RAISING SPECIAL KIDS, INC.

Financial Statements
Together with Independent Auditor's Report
June 30, 2021

Schmidt WESTERGARD
CERTIFIED PUBLIC ACCOUNTANTS

RAISING SPECIAL KIDS, INC.

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Schmidt WESTERGARD

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Raising Special Kids, Inc.

We have audited the accompanying financial statements of Raising Special Kids, Inc. (the "Organization") (an Arizona non-profit organization) which comprise the statement of financial position as of June 30, 2021 and the related statements of activities, functional expenses, and cash flows for the 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.

Auditor's 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 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 the 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 the Organization as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Schmidt Westergard & Company, PLLC

Mesa, Arizona
January 11, 2022

RAISING SPECIAL KIDS, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2021

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	1,315,211
Contributions receivable		99,635
Assets held by others		314,161
Prepaid expenses and other current assets		36,959
Total current assets		1,765,966
PROPERTY AND EQUIPMENT, NET		3,602
TOTAL ASSETS	$	1,769,568
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$	330
Accrued expenses		24,719
Deferred revenue		4,300
Total current liabilities		29,349
NET ASSETS		
Without donor restrictions		
Undesignated		1,142,594
Board-designated		500,000
Total net assets without donor restrictions		1,642,594
With donor restrictions		97,625
Total net assets		1,740,219
TOTAL LIABILITIES AND NET ASSETS	$	1,769,568

RAISING SPECIAL KIDS, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions - State grants	$ 771,361	$ -	$ 771,361
Contributions - Federal grants	736,456	-	736,456
Contributions - Donations	344,142	52,712	396,854
Net investment return	14,335	-	14,335
Gain on forgiveness of note payable - Paycheck Protection Program	155,216	-	155,216
Total support and revenue	2,021,510	52,712	2,074,222
NET ASSETS RELEASED FROM RESTRICTIONS	96,988	(96,988)	-
TOTAL SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	2,118,498	(44,276)	2,074,222
EXPENSES			
Program services	1,498,543	-	1,498,543
Fundraising and development	76,038	-	76,038
Management and general	250,858	-	250,858
Total expenses	1,825,439	-	1,825,439
Change in net assets	293,059	(44,276)	248,783
NET ASSETS – Beginning of year	1,349,535	141,901	1,491,436
NET ASSETS – End of year	$ 1,642,594	$ 97,625	$ 1,740,219

RAISING SPECIAL KIDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2021

	Program Services	Supporting Activities			
	Family Support Services	Fundraising and Development	Management and General	Total Supporting Activities	Total
Salaries and benefits	$ 1,210,079	$ 28,833	$ 142,911	$ 171,744	$ 1,381,823
Resource materials	4,854	47	167	214	5,068
Membership dues and subscriptions	809	1	3,805	3,806	4,615
Rent	53,638	1,197	4,788	5,985	59,623
Data/Website	32,105	500	5,750	6,250	38,355
Transportation	194	-	-	-	194
Professional fees	79,260	43,011	72,854	115,865	195,125
Supplies	30,248	627	2,512	3,139	33,387
Training and development	1,464	22	115	137	1,601
Depreciation	2,220	49	197	246	2,466
Postage and shipping	12,771	284	1,298	1,582	14,353
Printing	441	265	39	304	745
Telephone	16,873	347	1,390	1,737	18,610
Bank charges	-	-	4,094	4,094	4,094
Insurance	7,795	173	693	866	8,661
Other	45,792	682	10,245	10,927	56,719
Total expenses	$ 1,498,543	$ 76,038	$ 250,858	$ 326,896	$ 1,825,439

RAISING SPECIAL KIDS, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 248,783
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	2,466
Realized and unrealized (gains) losses on investments, net	(13,549)
Gain of forgiveness of Note Payable - Paycheck Protection Program	(155,216)
Decrease in	
Accounts receivable	47,403
Prepaid expenses and other current assets	325
Increase (decrease) in	
Accounts payable	(14,065)
Accrued expenses	24,562
Deferred revenue	2,500
Net cash provided by operating activities	143,209
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of assets held by others	(300,611)
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment on note payable - Paycheck Protection Program	(51,184)
Net decrease in cash and cash equivalents	(208,586)
CASH AND CASH EQUIVALENTS - Beginning of year	1,523,797
CASH AND CASH EQUIVALENTS - End of year	$ 1,315,211

