restrictions	<u>44,930</u>	<u>(44,930)</u>	<u>-</u>	<u>33,044</u>	<u>(33,044)</u>	<u>-</u>
Total revenues	<u>3,171,823</u>	<u>30,812</u>	<u>3,202,635</u>	<u>3,059,790</u>	<u>(5,544)</u>	<u>3,054,246</u>
EXPENSES:						
Program	2,435,746	-	2,435,746	2,296,101	-	2,296,101
General and administrative	485,692	-	485,692	463,550	-	463,550
Fundraising	<u>140,670</u>	<u>-</u>	<u>140,670</u>	<u>141,264</u>	<u>-</u>	<u>141,264</u>
Total expenses	<u>3,062,108</u>	<u>-</u>	<u>3,062,108</u>	<u>2,900,915</u>	<u>-</u>	<u>2,900,915</u>
Changes in net assets	109,715	30,812	140,527	158,875	(5,544)	153,331
NET ASSETS, beginning of year	<u>702,007</u>	<u>55,168</u>	<u>757,175</u>	<u>543,132</u>	<u>60,712</u>	<u>603,844</u>
NET ASSETS, end of year	<u><u>\$ 811,722</u></u>	<u><u>\$ 85,980</u></u>	<u><u>\$ 897,702</u></u>	<u><u>\$ 702,007</u></u>	<u><u>\$ 55,168</u></u>	<u><u>\$ 757,175</u></u>

The accompanying notes are an integral part of these statements.

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 140,527	\$ 153,331
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Grants, contracts and other receivables	27,165	(64,317)
Prepaid expenses	(29,300)	16,005
Deposit	2,492	-
Accounts payable	11,871	(8,048)
Accrued expenses	2,005	2,716
Accrued rent	(14,062)	(6,520)
Deferred revenue	9,757	2,568
	<hr/>	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	150,455	95,735
CASH AND CASH EQUIVALENTS, beginning of year	<hr/> 359,614	<hr/> 263,879
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 510,069</u></u>	<u><u>\$ 359,614</u></u>

The accompanying notes are an integral part of these statements.

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED OCTOBER 31, 2014 AND 2013**

	2014				2013			
	<u>PROGRAM</u>	<u>GENERAL AND ADMINIS- TRATIVE</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>	<u>PROGRAM</u>	<u>GENERAL AND ADMINIS- TRATIVE</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 1,314,597	\$ 305,701	\$ 95,290	\$ 1,715,588	\$ 1,182,904	\$ 275,846	\$ 92,672	\$ 1,551,422
Payroll taxes and fringe benefits	346,129	79,202	24,270	449,601	320,587	76,469	24,293	421,349
Client expenses/stipends	195,068	-	-	195,068	216,973	-	-	216,973
Occupancy	118,572	34,656	9,765	162,993	118,429	34,989	9,914	163,332
Consultants	142,738	-	-	142,738	121,570	9,968	2,700	134,238
Program support	87,493	-	-	87,493	115,322	-	-	115,322
Conference	81,447	-	-	81,447	83,631	-	-	83,631
Newsletter - <i>Newsline</i>	50,030	-	-	50,030	49,599	-	-	49,599
Printing and copying	39,365	4,108	2,265	45,738	17,206	6,692	2,414	26,312
Professional fees	-	26,417	-	26,417	-	21,051	-	21,051
Travel	25,622	75	35	25,732	29,696	11	-	29,707
Telephone	16,084	3,989	707	20,780	19,263	5,149	721	25,133
Supplies	9,906	3,933	67	13,906	8,605	6,837	107	15,549
Miscellaneous	-	6,921	6,199	13,120	-	9,889	5,531	15,420
IT and equipment rental	5,828	6,019	55	11,902	8,963	3,023	54	12,040
Bank fees	-	6,822	-	6,822	-	5,443	123	5,566
Postage	2,867	1,615	2,017	6,499	3,353	2,080	2,735	8,168
Insurance	-	6,234	-	6,234	-	6,103	-	6,103
	<u>\$ 2,435,746</u>	<u>\$ 485,692</u>	<u>\$ 140,670</u>	<u>\$ 3,062,108</u>	<u>\$ 2,296,101</u>	<u>\$ 463,550</u>	<u>\$ 141,264</u>	<u>\$ 2,900,915</u>

The accompanying notes are an integral part of these statements.

