



FEDERATION FOR CHILDREN
WITH SPECIAL NEEDS

**FINANCIAL STATEMENTS
OCTOBER 31, 2016 AND 2015**

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

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October 31, 2016 and 2015

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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, 2016 and 2015, 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, 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.

Alexander, Acorn, Penning & Co., P.C.

Boston, Massachusetts
February 27, 2017

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.Statements of Financial Position
October 31, 2016 and 2015

Assets	2016	2015
Current Assets:		
Cash and cash equivalents	\$ 587,971	\$ 482,170
Grant, contract and other receivables	692,576	612,875
Prepaid expenses	27,323	16,579
Total current assets	1,307,870	1,111,624
Deposit	25,732	25,732
Total assets	<u>\$ 1,333,602</u>	<u>\$ 1,137,356</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 65,745	\$ 59,145
Accrued expenses	37,394	36,703
Deferred revenue	35,675	40,895
Current portion of accrued rent	1,874	9,578
Total current liabilities	140,688	146,321
Accrued Rent, net of current portion	14,089	-
Total liabilities	<u>154,777</u>	<u>146,321</u>
Net Assets:		
Unrestricted	1,067,187	893,512
Temporarily restricted	111,638	97,523
Total net assets	<u>1,178,825</u>	<u>991,035</u>
Total liabilities and net assets	<u>\$ 1,333,602</u>	<u>\$ 1,137,356</u>

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended October 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues:						
Special event contributions and support	\$ 207,598	\$ -	\$ 207,598	\$ 183,166	\$ 5,000	\$ 188,166
Less - direct expenses	56,292	-	56,292	49,493	-	49,493
Special events, net	151,306	-	151,306	133,673	5,000	138,673
Grants and contracts	2,676,776	-	2,676,776	2,576,417	-	2,576,417
Contributions	150,388	111,529	261,917	144,399	101,479	245,878
Program income	142,773	-	142,773	144,330	-	144,330
Conference fees	86,098	-	86,098	67,769	-	67,769
Miscellaneous	6,756	-	6,756	16,224	-	16,224
Net assets released from restrictions - program	53,843	(53,843)	-	40,269	(40,269)	-
Net assets released from restrictions - time	38,571	(38,571)	-	39,667	(39,667)	-
Net assets released from restrictions - special events	5,000	(5,000)	-	15,000	(15,000)	-
Total revenues	3,311,511	14,115	3,325,626	3,177,748	11,543	3,189,291
Expenses:						
Program	2,496,230	-	2,496,230	2,419,707	-	2,419,707
General and administrative	492,922	-	492,922	534,648	-	534,648
Fundraising	148,684	-	148,684	141,603	-	141,603
Total expenses	3,137,836	-	3,137,836	3,095,958	-	3,095,958
Changes in net assets	173,675	14,115	187,790	81,790	11,543	93,333
Net Assets:						
Beginning of year	893,512	97,523	991,035	811,722	85,980	897,702
End of year	\$ 1,067,187	\$ 111,638	\$ 1,178,825	\$ 893,512	\$ 97,523	\$ 991,035

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 187,790	\$ 93,333
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Grant, contract and other receivables	(79,701)	(159,895)
Prepaid expenses	(10,744)	30,030
Accounts payable	6,600	12,623
Accrued expenses	691	3,592
Accrued rent	6,385	(21,152)
Deferred revenue	<u>(5,220)</u>	<u>13,570</u>
Net cash provided by (used in) operating activities	105,801	(27,899)
Cash and Cash Equivalents:		
Beginning of year	<u>482,170</u>	<u>510,069</u>
End of year	<u><u>\$ 587,971</u></u>	<u><u>\$ 482,170</u></u>

