



FEDERATION FOR CHILDREN
WITH SPECIAL NEEDS

**FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014**

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

Contents
October 31, 2015 and 2014

	<u>Pages</u>
Independent Auditor’s Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Statements of Functional Expenses	5
Notes to Financial Statements	6 - 10



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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, 2015 and 2014, 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

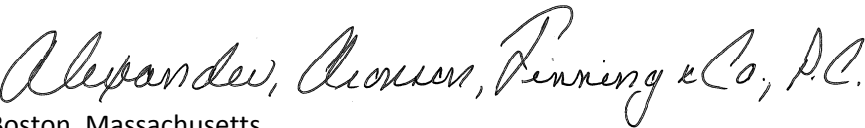
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2015 and 2014, 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.


Boston, Massachusetts
February 8, 2016

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.Statements of Financial Position
October 31, 2015 and 2014

Assets	2015	2014
Current Assets:		
Cash and cash equivalents	\$ 482,170	\$ 510,069
Grant, contract and other receivables	612,875	452,980
Prepaid expenses	16,579	46,609
Total current assets	1,111,624	1,009,658
Deposit	25,732	25,732
Total assets	<u>\$ 1,137,356</u>	<u>\$ 1,035,390</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 59,145	\$ 46,522
Accrued expenses	36,703	33,111
Current portion of accrued rent	9,578	21,152
Deferred revenue	40,895	27,325
Total current liabilities	146,321	128,110
Accrued Rent, net of current portion	-	9,578
Total liabilities	<u>146,321</u>	<u>137,688</u>
Net Assets:		
Unrestricted	893,512	811,722
Temporarily restricted	97,523	85,980
Total net assets	<u>991,035</u>	<u>897,702</u>
Total liabilities and net assets	<u>\$ 1,137,356</u>	<u>\$ 1,035,390</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, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues:						
Special event contributions and support	\$ 183,166	\$ 5,000	\$ 188,166	\$ 228,028	\$ 15,000	\$ 243,028
Less - direct expenses	49,493	-	49,493	54,281	-	54,281
Special events, net	133,673	5,000	138,673	173,747	15,000	188,747
Grants and contracts	2,576,417	-	2,576,417	2,590,169	-	2,590,169
Contributions	144,399	101,479	245,878	154,592	60,742	215,334
Program income	144,330	-	144,330	117,383	-	117,383
Conference fees	67,769	-	67,769	76,440	-	76,440
Miscellaneous	16,224	-	16,224	14,562	-	14,562
Net assets released from restrictions - program	79,936	(79,936)	-	44,930	(44,930)	-
Net assets released from restrictions - special events	15,000	(15,000)	-	-	-	-
Total revenues	3,177,748	11,543	3,189,291	3,171,823	30,812	3,202,635
Expenses:						
Program	2,419,707	-	2,419,707	2,435,746	-	2,435,746
General and administrative	534,648	-	534,648	485,692	-	485,692
Fundraising	141,603	-	141,603	140,670	-	140,670
Total expenses	3,095,958	-	3,095,958	3,062,108	-	3,062,108
Changes in net assets	81,790	11,543	93,333	109,715	30,812	140,527
Net Assets:						
Beginning of year	811,722	85,980	897,702	702,007	55,168	757,175
End of year	\$ 893,512	\$ 97,523	\$ 991,035	\$ 811,722	\$ 85,980	\$ 897,702

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 93,333	\$ 140,527
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	(159,895)	27,165
Prepaid expenses	30,030	(29,300)
Deposit	-	2,492
Accounts payable	12,623	11,871
Accrued expenses	3,592	2,005
Accrued rent	(21,152)	(14,062)
Deferred revenue	13,570	9,757
	<u>(27,899)</u>	<u>150,455</u>
Net cash provided by (used in) operating activities	(27,899)	150,455
Cash and Cash Equivalents:		
Beginning of year	<u>510,069</u>	<u>359,614</u>
End of year	<u>\$ 482,170</u>	<u>\$ 510,069</u>

The accompanying notes are an integral part of these statements.

