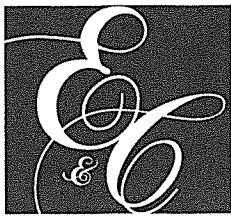


**SHERWOOD CENTER
FOR THE EXCEPTIONAL CHILD
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
JUNE 30, 2016**

SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD

JUNE 30, 2016

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EMERICK & COMPANY, P.C.

David Emerick
Rick Hann

CERTIFIED PUBLIC ACCOUNTANTS, AUDITING & TAX PROFESSIONALS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Sherwood Center for the Exceptional Child
Kansas City, Missouri

We have audited the accompanying financial statements of Sherwood Center for the Exceptional Child (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows 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.

Auditors' 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 auditors' 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 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 Sherwood Center for the Exceptional Child as of June 30, 2016, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 10 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 is 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.

Ernst & Company, P.C.

Kansas City, Missouri
December 13, 2016

**SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016**

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 663,709
Accounts receivable	331,065
Contributions receivable	73,867
Prepaid expenses	<u>30,231</u>
Total Current Assets	<u>1,098,872</u>
PROPERTY AND EQUIPMENT	
Property and equipment	2,014,521
Accumulated depreciation	<u>(648,329)</u>
Total Property and Equipment	<u>1,366,192</u>
OTHER ASSETS	
Loan origination fee, net	<u>1,107</u>
Total Other Assets	<u>1,107</u>
TOTAL ASSETS	<u><u>\$ 2,466,171</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 41,926
Accrued expenses	97,129
Current portion of note payable	<u>52,994</u>
Total Current Liabilities	<u>192,049</u>
NOTE PAYABLE, less current portion	<u>737,133</u>
TOTAL LIABILITIES	<u>929,182</u>
NET ASSETS	
Temporarily restricted	40,873
Unrestricted	<u>1,496,116</u>
Total Net Assets	<u>1,536,989</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,466,171</u></u>

See Notes to Financial Statements

**SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

UNRESTRICTED NET ASSETS	
SUPPORT AND REVENUE	
Adult day and family support	\$ 435,344
Special education	2,264,401
Contributions and grants	198,964
Fundraising income	41,641
Interest income	769
Other income	<u>14,872</u>
	2,955,991
TOTAL SUPPORT AND REVENUE	2,955,991
Net assets released from restrictions	<u>155,162</u>
	<u>3,111,153</u>
EXPENSES	
Program services	2,053,512
General and administrative	106,360
Fundraising	<u>441,908</u>
	2,601,780
TOTAL EXPENSES	<u>2,601,780</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>509,373</u>
TEMPORARILY RESTRICTED NET ASSETS	
Contributions	56,603
Net assets released from restrictions	<u>(155,162)</u>
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(98,559)</u>
CHANGE IN NET ASSETS	410,814
NET ASSETS, BEGINNING OF YEAR	<u>1,126,175</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,536,989</u></u>

See Notes to Financial Statements

**SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 410,814
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	62,525
Amortization of loan fees	459
Changes in:	
Accounts and contributions receivable	(182,234)
Prepaid expenses	10,152
Accounts payable	8,303
Accrued expenses	<u>(28,677)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>281,342</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	<u>(181,706)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(181,706)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on notes payable	<u>(49,293)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(49,293)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	50,343
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>613,366</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 663,709</u></u>
<i>Supplemental disclosure of cash flow information:</i>	
Cash paid for interest	<u><u>\$ 29,071</u></u>

**SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Sherwood Center for the Exceptional Child (the Center) is a not-for-profit social service agency. The Center provides special education, daily habilitative training and community integration services for children and adults with autism who reside in the Greater Kansas City metropolitan area.

Funding for programs and services provided by the Center is provided by the Missouri Department of Mental Health, Medicaid and state and local educational agencies. The Center also receives donations from the United Way, foundations, corporations and individuals.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

Revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to any donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions on their use that may be met by actions of the Center or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Center.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Center considers all liquid investments with original maturities of three months or less, including money market funds, to be cash equivalents.

