RAISING SPECIAL KIDS, INC.

Independent Auditor's Report, Financial Statements, and OMB Uniform Guidance Supplementary Information and Reports

June 30, 2022 and 2021

RAISING SPECIAL KIDS, INC.

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FORV/S

77 W. University Drive / Mesa, AZ 85201
P 480.834.6030 / F 480.644.9877
forvis.com

Independent Auditor's Report

Board of Directors
Raising Special Kids, Inc.
Phoenix, Arizona

Opinion

We have audited the financial statements of Raising Special Kids, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flow for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Raising Special Kids, Inc. as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Raising Special Kids, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Year Audited by Other Auditors

The financial statements as of and for the year ended June 30, 2021, were audited by other auditors, and their report thereon, dated January 11, 2022, expressed an unmodified opinion. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

FORVIS, LLP

Mesa, Arizona
February 23, 2023

RAISING SPECIAL KIDS, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,607,682	$ 1,315,211
Contributions receivable	148,693	99,635
Prepaid expenses and other current assets	47,187	36,959
Total current assets	1,803,562	1,451,805
ASSETS HELD BY OTHERS	378,448	314,161
PROPERTY AND EQUIPMENT, net	1,428	3,602
	$ 2,183,438	$ 1,769,568
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 12,022	$ 330
Accrued expenses	5,454	24,719
Refundable advances	172,302	4,300
Total current liabilities	189,778	29,349
Net Assets		
Without donor restrictions		
Undesignated	1,326,926	1,142,594
Designated by the Board for operating reserve	500,000	500,000
Designated by the Board for endowment	96,216	-
Total net assets without donor restrictions	1,923,142	1,642,594
With donor restrictions	70,518	97,625
Total net assets	1,993,660	1,740,219
	$ 2,183,438	$ 1,769,568

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

RAISING SPECIAL KIDS, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions - State grants	$ 786,952	$ -	$ 786,952
Contributions - Federal grants	790,462	-	790,462
Contributions - Donations	701,136	70,519	771,655
Net investment return	(35,059)	-	(35,059)
Total support and revenue	2,243,491	70,519	2,314,010
Net Assets Released from Restrictions	97,626	(97,626)	-
Total support and revenue and net assets released from restrictions	2,341,117	(27,107)	2,314,010
Expenses			
Program services	1,693,761	-	1,693,761
Fundraising and development	129,395	-	129,395
Management and general	237,413	-	237,413
Total expenses	2,060,569	-	2,060,569
Change in Net Assets	280,548	(27,107)	253,441
Net Assets, Beginning of Year	1,642,594	97,625	1,740,219
Net Assets, End of Year	$ 1,923,142	$ 70,518	$ 1,993,660

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, 2022

	Program Services	Supporting Activities			
	Family Support Services	Fundraising and Development	Management and General	Total Supporting Activities	Total
Salaries and benefits	$ 1,402,314	$ 41,860	$ 113,972	$ 155,832	$ 1,558,146
Resource materials	4,712	103	381	484	5,196
Membership dues and subscriptions	350	-	3,869	3,869	4,219
Rent	54,959	1,168	4,667	5,835	60,794
Data/Website	23,252	517	5,667	6,184	29,436
Transportation	4,592	701	80	781	5,373
Professional fees	77,589	76,811	82,587	159,398	236,987
Supplies	21,648	1,036	2,358	3,394	25,042
Training and development	1,271	22	90	112	1,383
Depreciation	1,957	44	173	217	2,174
Postage and shipping	14,663	349	1,303	1,652	16,315
Telephone	19,107	413	2,131	2,544	21,651
Bank charges	-	1,119	4,332	5,451	5,451
Insurance	10,216	177	708	885	11,101
Other	57,131	5,075	15,095	20,170	77,301
Total expenses	$ 1,693,761	$ 129,395	$ 237,413	$ 366,808	$ 2,060,569

