

INVEST IN KIDS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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FOR THE YEAR ENDED JUNE 30, 2018

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

December 3, 2018

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, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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, 2018, 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' 2017 financial statements, and expressed an unmodified audit opinion on those audited financial statements in their report dated November 29, 2017. In our opinion, the summarized comparative information presented herein as of and for the eighteen months ended June 30, 2017, 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, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Cash and cash equivalents - unrestricted	\$ 717,465	\$ 580,903
Cash and cash equivalents - temporarily restricted	526,771	626,741
Contracts receivable	181,251	118,127
Grants receivable - temporarily restricted (Note 3)	256,776	87,500
Pledges receivable	32,225	18,427
Prepaid expenses	39,620	44,687
Property and equipment (Note 4)	<u>78,543</u>	<u>69,768</u>
Total assets	<u>\$ 1,832,651</u>	<u>\$ 1,546,153</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 76,682	\$ 33,794
Accrued payroll costs	26,558	21,015
Deferred rent (Note 5)	1,209	15,706
Deferred revenue	<u>-</u>	<u>-</u>
Total liabilities	<u>104,449</u>	<u>70,515</u>
<u>Net assets</u>		
<u>Unrestricted</u>		
Operating	866,112	691,629
Net investment in fixed assets	78,543	69,768
Temporarily restricted (Note 6)	<u>783,547</u>	<u>714,241</u>
Total net assets	<u>1,728,202</u>	<u>1,475,638</u>
Total liabilities and net assets	<u>\$ 1,832,651</u>	<u>\$ 1,546,153</u>

The accompanying notes are an integral part of these financial statements

INVEST IN KIDS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018			18 months 2017
	Unrestricted	Temporarily Restricted	Total	Total
<u>Revenue and other support</u>				
Foundations	\$ 209,000	1,088,947	\$ 1,297,947	\$ 1,405,540
Government	676,017	-	676,017	963,687
Special event income	512,374	-	512,374	717,023
Less: direct event expenses	(68,202)	-	(68,202)	(90,289)
Contributions	133,849	-	133,849	95,944
Program income	121,533	-	121,533	99,692
Interest income	3,489	-	3,489	5,295
Net assets released from restrictions (Note 7)	1,019,641	(1,019,641)	-	-
Total revenue and other support	<u>2,607,701</u>	<u>69,306</u>	<u>2,677,007</u>	<u>3,196,892</u>
<u>Expense</u>				
Program services				
The Incredible Years	1,250,819	-	1,250,819	1,814,143
Nurse-family partnership	668,169	-	668,169	1,025,197
Total program	1,918,988	-	1,918,988	2,839,340
Supporting services				
Management and general	186,749	-	186,749	275,791
Fundraising	318,706	-	318,706	649,972
Total expense	<u>2,424,443</u>	<u>-</u>	<u>2,424,443</u>	<u>3,765,103</u>
Change in net assets	183,258	69,306	252,564	(568,211)
Net assets, beginning of year	<u>761,397</u>	<u>714,241</u>	<u>1,475,638</u>	<u>2,043,849</u>
Net assets, end of year	<u>\$ 944,655</u>	<u>\$ 783,547</u>	<u>\$ 1,728,202</u>	<u>\$ 1,475,638</u>

The accompanying notes are an integral part of these financial statements

INVEST IN KIDS

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)**

	2018						18 Months
	Program Services			Supporting Services			2017
	The Incredible Years	Nurse Family Partnership	Total Program	Management and General	Fund-raising	Total	Total
Salaries	\$ 583,872	\$ 429,243	\$ 1,013,115	\$ 110,728	\$ 137,978	\$ 1,261,821	\$ 2,003,004
Payroll taxes & benefits	115,262	86,166	201,428	27,973	30,201	259,602	351,307
Professional fees	130,087	63,741	193,828	2,315	21,479	217,622	211,650
Site expenses	213,038	-	213,038	-	-	213,038	263,631
Fundraising expense	-	-	-	-	84,348	84,348	204,018
Rent	38,833	28,593	67,426	7,367	9,055	83,848	126,612
Education & training	42,505	7,893	50,398	2,913	3,754	57,065	76,338
Program materials	48,815	-	48,815	-	-	48,815	56,612
Travel & meals	21,958	13,027	34,985	6,934	2,817	44,736	83,593
Technology support	8,953	7,675	16,628	8,864	16,791	42,283	68,999
Insurance	5,721	4,249	9,970	1,087	1,371	12,428	12,422
Technical consulting	5,488	4,039	9,527	1,043	1,328	11,898	31,030
Building expenses	5,082	3,738	8,820	967	1,261	11,048	8,842
Accounting services	-	-	-	10,725	-	10,725	12,418
Evaluation services	8,692	-	8,692	-	-	8,692	119,510
Supplies	3,663	1,847	5,510	1,371	992	7,873	18,856
Dues & subscriptions	3,000	2,037	5,037	526	2,091	7,654	12,653
Conference	-	4,260	4,260	-	-	4,260	31,236
Publications	908	655	1,563	169	853	2,585	32,848
Postage	682	393	1,075	112	798	1,985	8,924
Printing	803	591	1,394	280	154	1,828	5,662
Incentives & honorariums	336	356	692	330	254	1,276	1,744
Bank fees	-	-	-	550	-	550	3,630
All other	-	-	-	-	-	-	-
	1,237,698	658,503	1,896,201	184,254	315,525	2,395,980	3,745,539
Depreciation	13,121	9,666	22,787	2,495	3,181	28,463	19,564
Total	\$ 1,250,819	\$ 668,169	\$ 1,918,988	\$ 186,749	\$ 318,706	\$ 2,424,443	\$ 3,765,103