At various times throughout the year, the Center's cash and cash equivalent balances in its bank accounts exceed federally insured amounts.

Property and Equipment

Property and equipment are stated at cost. Donated assets are recorded at fair market value on the date of contribution. Depreciation is computed on the straight-line method over the assets' estimated useful lives ranging from five to 25 years. The Center capitalizes additions greater than \$500.

**SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Revenue Recognition

Revenue from special education, daily habilitative training and community integration services is recognized in the period the services are provided. Contributions are recognized as revenue in the period the donor makes an unconditional promise to give to the Center. Promises to give that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contribution is recognized. All other contributions that are restricted by the donor are reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributed Services

A substantial number of volunteers have donated significant amounts of their time to the activities of the Center. However, these services have not been reflected in the accompanying statements as no objective basis is available to measure the value and these do not meet the accounting standards for recording in the financial statements.

Income Taxes

The Center is exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and had no unrelated business income subject to income tax. The Center's accounting policy is to provide liabilities for uncertain income tax provisions when a liability is probable and estimable. The Center has no uncertain tax positions for the years ended June 30, 2016. The last three years of these returns are open to Internal Revenue Service examination.

Subsequent Events

Subsequent events have been evaluated through December 13, 2016, which is the date the financial statements were available to be issued.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2016:

Land and buildings	\$ 1,553,168
Furniture and equipment	273,154
Vehicles	<u>188,199</u>
	2,014,521
Less: Accumulated depreciation	<u>648,329</u>
	\$ <u>1,366,192</u>

**SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 4: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2016 were held for the following purposes:

Programming	\$ 14,046
Capital expenditure	<u>26,827</u>
	\$ <u>40,873</u>

NOTE 5: NOTE PAYABLE

The Company holds a note payable to a bank payable in monthly installments of \$6,530 of principal and interest. The interest rate is 3.5%. The note matures at December 1, 2018. The note is secured by a building. The outstanding balance at June 30, 2016 is \$790,127. Future minimum payments are:

<u>For the year ending June 30:</u>	
2017	52,994
2018	<u>737,133</u>
	\$ <u>790,127</u>

NOTE 6: LEASES

The Center is obligated under noncancelable operating leases for operating equipment that expire in August 2016. Rent expense on the lease was approximately \$2,600 for the year ended June 30, 2016.

Future minimum annual lease payments as of June 30, 2016 are as follows:

<u>For the year ending June 30.:</u>	
2017	657

SUPPLEMENTAL INFORMATION

**SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016**

	Program Services	Fundraising	General and Administrative	Total Expenses
Salaries and wages	\$ 999,259	\$ 62,775	\$ 263,190	\$ 1,325,224
Payroll taxes	75,138	4,792	19,929	99,859
Employee benefits	224,194	11,411	57,175	292,780
Professional services	387,364	2,174	43,846	433,384
Office expense	14,956	1,696	7,975	24,627
Curriculum and instruction	21,925	-	-	21,925
Meals and nutrition	44,091	-	-	44,091
Information technology expense	6,040	600	1,125	7,765
Mortgage interest	28,916	-	-	28,916
Gas and electric	64,053	2,343	11,717	78,113
Building supplies	51,188	1,873	9,364	62,425
Depreciation and amortization expense	50,021	2,501	10,462	62,984
Other utility and other occupancy expenses	39,046	1,338	6,682	47,066
Transportation expense	4,631	82	-	4,713
Professional development	2,506	711	1,231	4,448
Insurance expense	25,862	787	5,105	31,754
Other expense	269	151	2,248	2,668
Fundraising event expenses	-	13,016	-	13,016
In-kind expenses	14,053	110	1,859	16,022
TOTAL EXPENSES	\$ 2,053,512	\$ 106,360	\$ 441,908	\$ 2,601,780

See Independent Auditor's Report