

**THE SHAKEN BABY ALLIANCE, INC**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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# CHARLES O. PAUL

## CERTIFIED PUBLIC ACCOUNTANT

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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, 2018 and 2017, 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, 2018 and 2017, 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  
August 17, 2019  
North Richland Hills, Texas

**THE SHAKEN BABY ALLIANCE**  
**Statements of Financial Position**  
**December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b><u>ASSETS</u></b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 10,744	\$ 82,939
Investments	4,740	4,938
Accounts receivable	26,920	734
Prepaid expenses	600	600
<b>Total current assets</b>	<b>43,004</b>	<b>89,211</b>
<b>Property and equipment, at cost:</b>		
Office Furniture, fixtures and equipment	19,617	19,617
Leasehold improvements	13,645	13,645
	33,262	33,262
<b>Less accumulated depreciation</b>	<b>(21,089)</b>	<b>(16,842)</b>
	12,173	16,420
<b>Total assets</b>	<b>\$ 55,177</b>	<b>\$ 105,631</b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 15,996	\$ 31,190
Line of credit	27,260	-
<b>Total current liabilities</b>	<b>43,256</b>	<b>31,190</b>
<b>Unrestricted net assets</b>	<b>11,921</b>	<b>74,441</b>
<b>Total liabilities and net assets</b>	<b>\$ 55,177</b>	<b>\$ 105,631</b>

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

**THE SHAKEN BABY ALLIANCE**  
**Statements of Activities**  
**For the Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Unrestricted Revenues, Gains and Other Support:</b>		
Contract and grant revenue	\$ 77,416	\$ 224,741
Foundation grants	92,500	160,000
Contributions	36,026	29,138
Contributions - in-kind	160,038	157,175
Program services	60,688	50,230
Product sales	7,780	6,775
Special events, net of direct costs of \$14,782	2,443	150
Interest income	178	13
	<u>437,069</u>	<u>628,222</u>
<b>Expenses:</b>		
Program services	371,065	413,680
General and administrative	75,024	77,531
Fundraising	53,500	63,157
	<u>499,589</u>	<u>554,368</u>
Change in unrestricted net assets	(62,520)	73,854
<b>Unrestricted net assets at beginning of year</b>	<u>74,441</u>	<u>587</u>
<b>Unrestricted net assets at end of year</b>	<u><u>\$ 11,921</u></u>	<u><u>\$ 74,441</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, 2018 and 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (62,520)	\$ 73,854
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,247	7,914
Change in assets and liabilities		
(Increase) decrease in:		
Accounts receivable	(26,186)	19,484
Increase (decrease) in:		
Accounts payable	(15,194)	1,609
	(99,653)	102,861
Net cash provided by (used in) operating activities		
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
(Increase) decrease of investments	198	(4,938)
Capital expenditures	-	(9,974)
	198	(14,912)
Net cash used in investing activities		
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Net borrowing (repayment) on line of credit	27,260	(40,000)
	27,260	(40,000)
Net cash used in financing activities		
Net change in cash and cash equivalents	(72,195)	52,887
Cash at beginning of year	82,939	30,052
Cash at end of year	\$ 10,744	\$ 82,939
<b>Supplemental cash flow information</b>		
Interest received during the year	\$ 178	\$ 13
Interest paid during the year	\$ 1,025	\$ 7,827

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, 2018 and 2017

	2018				2017			
	Programs	General and Administrative	Fundraising	Total	Programs	General and Administrative	Fundraising	Total
Depreciation	\$ -	\$ 4,247	\$ -	\$ 4,247	\$ -	\$ 7,914	\$ -	\$ 7,914
Salaries	56,400	27,797	-	84,197	62,400	26,878	-	89,278
Payroll taxes/benefits	4,837	2,383	-	7,220	5,706	2,457	-	8,163
Contract services	53,049	6,557	53,500	113,106	52,360	2,918	60,500	115,778
Donated technical services	160,038	-	-	160,038	157,175	-	-	157,175
Travel and entertainment	59,699	-	-	59,699	99,563	-	-	99,563
Computer and IT services	11,876	660	-	12,536	9,673	3,130	602	13,405
Professional fees	-	28,122	-	28,122	-	16,038	-	16,038
Postage and delivery	-	606	-	606	-	1,625	-	1,625
Office supplies	-	1,143	-	1,143	-	568	1,684	2,252
Dues and subscriptions	290	-	-	290	636	-	-	636
Insurance	-	2,484	-	2,484	-	3,331	-	3,331
Equipment	98	-	-	98	98	-	-	98
Other	-	-	-	-	-	-	-	-
Training and related materials	10,763	-	-	10,763	7,468	-	-	7,468
Website	1,270	-	-	1,270	2,494	-	-	2,494
Occupancy	12,745	-	-	12,745	16,107	4,845	371	21,323
Interest and bank fees	-	1,025	-	1,025	-	7,827	-	7,827
	<u>\$371,065</u>	<u>\$ 75,024</u>	<u>\$ 53,500</u>	<u>\$ 499,589</u>	<u>\$ 413,680</u>	<u>\$ 77,531</u>	<u>\$ 63,157</u>	<u>\$ 554,368</u>
Supplementary Information:								
Percentage to total	74.3%	15.0%	10.7%	100.0%	74.6%	14.0%	11.4%	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 other forms of child physical abuse; and to disseminate information and provide professional training with regard to child physical abuse, and crimes against vulnerable victims including children, the elderly, and people with disabilities. Its current programs include providing support for victim families and professionals (through training and case consultation), to provide education for prevention of abuse and to provide justice for the innocent victims. 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.
- Professional Support –
  - Training – providing a full range of forensic investigative training programs for investigating crimes against vulnerable victims including children, the elderly, and people with disabilities to professionals including law enforcement, child/adult protection, medical practitioners, mental health, and legal professionals.
  - Case Consultation – providing case consultation services nationwide related to crimes against children, the elderly, and people with disabilities.
- Prevention Education – evidence-based prevention education program to prevent child abuse designed for delivery in hospitals, school systems, and the community.

**(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.

**THE SHAKEN BABY ALLIANCE**  
**Notes to Financial Statements**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**(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.

**(e) 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.

**(f) 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, 2018 and 2017.

**(g) 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.

**THE SHAKEN BABY ALLIANCE**  
**Notes to Financial Statements**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**(h) 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.

**(i) Subsequent Events**

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

**(j) 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 2018 and was \$160,038 and \$157,175, respectively, 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.

**THE SHAKEN BABY ALLIANCE**  
**Notes to Financial Statements**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**(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. \$24,706 in contracts and grants receivable and related revenues are due from agreements with the Texas Department of Family and Protective Services (TDFPS) in 2018. Related revenues compose 18% and 25% of total revenues and support in 2018 and 2017, respectively. The contract with TDFPS ended in 2018

**(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	\$4,729	\$5,000	(\$271)

**3. LEASES**

The Alliance leases office space and a storage facility under a month-to-month operating lease. Rent due under this lease is \$500 per month.

**THE SHAKEN BABY ALLIANCE**  
**Notes to Financial Statements**

**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, 2018. The line of credit was extended into March 2020.

**5. 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.