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.
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	$ 253,441	$ 248,783
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	2,174	2,466
Realized and unrealized (gains) losses on investments, net	37,497	(13,549)
Gain on forgiveness of note payable - Paycheck Protection Program	-	(155,216)
Decrease (increase) in		
Contributions receivable	(49,058)	47,403
Prepaid expenses and other current assets	(10,228)	325
Increase (decrease) in		
Accounts payable	11,692	(14,065)
Accrued expenses	(19,265)	24,562
Refundable Advances	168,002	2,500
Net cash provided by operating activities	394,255	143,209
Cash Flows from Investing Activities		
Purchases of assets held by others	(101,784)	(300,611)
Cash Flows from Financing Activities		
Repayment on note payable - Paycheck Protection Program	-	(51,184)
Net Increase (Decrease) in Cash and Cash Equivalents	292,471	(208,586)
Cash and Cash Equivalents, Beginning of Year	1,315,211	1,523,797
Cash and Cash Equivalents, End of Year	$ 1,607,682	$ 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:

> <u>Net assets without donor restrictions</u> – 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.
>
> <u>Net assets with donor restrictions</u> – 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, 2022 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.

Refundable Advances

Refundable advances consist of funds received in a conditional contribution and are not recognized as revenue until the conditions have been substantially met or explicitly waived by the donor.

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. 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:

	2022	2021
Parent to Parent peer support	1,548	1,343
Training/other professional services	399	497
Board of Directors	309	304
Total volunteer hours	2,256	2,144

Net Investment return

Net investment return consisted of the following for the years ended June 30:

	2022	2021
Interest income	$ 5,449	$ 1,305
Net realized and unrealized gains (losses)	(37,498)	13,549
Direct external investment expense	(3,010)	(519)
Net investment return	$ (35,059)	$ 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, 2022, 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

During the year ended June 30, 2022, the Organization adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* on a retrospective basis. ASU 2020-07 increases transparency for contributed nonfinancial assets through enhancements to presentation and disclosure. ASU 2020-07 requires contributed nonfinancial assets to be presented in a separate line item in the consolidated statement of activities (apart from contributions of cash and other financial assets) and requires expanded disclosures about the valuation methodology for, use of, and donor-imposed restrictions associated with contributed nonfinancial assets. Adoption of ASU 2020-07 did not have an impact on amounts reported in the Organization's consolidated financial statements as of and for the years ended June 30, 2022 and 2021.

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.

Subsequent Events

Management evaluated subsequent events through February 23, 2023, the date the financial statements were available to be issued.

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, 2022, 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.

	2022	**2021**
Financial assets		
Cash and cash equivalents	$ 1,607,682	$ 1,315,211
Contributions receivable	148,693	99,635
Assets held by other	378,448	314,161
Total financial assets	2,134,823	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	(70,518)	(97,625)
Board designations	(596,216)	(500,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,468,089	$ 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 tables set forth, by level within the fair value hierarchy, the Organization's assets that are measured at fair value on a recurring basis as of June 30:

	2022			
	Level 1	Level 2	Level 3	Total
Assets held by others	$ 378,448	$ -	$ -	$ 378,448

	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:

	2022	2021
Furniture and equipment	$ 59,955	$ 125,569
Less - Accumulated depreciation	(58,527)	(121,967)
Property and equipment, net	$ 1,428	$ 3,602

Depreciation expense totaled approximately $2,000 and $2,500 for the years ended June 30, 2022 and 2021, respectively.

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. The Organization received partial forgiveness in the amount of $155,216 on April 14, 2021. The amount that was forgiven was recognized in the accompanying statement of activities for the year ended June 30, 2021. The unforgiven portion of $51,184 was paid in full in April 2021.

8. Board Designated Endowment

In May 2022, the Organization's Board of Directors designated $100,000 to function as an endowment. The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The endowment funds are held by ACF. Net investment return related to the endowment was approximately $3,800 for the year ended June 30, 2022, and no amounts were appropriated for expenditure.

9. Net Assets with Donor Restrictions

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

	2022	2021
Subject to expenditure for specified purposes		
Family support staff/licensed social worker	$ 70,518	$ 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:

	2022	2021
Expended for specific purposes		
Family support staff/licensed social worker	$ (97,626)	$ (96,988)

10. 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 years ended June 30, 2022 and 2021, respectively.

