

Audited Financial Statements

Side by Side Kids, Inc.

*For the Fiscal Year Ended June 30, 2018
With Report of Independent Auditors*

Side by Side Kids, Inc.

Audited Financial Statements

For the Fiscal Year Ended June 30, 2018

Contents

Report of Independent Auditors	1-2
Audited Financial Statements	
Statement of Financial Position.....	4
Statement of Activities	5
Statement of Functional Expenses.....	6
Statement of Cash Flows	7
Notes to Financial Statements	8-13

Report of Independent Auditors

To the Board of Directors of
Side by Side Kids, Inc.
Austin, Texas

We have audited the accompanying financial statements of Side by Side Kids, Inc. (the “Organization”) (a nonprofit organization), 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 fiscal 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 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.

Auditors’ Responsibility

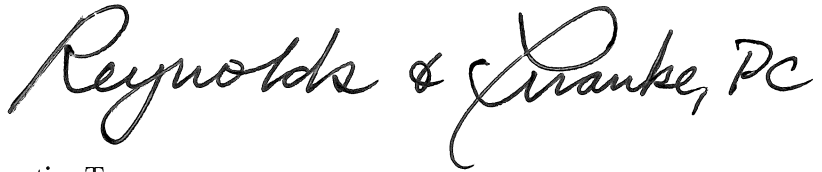
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 auditors consider 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 Side by Side Kids, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Reynolds & Franke, PC". The script is fluid and cursive, with the letters "R" and "F" being particularly large and stylized.

Austin, Texas
February 4, 2019

Audited Financial Statements

Side by Side Kids, Inc.

Statement of Financial Position

June 30, 2018

Assets

Current assets:

Cash and cash equivalents	\$	206,957
Pledges receivable, current – temporarily restricted		110,175
Investments		2,569
Prepaid expenses		24,189
Total current assets		<u>343,890</u>

Long-term pledges receivable – temporarily restricted		7,500
Property and equipment, net		<u>2,431</u>

Total assets	\$	<u><u>353,821</u></u>
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Liabilities and Net Assets

Current liabilities:

Accrued liabilities	\$	19,198
Deferred revenue		<u>61,425</u>

Total current liabilities		<u>80,623</u>
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Total liabilities		<u>80,623</u>
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Net Assets:

Unrestricted		155,523
Temporarily restricted		<u>117,675</u>
Total net assets		<u>273,198</u>

Total liabilities and net assets	\$	<u><u>353,821</u></u>
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The accompanying notes are an integral part of these financial statements.

Side by Side Kids, Inc.

Statement of Activities

For the Fiscal Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Revenues and support:			
Contributions	\$ 238,199	\$ -	\$ 238,199
Contributions – Board of Directors	27,450	-	27,450
Other	2,376	-	2,376
Total revenue and support	268,025	-	268,025
Special events:			
Special events revenues	108,389	-	108,389
Special events expenses	(11,439)	-	(11,439)
Special events, net	96,950	-	96,950
Net assets released from restrictions	222,225	(222,225)	-
Total revenue, support, and reclassifications	587,200	(222,225)	364,975
Expenses:			
Program services	574,521	-	574,521
Fundraising	77,493	-	77,493
Management and general	77,053	-	77,053
Total expenses	729,067	-	729,067
Total change in net assets	(141,867)	(222,225)	(364,092)
Net assets:			
Beginning of year, as previously reported	297,390	-	297,390
Prior period adjustment	-	339,900	339,900
Beginning of year, restated	297,300	339,900	637,290
Net assets, end of year	\$ 155,523	\$ 117,675	\$ 273,198

The accompanying notes are an integral part of these financial statements.

Side by Side Kids, Inc.