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

1. Description of Organization

Raising Special Kids, Inc. (the "Organization") began operations in Arizona in 1985 and provides support, information, and education to parents of children with disabilities through parent-to-parent training and linkages. Throughout all areas, the Organization attempts to develop services for parents representing the variety of cultures and families in Arizona. The Organization is funded primarily by government grants and contracted services.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Organization prepares its financial statements on the accrual basis of accounting. As required by accounting principles generally accepted in the United States of America ("US GAAP"), the Organization reports net assets and revenues based upon the existence of or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

> Net assets without donor restrictions – Net assets available for general use and not subject to donor restrictions. As reflected in the accompanying financial statements, the Organization's Board of Directors has designated a portion of these net assets for purposes identified and approved by the Board of Directors.
>
> Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature and will be met either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature because the donor has stipulated that resources be maintained in perpetuity.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, savings and money market funds. The Organization considers all highly liquid financial instruments purchased with original maturities of three months or less to be cash equivalents. The Organization believes it mitigates any risks by depositing cash and investing in cash equivalents with major financial institutions.

Promises to Give

Unconditional promises to give (contributions receivable) are recognized as revenue in the period the promise is received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates, adjusted for market risk as determined by management, applicable to the years in which the promises are received. Amortization of the discounts is included in contributions and bequests.

Assets Held by Others

The Organization follows US GAAP for transactions in which a community fund accepts a contribution from a donor and agrees to transfer these assets, the return on investment of these assets, or both, to another entity that is specified by the donor. US GAAP requires that if a not-for-profit organization establishes a fund at a community fund with its own funds and specifies itself as the beneficiary of that fund, it must record the fund as an asset and the community fund must account for the fund as a liability. The Organization has such funds with Arizona

Community Fund, Inc. ("ACF"). The Organization may draw on these funds subject to the terms of the agreement when the funds were transferred to ACF.

The amounts held by ACF at June 30, 2021 are recorded in the accompanying statement of financial position as assets held by others. The Organization reports its investments in ACF (various marketable securities) at fair value.

These investments, are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect account balances and the amounts reported in the accompanying financial statements.

P*roperty and Equipment*

Property and equipment are recorded at cost when purchased. The Organization capitalizes assets with a basis of $3,000 or more and an estimated useful life of one or more years. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without restrictions 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 property and equipment are reported as restricted contributions absent donor stipulations regarding how long those donated assets must be maintained. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Depreciation of property and equipment is computed on a straight-line basis over the estimated useful lives, which range from 3 to 7 years.

Deferred Revenue

Deferred revenue consists of funds received in advance of the related services being provided.

Note Payable – Paycheck Protection Program

As described in more detail in Note 7, in April 2020, the Organization entered into a note payable agreement with a bank under the provisions of the Paycheck Protection Program ("PPP"). The Organization accounts for the agreement in accordance with the provisions of FASB Accounting Standards Codification ("ASC") 470, *Debt*. Accordingly, amounts outstanding under the note payable agreement were reflected as a liability in the statement of financial position until the Organization was legally released from the obligation through forgiveness.

Contributions and Grants

Contributions and grants, including unconditional promises to give, are recognized as revenue in the period received. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until they become unconditional, that is, when the barrier(s) in the agreement are overcome.

Unconditional contributions with no purpose or time restrictions are reported as revenues without donor restrictions. Unconditional contributions, bequests, strategic partnerships, and grants with donor-imposed restrictions that limit the use of the asset are reported as revenue with donor restrictions and are reclassified to net assets without donor restrictions when an expense is incurred that satisfies the donor-imposed restriction. However, for unconditional donor-restricted contributions there were initially conditional, if donor-imposed restrictions are met in the same year that they become unconditional, the revenues are reported as revenues without donor restrictions on the statements of activities.

Revenue Recognition

Revenue consists of amounts earned from federal, state, and local sources through contributions, bequests, and grants. A majority of funds are generally received on a reimbursement basis and, accordingly, revenues are recognized when qualifying expenses have been incurred and when all other requirements have been met.