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2014 AND 2013

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

Federation for Children with Special Needs, Inc. (the Agency), a Massachusetts nonprofit corporation formed in 1974, currently manages approximately 15 projects related to providing support, information and training to families in Massachusetts whose children have special educational and healthcare needs. The projects are organized into five centers, and include:

The Special Education Center focuses on providing support, information, training and workshops related to special education to families of children with special needs.

The Family Support Center focuses on providing parent to parent support for families who have children with special health care needs or disabilities; families affected by HIV/AIDS; families of young children with early childhood mental health issues; and families who have serious mental health challenges and complex Department of Children & Family cases with child custody concerns.

The Health Advocacy Center focuses on providing healthcare information and support to families of children with special needs, and programming that helps build capacity for family partnerships and supports partnership activities between managed care organizations and parents around improved access to services and supports.

The Family and Community Engagement Center offers education improvement services to districts and schools in Massachusetts, partnering with districts and schools to improve student achievement and school performance through strengthening family and community engagement policies. The Center also trains community volunteers to act as “surrogate parents” for educational decision-making for students whose parents are not available.

The Parent-Professional Leadership Center focuses on activities that help build collaborative relationships among key education stakeholders (parents, educators, other professionals, and community partners) ensuring systemic efforts at improving educational outcomes for all students.

In addition to the activities described above, the Federation hosts its annual Visions of Community Conference for families of children with special needs. Over 40 workshops are presented in 5 primary languages (English, Spanish, Portuguese, Chinese, and Vietnamese) to address critical education, mental and physical health, youth development and family issues.

The Agency is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Agency is also exempt from state income taxes. Contributions made to the Agency may be deducted by donors within the IRC’s regulations.

SIGNIFICANT ACCOUNTING POLICIES

The Agency prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2014 AND 2013
(Continued)**

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purpose of the statements of cash flows, management considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Equipment and Depreciation

Purchased equipment is recorded at cost. Donated equipment is recorded at fair value at the time of donation. Depreciation is computed using the straight-line method over estimated useful lives of three to five years. Equipment was fully depreciated as of October 31, 2014 and 2013.

Description of Net Assets

Unrestricted:

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Agency.

Temporarily Restricted:

Temporarily restricted net assets represent donor restricted contributions that have been received but not yet expended. Temporarily restricted net assets consist of the following as of October 31:

	<u>2014</u>	<u>2013</u>
Purpose restricted	\$59,313	\$55,168
Time restricted	<u>26,667</u>	<u>-</u>
	<u>\$85,980</u>	<u>\$55,168</u>

Funding and Revenue Recognition

Grants and contracts, conference fees and program income are recognized as services are provided. Revenue from special events is recognized in the period in which the events occur. Unrestricted contributions are recognized as revenue when received or unconditionally committed. The Agency reports grants and contributions as temporarily restricted support if they are received or pledged with donor stipulations that limit their use. When a donor purpose restriction is accomplished or time restriction lapses, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

The Agency receives a significant portion of its funding from the U.S. Department of Education and the Commonwealth of Massachusetts (approximately 75% and 73% of total revenues for the years ended October 31, 2014 and 2013, respectively). These agencies also represent approximately 80% and 81% of grants, contracts and other receivables as of October 31, 2014 and 2013, respectively.

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2014 AND 2013
(Continued)**

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funding and Revenue Recognition (Continued)

The Agency receives funding from the above mentioned government agencies under cost reimbursement contracts. These contracts are subject to audit and possible adjustment by the appropriate government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Agency as of October 31, 2014 and 2013, or on its changes in net assets for the years then ended.

Deferred Revenue

Deferred revenue consists of certain fees collected in advance of the related services being provided.

