

Financial Statements

Side by Side Kids, Inc.

*For the years ended June 30, 2017 and 2016
with Report of Independent Auditors*

Side by Side Kids, Inc.

Financial Statements

For the years ended June 30, 2017 and 2016

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Report of Independent Auditors

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

We have audited the accompanying financial statements of Side by Side Kids, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows 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 audit 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 Side by Side Kids, Inc. as of June 30, 2017 and 2016, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Holtzman Partners, LLP

February 12, 2018

Side by Side Kids, Inc.

Statement of Financial Position

As of June 30, 2017

	<u>Unrestricted</u>	<u>Total</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 310,780	\$ 310,780
Investments	6,573	6,573
Prepaid expenses and other	8,604	8,604
Total current assets	<u>325,957</u>	<u>325,957</u>
Property and equipment, net	4,973	4,973
Total assets	<u>\$ 330,930</u>	<u>\$ 330,930</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	2,790	2,790
Accrued expenses	30,750	30,750
Total current liabilities	<u>33,540</u>	<u>33,540</u>
Net assets:		
Unrestricted	<u>297,390</u>	<u>297,390</u>
Total net assets	<u>\$ 297,390</u>	<u>\$ 297,390</u>
Total liabilities and net assets	<u>\$ 330,930</u>	<u>\$ 330,930</u>

See accompanying notes.

Side by Side Kids, Inc.

Statement of Financial Position

As of June 30, 2016

	<u>Unrestricted</u>	<u>Total</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 177,823	\$ 177,823
Pledged receivables	6,917	6,917
Prepaid expenses and other	12,696	12,696
Total current assets	<u>197,436</u>	<u>197,436</u>
Total assets	<u>\$ 197,436</u>	<u>\$ 197,436</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	7,254	7,254
Accrued expenses	18,030	18,030
Total current liabilities	<u>25,284</u>	<u>25,284</u>
Net assets:		
Unrestricted	<u>172,152</u>	<u>172,152</u>
Total net assets	<u>\$ 172,152</u>	<u>\$ 172,152</u>
Total liabilities and net assets	<u>\$ 197,436</u>	<u>\$ 197,436</u>

See accompanying notes.

Side by Side Kids, Inc.

Statement of Activities

Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Total</u>
Revenues, gains, and other support:		
Contributions – churches	\$ 315,031	\$ 315,031
Contributions – foundations	161,000	161,000
Contributions – board support	161,394	161,394
Contributions – individuals	7,904	7,904
Contributions – events	189,595	189,595
Contributions – businesses	3,000	3,000
Miscellaneous income	392	392
Total revenues, gains, and other support	<u>838,316</u>	<u>838,316</u>
Expenses:		
Personnel costs	552,817	552,817
Occupancy	33,640	33,640
Various program, camp, and event costs	18,866	18,866
Travel and entertainment	5,828	5,828
General and administrative	100,682	100,682
Depreciation	1,245	1,245
Total operating expenses	<u>713,078</u>	<u>713,078</u>
Change in net assets	125,238	125,238
Net assets at beginning of year	172,152	172,152
Net assets at end of year	<u>\$ 297,390</u>	<u>\$ 297,390</u>

See accompanying notes.

Side by Side Kids, Inc.

Statement of Activities

Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Total</u>
Revenues, gains, and other support:		
Contributions – churches	\$ 273,681	\$ 273,681
Contributions – foundations	130,750	130,750
Contributions – board support	162,018	162,018
Contributions – individuals	13,591	13,591
Contributions – events	121,800	121,800
Contributions – businesses	5,750	5,750
Miscellaneous income	201	201
Total revenues, gains, and other support	<u>707,791</u>	<u>707,791</u>
Expenses:		
Personnel costs	432,726	432,726
Occupancy	29,369	29,369
Various program, camp, and event costs	10,211	10,211
Travel and entertainment	5,790	5,790
General and administrative	63,258	63,258
Depreciation	466	466
Total operating expenses	<u>541,820</u>	<u>541,820</u>
Other expense	2,011	2,011
Change in net assets	163,960	163,960
Net assets at beginning of year	8,192	8,192
Net assets at end of year	<u><u>172,152</u></u>	<u><u>172,152</u></u>

See accompanying notes.

Side by Side Kids, Inc.

Statements of Cash Flows

	Year Ended June 30,	
	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 125,238	\$ 163,960
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,245	466
Changes in operating assets and liabilities:		
Pledges receivable	6,917	(6,917)
Prepaid expense and other	4,092	(872)
Accounts payable	(4,464)	6,100
Accrued expenses	12,720	(5,031)
Net cash provided by operating activities	<u>145,748</u>	<u>157,706</u>
Cash flow from investing activities:		
Purchase of property and equipment	(6,218)	-
Investments	(6,573)	-
Net cash provided by (used in) investing activities	<u>(12,791)</u>	<u>-</u>
Net change in cash and cash equivalents	\$ 132,957	\$ 157,706
Cash and cash equivalents, beginning of year	<u>177,823</u>	<u>20,117</u>
Cash and cash equivalents, end of year	<u>\$ 310,780</u>	<u>\$ 177,823</u>

See accompanying notes.

Side by Side Kids, Inc.