Donated Materials and Services

The Organization recognizes donations of materials and services received at their estimated fair value if such services create or enhance nonfinancial assets or require specialized skills which are provided by individuals possessing those skills and would otherwise need to be purchased if not donated. Donated materials and services are recognized as contributions in the accompanying financial statements at their estimated value at the date of receipt. The Organization received donated materials and professional services of approximately $12,000 for the year ended June 30, 2021.

No amounts have been reflected in the financial statements for certain donated volunteer services because they did not qualify for recording under U.S. GAAP; however, a substantial number of volunteers have donated significant amounts of their time to the Organization's program services. Volunteer hours not recognized in the financial statements were received for the following programs:

Parent to Parent Peer Support	1,343
Training/Other Professional Services	497
Board of Directors	304
Total volunteer hours	2,144

Net Investment return

Net investment return consisted of the following for the year ended June 30, 2021:

Interest Income	$	1,305
Net realized and unrealized gains (losses)		13,549
Direct external investment expense		(519)
Net investment return	$	14,335

Functional Expense Allocation

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the accompanying statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied.

Allocated expenses primarily consist of the following:

- *Depreciation and rent*: Allocated on the basis of estimated square footage utilized
- *Salaries and benefits:* Allocated on the basis of estimates of time and effort

Income Tax Status

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC") and similar state provisions. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the IRC and has been classified as an organization other than a private foundation under Section 509(a)(1) of the IRC.

The Organization follows US GAAP related to accounting for income tax uncertainties. Under this guidance, the Organization accounts for the effect of any uncertain tax positions based on whether it is "more-likely-than-not" that the position will be sustained by the taxing authority upon examination. The Organization routinely evaluates potential uncertain tax positions. The Organization has identified its status as an exempt organization as a tax position; however, the Organization has determined that such tax position does not result in an uncertainty that requires recognition.

The Organization files informational income tax returns in the U.S. federal jurisdiction and in certain state and local jurisdictions. As of June 30, 2021, U.S. federal informational and income tax returns for the three most recent years are open to assessment. Interest and penalties, if any, are accrued as a component of management and general expenses when assessed.

Newly Adopted Accounting Pronouncement

In May 2014, FASB issued ASU 2014-09, *Revenues from Contracts with Customers (Topic 606)* ("ASU 2014-09") and has subsequently modified the standard. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization has implemented this standard during the year ended June 30, 2021. The adoption of ASU 2014-09 did not have a material impact on the accompanying financial statements.

Recent Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 replaces existing leasing rules with a comprehensive lease measurement and recognition standard and expanded disclosure requirements. ASU 2016-02 will require lessees to recognize most leases in their statement of financial position as liabilities, with corresponding "right of use" assets. As amended by ASU 2019-10, Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates, and ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities, the new standard is effective for annual reporting periods of nonpublic companies beginning after December 15, 2021. The Organization is currently evaluating the magnitude and other potential impacts on its financial statements.

In September 2020, FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets to increase transparency for contributed nonfinancial assets through enhancements to presentation and disclosure. ASU 2020-07 will require contributed nonfinancial assets to be presented in a separate line item in the statement of activities (apart from contributions of cash and other financial assets) and will required expanded disclosures regarding the nature and utilization of contributed nonfinancial assets as well as descriptions of any donor restrictions and the valuation methodology and inputs used to determine fair value. ASU 2020-07 is effective for annual reporting periods beginning after June 15, 2021. The Organization is currently evaluating the magnitude and other potential impacts on its financial statements

3. Estimates

The preparation of the financial statements in conformity with US GAAP 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 period. Actual results may differ from those estimates.

4. Financial Assets Available for General Use

The following reflects the Organization's financial assets as of June 30, 2021, reduced by amounts not available for general use because of donor-imposed restrictions. Amounts not available include net assets with donor-imposed restrictions, time and purpose restrictions, and amounts set aside as a quasi-endowment fund that could be drawn upon if the governing board approves that action.