Allowance for Doubtful Accounts

The allowance for doubtful accounts, if any, is recorded based on management's analysis of specific receivables and the estimate of amounts that may be uncollectible. As of October 31, 2014 and 2013, no allowance for doubtful accounts was deemed necessary.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to program, general and administrative and fundraising expenses.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts 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. Actual results could differ from those estimates.

Fair Value Measurements

ASC Topic, *Fair Value Measurements*, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance only applies when the fair value measurement of assets and liabilities is required or permitted. The Agency has determined that none of its financial or nonfinancial assets or liabilities is measured at fair value; therefore, the disclosure requirements do not currently apply.

Subsequent Events

Subsequent events have been evaluated through March 16, 2015, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2014 AND 2013
(Continued)

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Agency accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Agency has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at October 31, 2014 and 2013. The Agency's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

(2) **OPERATING LEASES**

Facility

The Agency leases its facility under an agreement that runs through September, 2016, with an option to extend for an additional five-year period. The Agency is responsible for its share of operating costs, utilities and property taxes. Under the agreement, the Agency received five months of free rent. In accordance with *Accounting for Leases* standards, the Agency is recording rent expense for this lease on a straight-line basis over the respective term of the lease regardless of actual cash payments.

Rent expense for the years ended October 31, 2014 and 2013, was \$162,993 and \$163,332, respectively, and is included in occupancy in the accompanying statements of functional expenses.

Remaining future minimum cash payments under the lease agreement are as follows:

Fiscal Year

2015	\$176,317
2016	\$167,590

Equipment

Effective July, 2014, the Agency leases office equipment under an agreement that runs through June, 2017, with monthly payments of \$663. Prior to July, 2014, the Agency leased office equipment with monthly payments of \$589. Remaining future minimum payments under this agreement are as follows:

Fiscal Year

2015	\$7,956
2016	\$7,956
2017	\$5,304

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2014 AND 2013
(Continued)**

(3) LINE OF CREDIT

The Agency has available a \$250,000 (\$100,000 at October 31, 2013) revolving line of credit with a bank. Borrowings under this agreement are due on demand and interest is payable on outstanding balances at the bank's prime lending rate (3.25% at October 31, 2014 and 2013), plus 1%. The line of credit will remain in effect until both parties agree in writing to terminate the agreement. There were no outstanding balances on the line of credit at either October 31, 2014 or 2013. The line of credit is secured by substantially all assets of the Agency. The agreement has certain covenants with which the Agency must comply. The Agency was in compliance with these covenants as of October 31, 2014 and 2013.

(4) RETIREMENT PLAN

The Agency maintains a retirement plan under the provisions of IRC Section 403(b). The plan allows employee participants to defer a percentage of their compensation up to the limitations as determined by Federal law. The Agency, at the discretion of the Board of Directors, may make contributions to the plan. During the years ended October 31, 2014 and 2013, the Agency matched up to 2% of participants' contributions. The related expense was \$20,381 and \$15,724 for the years ended October 31, 2014 and 2013, respectively, and is included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

(5) CONCENTRATION OF CREDIT RISK

The Agency maintains its cash accounts in a bank in Massachusetts that is insured within the limits of the Federal Deposit Insurance Corporation (FDIC). The cash balances at times exceeded the insured amount. The Agency has not experienced any losses in such accounts. The Agency's management believes the Agency is not exposed to any significant credit risk on its cash and cash equivalents.

(6) RELATED PARTY TRANSACTIONS

- A member of the Agency's Board of Directors is an attorney in the law firm that provided program services to the Agency during the years ended October 31, 2014 and 2013, of \$8,211 and \$4,279, respectively. These amounts are included in program support in the accompanying statements of functional expenses.
- Two members of the Board of Directors received stipends of \$1,850 and \$1,350 for providing trainings on behalf of the Agency for the years ended October 31, 2014 and 2013, respectively.

(7) RECLASSIFICATION

Certain amounts in the fiscal year 2013 financial statements have been reclassified to conform with the fiscal year 2014 presentation.