

**SHERWOOD CENTER
FOR THE EXCEPTIONAL CHILD**

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
YEARS ENDED JUNE 30, 2017 AND 2016

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EMERICK & COMPANY, P.C.

David Emerick
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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 statements of financial position as of June 30, 2017 and 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 10 and 11 are presented for purposes of additional analysis and are 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.

Emerich + Company, P.C.

Kansas City, Missouri
September 26, 2017

**SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,212,304	\$ 663,709
Accounts receivable	249,365	331,065
Contributions receivable	47,838	73,867
Prepaid expenses	45,467	30,231
Total Current Assets	<u>1,554,974</u>	<u>1,098,872</u>
PROPERTY AND EQUIPMENT		
Property and equipment	2,158,053	2,014,521
Accumulated depreciation	(720,801)	(648,329)
Total Property and Equipment	<u>1,437,252</u>	<u>1,366,192</u>
OTHER ASSETS		
Loan origination fee, net	649	1,107
Total Other Assets	<u>649</u>	<u>1,107</u>
TOTAL ASSETS	<u>\$ 2,992,875</u>	<u>\$ 2,466,171</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 30,014	\$ 41,926
Accrued expenses	87,454	97,129
Current portion of note payable	52,994	52,994
Total Current Liabilities	<u>170,462</u>	<u>192,049</u>
NOTE PAYABLE, less current portion	<u>585,986</u>	<u>737,133</u>
TOTAL LIABILITIES	<u>756,448</u>	<u>929,182</u>
NET ASSETS		
Temporarily restricted	5,749	40,873
Unrestricted	2,230,678	1,496,116
Total Net Assets	<u>2,236,427</u>	<u>1,536,989</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,992,875</u>	<u>\$ 2,466,171</u>

See Notes to Financial Statements

**SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Adult day and family support	\$ 860,953	\$ 435,344
Special education	2,334,443	2,264,401
Contributions and grants	139,739	198,964
Fundraising income	33,164	41,641
Interest income	1,239	769
Other income	<u>24,669</u>	<u>14,872</u>
TOTAL SUPPORT AND REVENUE	3,394,207	2,955,991
Net assets released from restrictions	<u>58,008</u>	<u>155,162</u>
	3,452,215	3,111,153
EXPENSES		
Program services	2,273,640	2,053,512
Fundraising	90,555	106,360
General and administrative	<u>353,458</u>	<u>441,908</u>
TOTAL EXPENSES	<u>2,717,653</u>	<u>2,601,780</u>
INCREASE IN UNRESTRICTED NET ASSETS	734,562	509,373
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	22,884	56,603
Net assets released from restrictions	<u>(58,008)</u>	<u>(155,162)</u>
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(35,124)</u>	<u>(98,559)</u>
CHANGE IN NET ASSETS	699,438	410,814
NET ASSETS, BEGINNING OF YEAR	<u>1,536,989</u>	<u>1,126,175</u>
NET ASSETS, END OF YEAR	<u>\$ 2,236,427</u>	<u>\$ 1,536,989</u>

See Notes to Financial Statements

**SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 699,438	\$ 410,814
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	72,472	62,525
Amortization of loan fees	459	459
Changes in:		
Accounts and contributions receivable	107,729	(182,234)
Prepaid expenses	(15,236)	10,152
Accounts payable	(11,912)	8,303
Accrued expenses	(9,675)	(28,677)
	<u>843,275</u>	<u>281,342</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(143,532)	(181,706)
	<u>(143,532)</u>	<u>(181,706)</u>
NET CASH USED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(151,148)	(49,293)
	<u>(151,148)</u>	<u>(49,293)</u>
NET CASH USED BY FINANCING ACTIVITIES		
INCREASE IN CASH AND CASH EQUIVALENTS	548,595	50,343
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	663,709	613,366
	<u>663,709</u>	<u>613,366</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,212,304	\$ 663,709
	<u>\$ 1,212,304</u>	<u>\$ 663,709</u>
<i>Supplemental disclosure of cash flow information:</i>		
Cash paid for interest	\$ 26,948	\$ 29,071
	<u>\$ 26,948</u>	<u>\$ 29,071</u>

See Notes to Financial Statements

**SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 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 \$2,000.

**SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 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, 2017 and 2016. The last three years of these returns are open to Internal Revenue Service examination.

Subsequent Events

Subsequent events have been evaluated through September 26, 2017, 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:

	<u>2017</u>	<u>2016</u>
Land and buildings	\$ 1,640,921	\$ 1,553,168
Furniture and equipment	328,933	273,154
Vehicles	<u>188,199</u>	<u>188,199</u>
	2,158,053	2,014,521
Less: Accumulated depreciation	<u>720,801</u>	<u>648,329</u>
	<u>\$ 1,437,252</u>	<u>\$ 1,366,192</u>

**SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

NOTE 4: TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Programming	\$ -	\$ 14,046
Capital expenditure	<u>5,749</u>	<u>26,827</u>
	\$ <u>5,749</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, 2017 and 2016 is \$638,980, and \$790,127, respectively. Future minimum payments are:

<u>For the year ending June 30:</u>	
2018	\$ 52,994
2019	<u>585,986</u>
	\$ <u>638,980</u>

NOTE 6: EMPLOYEE BENEFIT PLAN

The Company implemented a 401(k) profit sharing plan for its employees with a plan effective date on March 1, 2017. All employees are eligible to participate after being employed for three months. The Company has the discretion to match each eligible employee's contributions up to 50% of the first 4% contributed by employee. Retirement plan expense was \$3,674 for the year ended June 30, 2017.

SUPPLEMENTAL INFORMATION

**SHERWOOD CENTER FOR THE EXCEPTIONAL CHILD
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	Program Services	Fundraising	General and Administrative	Total Expenses
Salaries and wages	\$ 1,236,370	\$ 56,528	\$ 211,832	\$ 1,504,730
Payroll taxes	96,788	4,413	17,950	119,151
Employee benefits	199,428	6,869	23,288	229,585
Professional services	366,029	936	36,483	403,448
Office expense	20,462	2,597	6,218	29,277
Curriculum and instruction	25,408	914	3,442	29,764
Meals and nutrition	52,406	-	258	52,664
Information technology expense	5,707	3,792	917	10,416
Mortgage interest	26,948	-	-	26,948
Gas and electric	79,960	-	-	79,960
Building supplies	25,807	569	-	26,376
Depreciation and amortization expense	32,921	-	40,009	72,930
Other utility and other occupancy expenses	74,361	-	-	74,361
Transportation expense	8,771	-	806	9,577
Professional development	4,852	112	1,545	6,509
Insurance expense	12,894	-	6,160	19,054
Other expense	2,653	915	1,050	4,618
Fundraising event expenses	-	12,910	-	12,910
In-kind expenses	1,875	-	3,500	5,375
TOTAL EXPENSES	\$ 2,273,640	\$ 90,555	\$ 353,458	\$ 2,717,653

See Independent Auditor's Report

**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
	<u>\$ 2,053,512</u>	<u>\$ 106,360</u>	<u>\$ 441,908</u>	<u>\$ 2,601,780</u>
TOTAL EXPENSES				

See Independent Auditor's Report