Statement of Functional Expenses

For the Fiscal Year Ended June 30, 2018

	Program Services	Fundraising	Management & General	Total
Personnel	\$ 500,562	\$ 33,279	\$ 20,420	\$ 554,261
Development costs	-	35,358	-	35,358
Occupancy	3,115	-	28,037	31,152
Contract services	18,856	4,714	-	23,570
Other	12,753	2,570	7,968	23,291
Professional fees	-	-	14,770	14,770
Campus expenses	11,078	-	-	11,078
Travel and entertainment	8,556	1,572	896	11,024
Payroll processing	9,167	-	1,018	10,185
Insurance	7,947	-	1,402	9,349
Depreciation	-	-	2,542	2,542
Training	2,487	-	-	2,487
Total expenses	<u>\$ 574,521</u>	<u>\$ 77,493</u>	<u>\$ 77,053</u>	<u>\$ 729,067</u>
Percentage of total expenses	<u>79%</u>	<u>11%</u>	<u>10%</u>	<u>100%</u>

The accompanying notes are an integral part of these financial statements.

Side by Side Kids, Inc.

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2018

Cash flows from operating activities	
Change in net assets	\$ (364,092)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	2,542
Changes in operating assets and liabilities:	
Decrease in pledges receivable – temporarily restricted	222,225
Increase in prepaid expenses	(15,585)
Decrease in accounts payable	(2,790)
Decrease in accrued liabilities	(11,552)
Increase in deferred revenue	61,425
Net cash used in operating activities	<u>(107,827)</u>
Cash flows from investing activities	
Proceeds from sales of investments, net	<u>4,004</u>
Net cash provided by investment activities	<u>4,004</u>
Change in cash and cash equivalents	(103,823)
Cash and cash equivalents, at beginning of period	<u>310,780</u>
Cash and cash equivalents, at end of period	<u><u>\$ 206,957</u></u>

The accompanying notes are an integral part of these financial statements.

Side by Side Kids, Inc.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies

Nature of Activities

Side by Side Kids, Inc., formerly Community New Start, Inc., (the “Organization”) is a Texas not-for-profit corporation that was incorporated in 2002 with a mission of community transformation through Christian ministry, pursued by building relationships with and addressing the economic, physical, social, and spiritual needs of the individuals, families, and neighborhood blocks in the St. John’s area of Austin, Texas.

The Organization began as a mercy ministry arm of Redeemer Presbyterian Church in 1996. Its objective was to serve the needs of the poor, welfare-to-work families, single mothers, and the homeless through relationships with church members. Through this process, the ministry found itself working loosely with many families in the St. John’s community, and eventually the ministry realized a need to refocus its approach at both the individual and community levels. The ministry adopted a community renewal model based on the success of a nationally acclaimed community renewal effort in the Shreveport-Bossier City metropolitan areas of Louisiana.

The Organization works to provide after-school programs, as well as spiritually ministering to those served. In 2010, the Organization worked with University of Texas professors to develop a new curriculum for programs that further assisted the Organization in meeting its mission. The Organization continues to build a network between neighbors, businesses, and churches in the area, a network that seeks to spread across the greater Austin community.

In 2011, the Organization rebranded and became Side by Side Kids, Inc., a faith-based, afterschool program anchored in East Austin’s St. John’s community. The Organization journeys side-by-side with kids from kindergarten to 5th grade, encouraging and equipping them to reach their highest God-given potential as everyday leaders and heroes of tomorrow. Its mission is to inspire and equip kids in East Austin to be excellent students, make wise choices, and follow Christ.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred.

Side by Side Kids, Inc.

Notes to Financial Statements (continued)

For the Fiscal Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Financial statement presentation follows the recommendations of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958). Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – These types of net assets are not subject to donor-imposed stipulations. This also includes Board-designated net assets for specific purposes, since these designations may be reversed by the Board at any time in the future.

Temporarily restricted net assets – These types of net assets are subject to donor-imposed stipulations, which limit their use by the Organization to a specific purpose and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – These types of net assets are subject to donor-imposed stipulations, which require them to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific use.

The Organization had no permanently restricted net assets at June 30, 2018.

Use of Estimates

The preparation of financial statements 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 these estimates.

Donated Services

The Organization receives donated services from a variety of unpaid volunteers assisting the Organization in carrying out its activities. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under FASB ASC 958 have not been satisfied.

Side by Side Kids, Inc.

Notes to Financial Statements (continued)

For the Fiscal Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Federal Income Taxes

Side by Side Kids, Inc. is a not-for-profit organization exempt from Federal income taxes on its operating income under Section 501(c)(3) of the Internal Revenue Code, except to the extent of unrelated business income, if any.