Financial assets:		
Cash and cash equivalents	$	1,315,211
Contributions receivable		99,635
Assets held by others		314,161
Total financial assets		1,729,007
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Amounts subject to donor purpose or time restrictions		(97,625)
Board designations		(500,000)
Financial assets available to meet cash needs for general expenditures within one year	$	1,131,382

The Organization is supported by contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity, management follows a policy to maintain and utilize the Organization's financial assets in such a way that the financial assets are available as the Organization's general expenditures, liabilities, and other obligations come due. Additionally, there is a quasi-endowment established by the board of directors that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

5. Fair Value Measurements

The Organization follows US GAAP for accounting for certain assets and liabilities that are required to be measured at fair value. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an "exit price") on the measurement date in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants (with no compulsion to buy or sell). This guidance also establishes a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures.

The hierarchy below lists the three levels of fair value based on the extent to which inputs used in measuring fair value are observable in the market:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.);
- Inputs that are deprived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

For assets and liabilities measured at fair value on a recurring basis, the fair value hierarchy requires the use of observable market data when available. In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Assets held by others are made up of various marketable securities based on quoted market prices. Investment income is recorded on an accrual basis, and purchases and sales of marketable securities are reflected on a trade-date basis. Realized gains and losses are calculated using the average cost for marketable securities sold.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes that its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets that are measured at fair value as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Assets held by others	$ 314,161	$ -	$ -	$ 314,161

6. Property and Equipment

Property and equipment consisted of the following at June 30, 2021:

Furniture and equipment	$	125,569
Less - Accumulated depreciation		(121,967)
Property and equipment, net	$	3,602

Depreciation expense totaled approximately $2,500 for the year ended June 30, 2021.

7. Note Payable - Payroll Protection Program

In April 2020, the Organization secured a loan for approximately $206,000 from the Small Business Administration Paycheck Protection Program ("SBA PPP") under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. SBA PPP loans and accrued interest were forgivable after eight-weeks, as long as the Organization used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness is reduced if the Organization terminates employees or reduces salaries during the eight-week period. The unforgiven portion of the SBA PPP loan is payable over two years and bears interest at 1.0%, with the first six months of principal and interest deferred. The SBA PPP loan was partially forgiven in the amount of $155,216 on April 14, 2021 and was recognized in the accompanying statement of activities. The unforgiven portion of $51,184 was paid in full in April 2021.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2021:

Subject to expenditure for specified purposes:		
Family support staff / Licensed social worker	$	97,625
Total net assets with donor restrictions	$	97,625

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of the passage of time or other events specified by donors, as follows during the year ended June 30, 2021:

Expended for specific purposes:		
Family support staff / Licensed social worker	$	(96,988)
Total net assets with donor restrictions	$	(96,988)

9. Employee Benefit Plans

The Organization maintains a defined contribution 403(b) Salary Reduction Plan which is available to all employees. Under the plan, employees can elect to have their salary reduced on a pre-tax basis, based on a percentage of compensation. The Organization has the option of matching employee contributions and the employee may contribute up to 15% of his or her salary. The Organization contributed 1% of each eligible employee's salary totaling approximately $5,000 to the plan during the year ended June 30, 2021.

10. Commitments and Contingencies

Operating Leases

The Organization leases office space and equipment under noncancelable operating leases requiring monthly payments totaling approximately $4,000, which increase over the term and expire through September 2024.

Future minimum rental payments under the noncancelable operating leases for the year ended June 30, 2021 are as follows:

Year Ending June 30	
2022	49,400
2023	50,174
2024	14,473
2025	418
Total minimum future payments	$ 114,465

Rental expense for the year ended June 30, 2021, totaled approximately $60,000.

COVID-19

In December 2019, a novel strain of coronavirus (also known as COVID-19) was reported to have surfaced in Wuhan, China. The outbreak is currently classified as a pandemic. The situation continues to evolve and there is significant uncertainty around the breadth and duration of the impact of COVID-19. As a result, management cannot predict the extend to which the coronavirus will directly or indirectly affect the Organization and its operating results.

11. Concentrations

Credit Risk

The Organization maintains its cash in bank deposit accounts and money market accounts, which at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash balances. At June, 2021, the Organization had uninsured cash balances of approximately $833,000.

Significant Donors

The Organization received significant contributions from various donors in 2021. Contributions from Donor A were approximately 29% and Donor B approximately 19% of total support and revenue for the year ended June 30, 2021.

12. Subsequent Event

Management evaluated subsequent events through January 11, 2022, the date the financial statements were available to be issued.