The accompanying notes are an integral part of these financial statements

INVEST IN KIDS

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

	2018	18 months 2017
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 252,564	\$ (568,211)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Gains)losses on investments	-	(228)
Depreciation	28,463	19,564
 <u>Changes in operating assets and liabilities</u>		
(Increase)decrease in contracts receivable	(63,124)	53,156
(Increase)decrease in grants receivable	(169,276)	433,286
(Increase)decrease in prepaid expenses	5,067	(4,245)
(Increase)decrease in pledges receivable	(13,798)	(1,677)
(Increase)decrease in inventory	-	4,500
Increase(decrease) in accounts payable	42,888	(26,245)
Increase(decrease) in payroll accruals	5,543	(18,108)
Increase(decrease) in deferred rent	(14,497)	(18,015)
Increase(decrease) in deferred revenue	-	(1,640)
	73,830	(127,863)
Net cash provided(used) by operating activities		
 <u>Cash flows from investing activities</u>		
(Purchase) of fixed assets	(37,238)	(69,303)
Proceeds from investments	-	3,837
(Reinvestment) of earnings	-	(27)
	(37,238)	(65,493)
Net cash provided(used) by investing activities		
Net increase(decrease) in cash and cash equivalents	36,592	(193,356)
 Cash and cash equivalents, beginning of year	1,207,644	1,401,000
Cash and cash equivalents, end of year	\$ 1,244,236	\$ 1,207,644

The accompanying notes are an integral part of these financial statements

INVEST IN KIDS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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. 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.

7. 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.

8. Functional Reporting of Expenses

For the year ended June 30, 2018, 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.

9. 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 eighteen months ended June 30, 2017, from which the summarized information was derived.

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

10. Reclassifications

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

11. Subsequent Events

Management has evaluated subsequent events through December 3, 2018, the date the financial statements were available to be issued.

NOTE 3 - GRANTS RECEIVABLE

The Zoma Foundation gave a conditional award totaling \$295,591 towards The Incredible Years project during 2018. The award has specific program activities and outcomes. \$214,175 will be recognized when the outcomes are met. At June 30, 2018, the outstanding amount totaled \$81,776. This amount has been recognized as income in the current year.

The Buell Foundation gave a two-year commitment totaling \$140,000 towards The Incredible Years project during 2018. At June 30, 2018, the outstanding amount totaled \$70,000.

Mile High United Way gave an annual commitment totaling \$70,000 towards The Incredible Years project during 2018. At June 30, 2018, the outstanding amount totaled \$70,000.

The Caring for Colorado Foundation gave a one-year commitment totaling \$35,000 for general support during 2018. At June 30, 2018, the outstanding amount totaled \$35,000.

These four awards represent 100% of grant 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>
2018-2019	<u>\$ 256,776</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Furniture and equipment	\$ 167,558
Less: accumulated depreciation	<u>(89,015)</u>
Net property and equipment	<u>\$ 78,543</u>

Depreciation expense for the year was \$28,463.

NOTE 5 - LEASE COMMITMENTS

The Organization leases office space in Denver, Colorado. In April 2018, a five-year lease provided for a five-month rent abatement at the start of the lease period in August 2018. Deferred rent in the accompanying statement of financial position results from the straight-line recognition of rent expense over the term of the previous lease. Future minimum lease payments are as follows:

<u>Fiscal</u> <u>Year</u>	<u>Amount</u>
2018-2019	\$ 55,986
2019-2020	112,974
2020-2021	114,972
2021-2022	116,970
2022-2023	118,974
2023-2024	<u>59,988</u>
Total	<u>\$ 579,864</u>

NOTE 6 - TEMPORARILY RESTRICTED

Temporarily restricted net assets are available for the following purposes:

<u>Description</u>	<u>Amount</u>
The Incredible Years	\$ 742,498
Nurse-Family Partnership	38,452
Time restricted	<u>2,597</u>
Total	<u>\$ 783,547</u>

NOTE 7 - NET ASSETS RELEASED FROM RESTRICTIONS

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

<u>Description</u>	<u>Amount</u>
The Incredible Years	\$ 897,158
Time restricted	81,087
Nurse-Family Partnership	28,707
Technology	<u>12,689</u>
Total	<u>\$ 1,019,641</u>

NOTE 8 - DEFINED CONTRIBUTION 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 \$54,597.

NOTE 9 - RELATED PARTIES

During the year, the Organization paid \$53,043 in wages to a family member of the Executive Director who has been employed at the Organization since 2005. 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 10 - 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.