The most significant tax positions of the Organization are its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business income tax (UBIT). Management has determined that the Organization had no activity subject to UBIT during the fiscal year ended June 30, 2018. All significant tax positions have been considered by management and it has determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities.

The Organization is required to file Form 990 (Return of Organization Exempt from Income Tax), which is subject to examination by the Internal Revenue Service (IRS) generally up to three years from the later of the original due date or the date the tax return was filed. The Forms 990 for the fiscal years ended June 30, 2017, 2016, and 2015 are open to examination by the IRS as of June 30, 2018.

Fair Value of Financial Instruments

The Organization follows FASB ASC 820, *Fair Value Measurements and Disclosures*, which relates to the Organization's financial assets and liabilities carried at fair value and the associated fair value disclosures. FASB ASC 820 defines fair value, expands related disclosure requirements and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measures. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

There are three levels of inputs to fair value measurements – Level 1, meaning the use of quoted prices for identical instruments in active markets; Level 2, meaning the use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable; and Level 3, meaning the use of unobservable inputs.

The Organization's financial instruments consist principally of cash and cash equivalents, pledges receivable, current – temporarily restricted, investments, long-term pledges receivable – temporarily restricted, and accrued liabilities. The Organization believes all of the financial instruments' recorded values approximate current market values.

Side by Side Kids, Inc.

Notes to Financial Statements (continued)

For the Fiscal Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Pledges Receivable

Pledges receivable are stated at the amount that the Organization expects to collect from outstanding pledges. The Organization has not set up an allowance for uncollectible pledges at June 30, 2018 because they believe that all of the pledges are collectible.

Investments

Investments consist of common stock held for investment purposes and are stated at fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the statement of activities.

Property and Equipment

Property and equipment are stated at cost, if purchased, and at fair market value at date of gift, if received by donation. The Organization capitalizes assets with cost/fair value of \$1,000 or more and a useful life of more than one year. Provision has been made for depreciation of property and equipment using the straight-line method over an estimated useful life of three to five years. Upon the sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed from the account. Any gain or loss on the sale or retirement is recognized in current operations.

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Side by Side Kids, Inc.

Notes to Financial Statements (continued)

For the Fiscal Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various promotional programs and other activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Date of Management's Review

These financial statements considered subsequent events through February 4, 2019, the date the financial statements were available to be issued.

Note 2 – Concentrations

Financial instruments which potentially subject the Organization to credit risk principally consist of cash and cash equivalents. To minimize the risk, the Organization places its temporary cash investments with high credit quality financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Effective January 1, 2013, deposit insurance coverage by the FDIC changed to \$250,000 per bank per entity for all interest bearing and non-interest bearing accounts. As of June 30, 2018, the Organization had no uninsured balances. The Organization has not experienced any losses in these accounts in the past.

Note 3 – Investments

Investments are carried at fair value. At June 30, 2018, investments consisted of the following:

Equity securities	<u>\$ 2,569</u>
Total	<u><u>\$ 2,569</u></u>

Side by Side Kids, Inc.

Notes to Financial Statements (continued)

For the Fiscal Year Ended June 30, 2018

Note 4 – Property and Equipment

At June 30, 2018, property and equipment consisted of the following:

Furniture and equipment	\$	6,731
Less: accumulated depreciation		<u>(4,300)</u>
Property and equipment, net	\$	<u>2,431</u>

Total depreciation expense was \$2,542 for the fiscal year ended June 30, 2018.

Note 5 – Prior Period Adjustment

During the current year audit, management determined that a prior period adjustment was needed for multi-year pledges received in prior years. Therefore, the following adjustments were made to the Organization's books: \$339,980 increase to pledges receivable – temporarily restricted and \$339,980 increase to temporarily restricted net assets as of June 30, 2017 to reflect this prior period adjustment.

Note 6 – Temporarily Restricted Net Assets

The Organization had the following temporarily restricted net assets activity for the fiscal year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Released from Restrictions</u>	<u>Ending Balance</u>
Temporarily restricted activity:				
Time restricted for future operations	\$ 339,900	\$ -	\$ (222,225)	\$ 117,675
Total	<u>\$ 339,900</u>	<u>\$ -</u>	<u>\$ (222,225)</u>	<u>\$ 117,675</u>