

THE SHAKEN BABY ALLIANCE, INC
FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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CHARLES O. PAUL

CERTIFIED PUBLIC ACCOUNTANT

7408 Continental Trail
N. Richland Hills, TX 76182
(817) 498-0884
Fax (817) 605-0074

P.O. Box 820402
Fort Worth, TX 76182
Charles@CharlesPaulCPA.com

INDEPENDENT AUDITORS REPORT

Board of Directors

The Shaken Baby Alliance:

We have audited the accompanying statements The Shaken Baby Alliance (the "Alliance"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, 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 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 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 The Shaken Baby Alliance as of December 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The percentages of functional expenses on page 6 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Charles O. Paul, CPA
July 28, 2017
North Richland Hills, Texas

THE SHAKEN BABY ALLIANCE
Statements of Financial Position
December 31, 2016 and 2015

	2016	2015
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 30,052	\$ 21,104
Accounts receivable	20,218	36,695
Prepaid expenses	600	2,289
Total current assets	50,870	60,088
Property and equipment, at cost:		
Office Furniture, fixtures and equipment	57,264	56,702
Leasehold improvements	4,943	34,376
	62,207	91,078
Less accumulated depreciation	(42,909)	(69,976)
	19,298	21,102
Intangible assets:		
Website development, net of accumulated amortization of \$23,767	-	627
Total assets	\$ 70,168	\$ 81,817
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 29,581	\$ 26,123
Line of credit	40,000	92,000
Total current liabilities	69,581	118,123
Unrestricted net assets	587	(36,306)
Total liabilities and net assets	\$ 70,168	\$ 81,817

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

THE SHAKEN BABY ALLIANCE
Statements of Activities
For the Years Ended December 31, 2016 and 2015

	2016	2015
Unrestricted Revenues, Gains and Other Support:		
Contract and grant revenue	\$ 228,096	\$ 278,638
Foundation grants	102,500	-
Contributions	11,185	460
Contributions - in-kind	118,344	100,513
Program services	6,623	3,795
Product sales	15,840	9,078
Special events, net of direct costs of	4,705	-
Interest income	4	86
	487,297	392,570
Expenses:		
Program services	365,334	334,419
General and administrative	83,380	95,455
Fundraising	1,690	5,336
	450,404	435,210
Change in unrestricted net assets	36,893	(42,640)
Unrestricted net assets at beginning of year	(36,306)	6,334
Unrestricted net assets at end of year	\$ 587	\$ (36,306)

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

THE SHAKEN BABY ALLIANCE
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 36,893	\$ (42,640)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	7,309	12,744
Amortization	627	799
Change in assets and liabilities		
(Increase) decrease in:		
Accounts receivable	16,477	(34,595)
Prepaid expenses	1,689	942
Increase (decrease) in:		
Accounts payable	3,458	2,668
	<u>66,453</u>	<u>(60,082)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures	<u>28,871</u>	<u>(3,600)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Net borrowing on line of credit	<u>(52,000)</u>	<u>63,532</u>
	<u>43,324</u>	<u>(150)</u>
Cash at beginning of year	<u>21,104</u>	<u>21,254</u>
Cash at end of year	<u><u>\$ 64,428</u></u>	<u><u>\$ 21,104</u></u>
Supplemental cash flow information		
Interest received during the year	\$ 4	\$ 86
Interest paid during the year	\$ 9,544	\$ 3,371

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

THE SHAKEN BABY ALLIANCE
Statement of Functional Expenses
For the Years Ended December 31, 2016 and 2015

	2016				2015			
	Programs	General and Administrative	Fundraising	Total	Programs	General and Administrative	Fundraising	Total
Depreciation	\$ -	\$ 7,309	\$ -	\$ 7,309	\$ -	\$ 12,744	\$ -	\$ 12,744
Amortization	-	627	-	627	-	799	-	799
Salaries	62,401	29,470	1,554	93,425	66,399	33,850	4,851	105,100
Payroll taxes/benefits	5,464	2,580	136	8,180	6,645	3,388	485	10,518
Contract services	76,212	2,918	-	79,130	26,219	23,332	-	49,551
Donated technical services	118,344	-	-	118,344	100,513	-	-	100,513
Travel and entertainment	50,501	-	-	50,501	62,191	-	-	62,191
Computer and IT services	-	7,795	-	7,795	-	-	-	-
Professional fees	-	7,900	-	7,900	-	7,698	-	7,698
Postage and delivery	-	338	-	338	-	291	-	291
Office supplies	-	4,572	-	4,572	-	41	-	41
Dues and subscriptions	913	-	-	913	943	-	-	943
Insurance	-	4,479	-	4,479	-	3,956	-	3,956
Equipment	967	-	-	967	2,105	-	-	2,105
Cost of product sales	-	-	-	-	1,642	-	-	1,642
Other	5,394	-	-	5,394	7,941	-	-	7,941
Training and related materials	24,154	-	-	24,154	41,112	-	-	41,112
Website	4,767	-	-	4,767	-	-	-	-
Occupancy	16,217	5,848	-	22,065	18,709	5,985	-	24,694
Interest and bank fees	-	9,544	-	9,544	-	3,371	-	3,371
	<u>\$ 365,334</u>	<u>\$ 83,380</u>	<u>\$ 1,690</u>	<u>\$ 450,404</u>	<u>\$ 334,419</u>	<u>\$ 95,455</u>	<u>\$ 5,336</u>	<u>\$ 435,210</u>
Supplementary Information:								
Percentage to total	81.1%	18.5%	0.4%	100.0%	76.8%	21.9%	1.2%	100.0%

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

THE SHAKEN BABY ALLIANCE
Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Activities

The Shaken Baby Alliance (the "Alliance") is a not-for-profit organization whose primary purpose is to provide support, information, and resources for families of surviving and deceased shaken baby syndrome ("SBS") children; to increase public awareness of SBS; and to disseminate information and provide professional training with regard to SBS. Its current program includes providing support for victim families and professionals, to provide education for prevention of child and elder abuse and to provide justice for the innocent victims of child abuse. The Alliance's core expertise is reflected in its three primary programs:

- Family Support – outreach to families who are often left behind and not served by other programs.
- Training – providing a full range of forensic investigative training programs for professionals including law enforcement, child protection, medical practitioners, and legal professionals related to child physical abuse and child welfare issues.
- Case Consultation – providing case consultation services nationwide related to crimes against children and the elderly.