11. 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 are as follows:

Year ending June 30	
2023	$ 50,174
2024	14,473
2025	418
Total minimum future payments	$ 65,065

Rental expense for the years ended June 30, 2022 and 2021, totaled approximately $61,000 and $60,000, respectively.

12. 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 30, 2022, the Organization had uninsured cash balances of approximately $1,117,000.

Significant Donors

The Organization received significant contributions from various donors. Contributions from Donor A were approximately 25% and 29% of total support for the years ended June 30, 2022 and 2021, respectively. Contributions from donor B were approximately 16% and 19% of total support and revenue for the years ended June 30, 2022 and 2021, respectively.

OMB UNIFORM GUIDANCE SUPPLEMENTARY INFORMATION AND REPORTS

RAISING SPECIAL KIDS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2022

Federal Grantor / Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development				
Community Development Block Grants and Entitlement Grants				
City of Phoenix	14.218	155176--0	$ -	$ 30,258
City of Peoria	14.218	2020-2021	-	50,000
Total CDBG - Entitlement Grants Cluster			-	80,258
U.S. Department of the Treasury				
Maricopa County Human Services Department				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	220148-RFP	-	32,776
U.S. Department of Education				
Special education-training and information for parents of children with disabilities	84.328M		-	371,814
Arizona Department of Economic Services				
Special Education - Grants for Infants and Families	84.181	CTR046015	-	187,384
PEAK Parent Center				
Rehabilitation Services Demonstration and Training Programs	84.235F	06/12/2020	-	36,390
Total U.S. Department of Education			-	595,588

RAISING SPECIAL KIDS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2022

Federal Grantor / Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services				
Family-to-Family Health				
Information Centers	93.504		-	96,363
Parents Reaching Out to Help Incorporated				
Family-to-Family Health Information Centers	93.504	6 H84MC32236-04-01	-	34,726
Arizona Department of Health Services				
Diverse Ability Incorporated				
Maternal and Child Health				
Services Block Grant to the States	93.994	2021-2026	-	47,519
Total U.S. Department of Health and Human Services			-	178,608
Total federal awards expended			$ -	$ 887,230

RAISING SPECIAL KIDS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Raising Special Kids, Inc. (the Organization) under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. Of the federal expenditures presented in the Schedule, none were provided to subrecipients.

3. Indirect Cost Rate

The Organization did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

FORVIS

77 W. University Drive / Mesa, AZ 85201
P 480.834.6030 / **F** 480.644.9877
forvis.com

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Directors
Raising Special Kids, Inc.
Phoenix, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Raising Special Kids, Inc. (the Organization), which comprise the Organization's statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 23, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS, LLP

Mesa, Arizona
February 23, 2023

FORVIS

77 W. University Drive / Mesa, AZ 85201
P 480.834.6030 / **F** 480.644.9877
forvis.com

Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance

Independent Auditor's Report

Board of Directors
Raising Special Kids, Inc.
Phoenix, Arizona

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Raising Special Kid's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2022. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal program

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

FORVIS, LLP

Mesa, Arizona
February 23, 2023

RAISING SPECIAL KIDS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2022

1. Summary of Independent Auditor's Results

a. Type of Report Issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**

b. Internal Control deficiencies over financial reporting disclosed by the audit of the financial statements:

- Material weaknesses: **No**
- Significant deficiencies: **None reported**

c. Noncompliance material to the financial statements: **No**

d. Internal control deficiencies over major programs disclosed by the audit:

- Material weaknesses: **No**
- Significant deficiencies: **None reported**

e. Type of Report Issued on Compliance for Major Programs: **Unmodified**

f. Audit findings that are required to be reported in accordance with 2CFR section 200.516: **No**

g. Major Programs: **Special Education Parent Information Center – ALN 84.328M**

h. Dollar threshold for distinguishing between Type A and Type B Programs: **$750,000**

i. Auditee qualified as a low-risk auditee: **No**

2. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

No matters are reportable.

3. Findings and Questioned Costs Relating to Federal Awards

No matters are reportable.