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS

Statements of Functional Expenses
For the Years Ended October 31 2015 and 2014

	2015				2014			
	Program	General and Administrative	Fundraising	Total	Program	General and Administrative	Fundraising	Total
Salaries	\$ 1,268,243	\$ 327,472	\$ 95,783	\$ 1,691,498	\$ 1,314,597	\$ 305,701	\$ 95,290	\$ 1,715,588
Payroll taxes and fringe benefits	324,192	86,350	23,659	434,201	346,129	79,202	24,270	449,601
Client expenses/stipends	241,837	-	-	241,837	195,068	-	-	195,068
Occupancy	122,320	37,406	10,106	169,832	118,572	34,656	9,765	162,993
Consultants	142,285	10,155	-	152,440	142,738	-	-	142,738
Program support	98,576	-	-	98,576	87,493	-	-	87,493
Conference	77,722	-	-	77,722	81,447	-	-	81,447
Newsletter - <i>Newsline</i>	50,325	-	-	50,325	50,030	-	-	50,030
Travel	37,560	70	24	37,654	25,622	75	35	25,732
Professional fees	-	32,425	-	32,425	-	26,417	-	26,417
Telephone	17,145	3,770	704	21,619	16,084	3,989	707	20,780
Supplies	14,336	4,680	886	19,902	9,906	3,933	67	13,906
Printing and copying	15,149	2,111	2,375	19,635	39,365	4,108	2,265	45,738
IT and equipment rental	6,729	9,839	198	16,766	5,828	6,019	55	11,902
Miscellaneous	-	7,606	7,179	14,785	-	6,921	6,199	13,120
Insurance	-	7,018	-	7,018	-	6,234	-	6,234
Postage	3,288	1,235	689	5,212	2,867	1,615	2,017	6,499
Bank fees	-	4,511	-	4,511	-	6,822	-	6,822
	<u>\$ 2,419,707</u>	<u>\$ 534,648</u>	<u>\$ 141,603</u>	<u>\$ 3,095,958</u>	<u>\$ 2,435,746</u>	<u>\$ 485,692</u>	<u>\$ 140,670</u>	<u>\$ 3,062,108</u>

The accompanying notes are an integral part of these statements.

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

Notes to Financial Statements
October 31, 2015 and 2014

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 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 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, 2015 and 2014

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 was fully depreciated as of October 31, 2015 and 2014.

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>2015</u>	<u>2014</u>
Purpose restricted	\$ 71,523	\$ 59,313
Time restricted	<u>26,000</u>	<u>26,667</u>
	<u>\$ 97,523</u>	<u>\$ 85,980</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 a significant portion of its funding from the U.S. Department of Education and the Commonwealth of Massachusetts (approximately 72% and 75% of total revenues for the years ended October 31, 2015 and 2014, respectively). These agencies also represent approximately 85% and 87% of grant, contract and other receivables as of October 31, 2015 and 2014, respectively.

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, 2015 and 2014, 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, 2015 and 2014

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, 2015 and 2014, 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. The Agency values all of its qualifying assets and liabilities using Level 1 inputs.

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

Notes to Financial Statements
October 31, 2015 and 2014

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through February 22, 2016, 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, 2015 and 2014. The Agency's tax 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 ran through September 2016, with an option to extend for an additional five-year period. During fiscal year 2015 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 *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, 2015 and 2014, was \$169,832 and \$162,993, respectively, and is included in 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:

Fiscal Year

2016	\$ 167,590
2017	\$ 129,575
2018	\$ 201,167
2019	\$ 208,267
2020	\$ 215,367

Equipment

The Agency leases office equipment under an agreement that runs through June 2017, with monthly payments of \$663. Remaining future minimum payments under this agreement are as follows:

Fiscal Year

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

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

Notes to Financial Statements
October 31, 2015 and 2014

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 (3.25% at October 31, 2015 and 2014), 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, 2015 or 2014. 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, 2015 and 2014.

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, 2015 and 2014, the Agency matched up to 2% of participants' contributions. The related expense was \$20,139 and \$20,381 for the years ended October 31, 2015 and 2014, 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). 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.

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, 2015 and 2014, of \$3,133 and \$8,211, respectively. These amounts are included in program support in the accompanying statements of functional expenses.

Two members of the Board of Directors received stipends totaling \$1,200 and \$1,850 for providing trainings on behalf of the Agency for the years ended October 31, 2015 and 2014, respectively. These amounts are included in consultants in the accompanying statements of functional expenses.