(b) Basis of Accounting

The Alliance maintains its accounting records and prepares its financial statements on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

(c) Basis of Presentation

The financial statement presentation follows the standards of the Financial Accounting Standards Board. Under these standards, the Alliance 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. The Alliance had no temporarily restricted or permanently restricted net assets at December 31, 2016 or 2015.

Generally accepted accounting principles in the United States of America require disclosure of an estimate of fair value of certain financial instruments. The Alliance's significant financial instruments are cash, accounts receivable, grants receivable, pledges receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

(d) Provision for Doubtful Accounts

The provision for doubtful accounts is based on management's evaluation on the collectability of receivables. Management believes that all receivables are fully collectible and no provision for doubtful accounts is necessary.

THE SHAKEN BABY ALLIANCE
Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(e) Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method calculated to amortize cost of the applicable net assets over estimated lives of 3 to 7 years. The Alliance capitalizes all property and equipment purchased with a cost of \$500 or more, except for equipment purchased with grant funds. Under the grant agreements, such equipment is limited in use to the purpose intended by the grantor and reverts to the grantor if it no longer used for the intended purpose.

The Alliance periodically reviews the carrying value of its long-lived assets, including property, plant, and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. To the extent fair value of a long-lived asset, determined based upon the estimated future cash inflows attributable to the asset, less estimated future cash outflows, are less than the carrying amount, an impairment loss is recognized. No such losses were recognized during the years ended December 31, 2016 and 2015.

(f) Restricted and Unrestricted Revenue

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

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the contribution. When a 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 unrestricted revenues, expenses and changes in unrestricted net assets as net assets released from restrictions.

(g) Contracts and grants

The Alliance accounts for certain of its contracts and grants, specifically those from Federal and other governmental sources, as contracts and grant revenue. Grants from corporations and foundations are reported as unearned support. As such, awards which are obligated by the funding source are recorded as temporarily restricted revenue or support.

(h) Subsequent Events

Management evaluates subsequent events through the date of the report, which is the date the financial statements were available to be issued.

THE SHAKEN BABY ALLIANCE
Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(i) Donated Services

A substantial number of volunteers have donated significant amounts of time to the Organization's activities. However, the Organization only recognizes donated services that create or enhance nonfinancial assets, or that require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Alliance has been supported by a substantial number of volunteers who have donated their service to the Alliance as faculty members, experts in case consultations, and curriculum developers. The estimated value of their services in 2016 was \$118,344 which has been reported on the statement of activities as support and program services.

(j) Federal Income Taxes

The Alliance is a nonprofit organization exempt from federal income taxes under Internal Revenue Code Section 501 (c) 3; therefore, no provision for income taxes has been included in the financial statements.

(k) 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, 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.

(l) Statement of Cash Flows

For the purpose of this statement, the Alliance considers cash in banks and short-term investments with an original maturity of 90 days or less to be cash equivalents.

(m) Concentrations of Credit Risks

Concentrations of credit risks consist of cash, contracts and grants receivable, pledges receivable, contracts and grants revenue, and contribution income. The Alliance places its cash with quality FDIC insured financial institutions and by policy limits amount of exposure to any one financial institution. Contracts and grants receivable and related revenues are due from agreements with the Texas Department of Family and Protective Services in 2016 and 2015. Related revenues compose 47% and 71% of total revenues and support in 2016 and 2015, respectively.

THE SHAKEN BABY ALLIANCE
Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(n) Advertising Costs

The Alliance uses advertising to promote its programs and mission among the audiences that it serves as well as the general public. Advertising costs are expensed as incurred.

(o) Accounting Pronouncements

In January 2016, the Financial Accounting Standards Board issued a pronouncement related to accounting for leases. The effect of this change will require that Organizations who enter into leases of more than twelve months record those leases as assets and liabilities. The standard is effective for the Alliance's year that ends December 31, 2020. The Organization has not yet assessed the impact of this new accounting standard.

2. LEASES

The Alliance leases office space and a storage facility under a month-to-month operating lease. Rent due under this lease is \$1,000 per month. At December 31, 2016, there is \$9,000 in accrued rent recorded on the Statement of Financial Position related to this lease. During 2016, The Alliance was subleasing a portion of the office space for \$435 per month. This arrangement ended in March, 2016. The sublease was recorded as an offset to occupancy expense in the statement of functional expenses.

3. LINE OF CREDIT

The Alliance has a \$100,000 revolving line of credit with a local financial institution. The line of credit had an interest rate of prime plus 6.00% (a total of 9.5%). There is \$60,000 available on the line of credit at December 31, 2016. The line of credit was extended into March 2018.

4. COMMITMENTS AND CONTINGENCIES

The Alliance participates in federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Alliance has not complied with the rules and regulations governing the grant, refunds of grant income may be required.