

THE SHAKEN BABY ALLIANCE, INC
FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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
November 19, 2018
North Richland Hills, Texas

THE SHAKEN BABY ALLIANCE
Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 82,939	\$ 30,052
Investments	4,938	-
Accounts receivable	734	20,218
Prepaid expenses	600	600
Total current assets	89,211	50,870
Property and equipment, at cost:		
Office Furniture, fixtures and equipment	19,617	57,264
Leasehold improvements	13,645	4,943
	33,262	62,207
Less accumulated depreciation	(16,842)	(42,909)
	16,420	19,298
Intangible assets:		
Website development, net of accumulated amortization of \$23,767	-	-
Total assets	\$ 105,631	\$ 70,168
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 31,190	\$ 29,581
Line of credit	-	40,000
Total current liabilities	31,190	69,581
Unrestricted net assets	74,441	587
Total liabilities and net assets	\$ 105,631	\$ 70,168

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

THE SHAKEN BABY ALLIANCE
Statements of Activities
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Unrestricted Revenues, Gains and Other Support:		
Contract and grant revenue	\$ 224,741	\$ 228,096
Foundation grants	160,000	102,500
Contributions	29,138	11,185
Contributions - in-kind	157,175	118,344
Program services	50,230	6,623
Product sales	6,775	15,840
Special events, net of direct costs of	150	4,705
Interest income	13	4
	<u>628,222</u>	<u>487,297</u>
 Expenses:		
Program services	413,680	365,334
General and administrative	77,531	83,380
Fundraising	63,157	1,690
	<u>554,368</u>	<u>450,404</u>
 Change in unrestricted net assets	73,854	36,893
 Unrestricted net assets at beginning of year	<u>587</u>	<u>(36,306)</u>
 Unrestricted net assets at end of year	<u><u>\$ 74,441</u></u>	<u><u>\$ 587</u></u>

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, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 73,854	\$ 36,893
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	7,914	7,309
Amortization	-	627
Change in assets and liabilities		
(Increase) decrease in:		
Accounts receivable	19,484	16,477
Prepaid expenses	-	1,689
Increase (decrease) in:		
Accounts payable	1,609	3,458
	102,861	66,453
CASH FLOW FROM INVESTING ACTIVITIES:		
Increase in investments	(4,938)	
Capital expenditures	(9,974)	(5,505)
	(14,912)	(5,505)
CASH FLOW FROM FINANCING ACTIVITIES:		
Net borrowing (repayment) on line of credit	(40,000)	(52,000)
	(40,000)	(52,000)
Net cash used in financing activities	(40,000)	(52,000)
Net change in cash and cash equivalents	52,887	8,948
Cash at beginning of year	30,052	21,104
Cash at end of year	\$ 82,939	\$ 30,052
Supplemental cash flow information		
Interest received during the year	\$ 13	\$ 4
Interest paid during the year	\$ 7,827	\$ 9,544

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, 2017 and 2016

	2017				2016			
	Programs	General and Administrative	Fundraising	Total	Programs	General and Administrative	Fundraising	Total
Depreciation	\$ -	\$ 7,914	\$ -	\$ 7,914	\$ -	\$ 7,309	\$ -	\$ 7,309
Amortization	-	-	-	-	-	627	-	627
Salaries	62,400	26,878	-	89,278	62,401	29,470	1,554	93,425
Payroll taxes/benefits	5,706	2,457	-	8,163	5,717	2,700	142	8,559
Contract services	52,360	2,918	60,500	115,778	76,212	2,918	-	79,130
Donated technical services	157,175	-	-	157,175	118,344	-	-	118,344
Travel and entertainment	99,563	-	-	99,563	50,501	-	-	50,501
Computer and IT services	9,673	3,130	602	13,405	-	7,795	-	7,795
Professional fees	-	16,038	-	16,038	-	7,900	-	7,900
Postage and delivery	-	1,625	-	1,625	-	338	-	338
Office supplies	-	568	1,684	2,252	-	4,572	-	4,572
Dues and subscriptions	636	-	-	636	913	-	-	913
Insurance	-	3,331	-	3,331	-	4,479	-	4,479
Equipment	98	-	-	98	967	-	-	967
Other	-	-	-	-	5,394	-	-	5,394
Training and related materials	7,468	-	-	7,468	24,154	-	-	24,154
Website	2,494	-	-	2,494	4,767	-	-	4,767
Occupancy	16,107	4,845	371	21,323	16,217	5,848	-	22,065
Interest and bank fees	-	7,827	-	7,827	-	9,544	-	9,544
	<u>\$ 413,680</u>	<u>\$ 77,531</u>	<u>\$ 63,157</u>	<u>\$ 554,368</u>	<u>\$ 365,587</u>	<u>\$ 83,500</u>	<u>\$ 1,696</u>	<u>\$ 450,783</u>
Supplementary Information:								
Percentage to total	74.6%	14.0%	11.4%	100.0%	81.1%	18.5%	0.4%	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.

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

(d) Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents. The Organization maintains cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000. The Organization has not experienced any loss in such accounts.

(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, 2017 and 2016.

(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.

THE SHAKEN BABY ALLIANCE
Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(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.

(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 2017 was \$157,175 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 2017 and 2016. Related revenues compose 25% and 47% of total revenues and support in 2017 and 2016, 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 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. INVESTMENTS

Investments consist of a certificate of deposit that matures in May 2024. The certificate earns interest at 2.5%. The certificate of deposit is carried at fair value as determined by Level 2 inputs which consist of observable inputs such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

	Fair Value	Cost	Total Gains (Losses)
Certificate of deposit	\$4,938	\$5,000	(\$62)

3. 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, 2017, there is \$12,000 in accrued rent recorded on the Statement of Financial Position related to this lease.

4. 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 7.00% (a total of 11.5%). There is \$100,000 available on the line of credit at December 31, 2017. The line of credit was extended into March 2019.

THE SHAKEN BABY ALLIANCE
Notes to Financial Statements

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 consist of \$5,000 in grant funds which are restricted to assistance to families of deceased children and may only be spent on emergency financial needs of the family or case consultation services to provide justice.

6. 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.