Notes to Financial Statements

For the years ended June 30, 2017 and 2016

1. Organization

Side by Side Kids, Inc., formerly Community New Start, Inc., (the “Organization”) is a Texas non-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 closely 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 area 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, 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.

2. Summary of Significant Accounting Policies

Basis of Financial Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions, net assets, and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions.

Side by Side Kids, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Contribution Revenue

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated asset. 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 statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same year are reported as unrestricted support.

The Organization did not receive any temporarily restricted contributions during fiscal years 2017 and 2016. No assets remain temporarily restricted at June 30, 2017 or 2016.

Program and Supporting Services

Program Related – The Side by Side Kids Afterschool Program ministers to children in four schools located in East Austin: J.J. Pickle Elementary, T.A. Brown Elementary, Webb Primary School, and Barrington Elementary. Part-time afterschool teachers from the St. John's community and from Austin area churches provide individualized academic tutoring, recreational activities, and Biblical instruction through the application of a character-based curriculum. The goal is to achieve improvement in students' grades and behavior, with a foundation of emphasis on the positive influences of the Gospel.

Management and General – Includes the functions necessary to maintain an adequate working environment; provide coordination and articulation of the Organization's program strategy through the Chief Executive Officer; secure proper administrative functioning of the Board of Directors; and manage the financial and budgetary responsibilities of the Organization.

Development and Fundraising – Provides the structure necessary for expansion and growth of the Organization into new areas and programs. Encourages and secures private financial support from individuals, foundations, and businesses.

Side by Side Kids, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

The direct and allocable costs for the years ended June 30, 2017 and 2016 are classified as program-related, management and general, and development and fundraising activities as follows:

	June 30,	
	2017	2016
Program-related	\$ 502,735	\$ 284,029
Management and general	150,728	223,391
Development and fundraising	59,617	34,400
Total	\$ 713,080	\$ 541,820

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 of Financial Instruments

The Financial Accounting Standards Board (“FASB”) authoritative guidance on fair value defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. The guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Organization’s financial instruments consist principally of cash and cash equivalents, accounts payable and accrued expenses. Financial instruments approximate their carrying amounts due to the short maturity of these instruments.

Side by Side Kids, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Organization considers certain liquid asset accounts with original maturities of three months or less at the date of acquisition to be cash equivalents. The Organization maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. To date, the Organization has not experienced any losses in such accounts.

Concentration of Credit Risk

Donors representing 10% or more of the Organization's total revenue as of the years ended June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Donor C	*	14%
Donor D	*	11%
Donor E	13%	18%

* Less than 10% in the respective year

Loss of support could have a material adverse impact on the Organizations' results of operations.

Fixed Assets

Fixed assets are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the respective assets or amortized over the terms of the respective leases, whichever is shorter, as follows:

Office equipment, computers and software	3 years
Vehicles	5 years
Furniture and improvements	7 years

Donated assets are recorded as support at their estimated fair market value at the date of contribution and are depreciated using the same straight-line method and recovery periods as purchased assets. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire fixed assets are reported as restricted support.

Side by Side Kids, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Absent donor stipulations regarding how those donated assets must be maintained, the Organization reports the expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Contributed Services and Goods

Contributed services are recognized when measurable and when the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization did not receive or recognize contributed services for the years ended June 30, 2017 and 2016.

Tax-Exempt Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities. Therefore, the Organization has made no provision for federal income taxes in the accompanying financial statements.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This standard requires lessees to recognize a lease liability and a lease asset for all leases, including operating leases, with a term greater than 12 months on its balance sheet. The standard also expands the required quantitative and qualitative disclosures surrounding leases. This standard is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. This standard will be applied using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Management is currently evaluating the effect of these provisions on the Organization's financial position and results of activities.

Side by Side Kids, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The ASU requires amended presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. The guidance is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted. Management is currently evaluating the effect of these provisions on the Organization's financial position and results of activities.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments — a consensus of the Emerging Issues Task Force*. This standard promotes consistency in the presentation of certain items on the Statement of Cash Flows. This guidance is effective for annual periods beginning after December 15, 2018. Early adoption is permitted. Management is currently evaluating the effect of these provisions on the Organization's financial position and results of activities.

Subsequent Events

Subsequent events have been evaluated through February 12, 2018, which represents the date the financial statements were available to be issued. See specific subsequent events disclosed in Note 4.

3. Fixed Assets

Fixed assets consisted of the following:

	June 30,	
	2017	2016
Office equipment, computers and software	\$ 52,705	\$ 66,753
Furniture and improvements	9,562	9,562
Total	<u>62,267</u>	<u>76,315</u>
Less: accumulated depreciation	<u>(57,294)</u>	<u>(76,315)</u>
Fixed assets, net	<u>\$ 4,973</u>	<u>\$ —</u>

Side by Side Kids, Inc.

Notes to Financial Statements (continued)

4. Operating Leases

In July 2014, the Organization executed a non-cancelable lease expiring in August 2017. Rent expense under this lease totaled approximately \$29,000 and \$27,000, for the years ended June 30, 2017 and 2016, respectively. Subsequent to year end, the Organization verbally agreed with the landlord to use the space under the original lease on month to month basis with the right to cancel at any time by either party.