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS

Statements of Functional Expenses
For the Years Ended October 31 2016 and 2015

	2016				2015			
	Program	General and Administrative	Fundraising	Total	Program	General and Administrative	Fundraising	Total
Salaries	\$ 1,372,538	\$ 281,219	\$ 101,700	\$ 1,755,457	\$ 1,268,243	\$ 327,472	\$ 95,783	\$ 1,691,498
Payroll taxes and fringe benefits	326,311	71,813	23,166	421,290	324,192	86,350	23,659	434,201
Client expenses/stipends	237,998	-	-	237,998	241,837	-	-	241,837
Occupancy	127,468	36,111	11,982	175,561	122,320	37,406	10,106	169,832
Consultants	141,157	27,000	-	168,157	142,285	10,155	-	152,440
Conference	86,653	-	-	86,653	77,722	-	-	77,722
Program support	61,955	-	-	61,955	98,576	-	-	98,576
IT and equipment rental	29,532	13,168	1,851	44,551	6,729	9,839	198	16,766
Newsletter - <i>Newsline</i>	38,515	-	-	38,515	50,325	-	-	50,325
Travel	36,152	-	-	36,152	37,560	70	24	37,654
Professional fees	-	31,044	-	31,044	-	32,425	-	32,425
Printing and copying	15,342	1,917	2,173	19,432	15,149	2,111	2,375	19,635
Miscellaneous	-	11,040	6,298	17,338	-	7,606	7,179	14,785
Telephone and internet	12,991	3,252	586	16,829	17,145	3,770	704	21,619
Supplies	7,687	4,072	-	11,759	14,336	4,680	886	19,902
Insurance	-	5,517	-	5,517	-	7,018	-	7,018
Bank fees	-	5,250	-	5,250	-	4,511	-	4,511
Postage	1,931	1,519	928	4,378	3,288	1,235	689	5,212
	<u>\$ 2,496,230</u>	<u>\$ 492,922</u>	<u>\$ 148,684</u>	<u>\$ 3,137,836</u>	<u>\$ 2,419,707</u>	<u>\$ 534,648</u>	<u>\$ 141,603</u>	<u>\$ 3,095,958</u>

The accompanying notes are an integral part of these statements.

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

Notes to Financial Statements
October 31, 2016 and 2015

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 fifteen 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 and Family cases with child custody concerns. The Center also provides training and support for students, families, professionals, and community partners regarding transition services and understanding employment options for young adults with disabilities.

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, by partnering with them 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 five 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).

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.

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

Notes to Financial Statements
October 31, 2016 and 2015

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 totaling \$54,886 was fully depreciated as of October 31, 2016 and 2015.

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>2016</u>	<u>2015</u>
Purpose restricted	\$ 86,496	\$ 71,523
Time restricted	<u>25,142</u>	<u>26,000</u>
	<u>\$ 111,638</u>	<u>\$ 97,523</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 met 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 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, 2016 and 2015, 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.

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

Notes to Financial Statements
October 31, 2016 and 2015

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2016 and 2015, 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

The Agency follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Agency would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Agency uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Agency. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

Notes to Financial Statements
October 31, 2016 and 2015

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through February 27, 2017, 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.

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 accompanying financial statements at October 31, 2016 and 2015. The Agency's tax returns are subject to examination by the Federal and state jurisdictions.

2. OPERATING LEASES

Facility

The Agency leases its facility under an agreement that ran through September 2016, with an option to extend for an additional five-year period. During fiscal year 2016, the Agency elected to extend the lease for an additional five years through September 2021. The Agency is responsible for its proportionate share of operating costs, utilities and property taxes. In accordance with *ASC Topic Leases*, 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, 2016 and 2015, was \$179,163 and \$169,832, respectively, and is reflected as occupancy in the accompanying statements of functional expenses.

Remaining future minimum cash payments under the lease agreement for the next five years are as follows:

<u>Fiscal Year</u>	
2017	\$ 129,575
2018	\$ 201,167
2019	\$ 208,267
2020	\$ 215,367
2021	\$ 203,385

Equipment

The Agency leased office equipment under an agreement that ran through June 2017, with monthly payments of \$663. During September 2016, the Agency replaced this lease with a new lease that runs through September 2019, with monthly payments of \$675.

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

Notes to Financial Statements
October 31, 2016 and 2015

2. OPERATING LEASES (Continued)

Equipment (Continued)

Remaining future minimum payments under this agreement are as follows:

Fiscal Year

2017	\$ 8,100
2018	\$ 8,100
2019	\$ 7,425

3. LINE OF CREDIT

The Agency has available a \$250,000 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 (3.5% and 3.25% for the years ended October 31, 2016 and 2015, respectively), 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 as of October 31, 2016 and 2015. 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, 2016 and 2015.

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 the IRC. The Agency, at the discretion of the Board of Directors, may make contributions to the plan. During the years ended October 31, 2016 and 2015, the Agency matched up to 2% of participants' contributions. The related expense was \$19,924 and \$20,139 for the years ended October 31, 2016 and 2015, respectively, and is included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

5. CONCENTRATIONS

Credit Risk Concentration

The Agency maintains its cash accounts in a bank in Massachusetts that is insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, the cash balances 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.

Funding and Revenue Concentration

The Agency receives a significant portion of its funding from the U.S. Department of Education and the Commonwealth of Massachusetts (approximately 73% and 72% of total revenues for the years ended October 31, 2016 and 2015, respectively). These agencies also represent approximately 83% and 85% of grant, contract and other receivables as of October 31, 2016 and 2015, respectively.