

LEKOTEK OF GEORGIA, INC.
Atlanta, Georgia

Independent Auditors' Report

Financial Statements

Years ended June 30, 2018 and 2017

CONTENTS

INDEPENDENT AUDITORS' REPORT

	<u>Exhibit</u>
STATEMENTS OF FINANCIAL POSITION, June 30, 2018 and 2017	A
STATEMENTS OF ACTIVITIES, Years ended June 30, 2018 and 2017	B
STATEMENTS OF CASH FLOWS, Years ended June 30, 2018 and 2017	C
STATEMENTS OF FUNCTIONAL EXPENSES, Years ended June 30, 2018 and 2017	D
NOTES TO FINANCIAL STATEMENTS	<u>Pages</u> 1-6

BARNES MERRITT & BARNES LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Lekotek of Georgia, Inc.
Atlanta, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of Lekotek of Georgia, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 Lekotek of Georgia, Inc. as of June 30, 2018 and 2017, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Banner Merritt + Banner LLC

Lekotek of Georgia, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets:		
Cash and cash equivalents	\$ 103,817	\$ 135,074
Investments (Note B)	1,048,777	927,941
Property and equipment-net (Note C)	<u>46,200</u>	<u>41,920</u>
Total assets	<u>\$ 1,198,794</u>	<u>\$ 1,104,935</u>
Liabilities:		
Accrued expenses	<u>\$ 15,044</u>	<u>\$ 12,060</u>
Total liabilities	<u>15,044</u>	<u>12,060</u>
Net assets:		
Unrestricted - including Board Designated Endowment Fund of \$382,445 in 2018 and \$301,793 in 2017	<u>1,183,750</u>	<u>1,092,875</u>
Total net assets	<u>1,183,750</u>	<u>1,092,875</u>
Total liabilities and net assets	<u>\$ 1,198,794</u>	<u>\$ 1,104,935</u>

The accompanying notes are an integral part of this exhibit.

Lekotek of Georgia, Inc.

STATEMENT OF ACTIVITIES

Year ended June 30, 2018

	Temporarily		Permanently	Total
	Unrestricted	Restricted	Restricted	
Changes in net assets:				
Revenues, gains, and other support:				
Private gifts and grants	\$ 440,604	\$ -	\$ -	\$ 440,604
In-kind gifts	14,580	-	-	14,580
Membership dues	23,823	-	-	23,823
Program fees:				
Professional/consulting	481	-	-	481
Computer fees	2,449	-	-	2,449
Summer camp fees	168	-	-	168
Family programs	410	-	-	410
Special events and programs:				
Special events	192,056	-	-	192,056
Direct mailing	56,750	-	-	56,750
Interest and dividend income	55,890	-	-	55,890
Net gain on investments	30,341	-	-	30,341
	<u>817,552</u>	<u>-</u>	<u>-</u>	<u>817,552</u>
Total revenue gains and other support				
Operating expenses:				
Program services:				
Child/family support services	643,327	-	-	643,327
Supporting services:				
Administrative services	29,097	-	-	29,097
Fund-raising activities	54,253	-	-	54,253
Total supporting services	83,350	-	-	83,350
	<u>726,677</u>	<u>-</u>	<u>-</u>	<u>726,677</u>
Total operating expenses				
Changes in net assets	90,875	-	-	90,875
Net assets, beginning of year	1,092,875	-	-	1,092,875
Net assets, end of year	<u>\$ 1,183,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183,750</u>

The accompanying notes are an integral part of this exhibit.

Lekotek of Georgia, Inc.

STATEMENT OF ACTIVITIES

Year ended June 30, 2017

	Temporarily		Permanently	Total
	Unrestricted	Restricted	Restricted	
Changes in net assets:				
Revenues, gains, and other support:				
Private gifts and grants	\$ 507,929	\$ -	\$ -	\$ 507,929
In-kind gifts	21,600	-	-	21,600
Membership dues	20,811	-	-	20,811
Program fees:				
Professional/consulting	190	-	-	190
Computer fees	3,004	-	-	3,004
Summer camp fees	184	-	-	184
Family programs	709	-	-	709
Special events and programs:				
Special events	176,573	-	-	176,573
Direct mailing	44,831	-	-	44,831
Interest and dividend income	34,281	-	-	34,281
Net gain on investments	71,974	-	-	71,974
	<u>882,086</u>	<u>-</u>	<u>-</u>	<u>882,086</u>
Total revenue gains and other support				
Operating expenses:				
Program services:				
Child/family support services	602,138	-	-	602,138
Supporting services:				
Administrative services	29,507	-	-	29,507
Fund-raising activities	53,154	-	-	53,154
Total supporting services	82,661	-	-	82,661
	<u>684,799</u>	<u>-</u>	<u>-</u>	<u>684,799</u>
Total operating expenses				
Changes in net assets	197,287	-	-	197,287
Net assets, beginning of year	895,588	-	-	895,588
Net assets, end of year	<u>\$ 1,092,875</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,092,875</u>

The accompanying notes are an integral part of this exhibit.

Lekotek of Georgia, Inc.

STATEMENTS OF CASH FLOWS

Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Changes in net assets:	\$ 90,875	\$ 197,287
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	9,601	9,749
Net realized loss on investments	2,813	22,350
Net unrealized (gain) on investments	(33,154)	(94,324)
Increase in accrued expenses	<u>2,984</u>	<u>3,554</u>
Net cash provided by operating activities	<u>73,119</u>	<u>138,616</u>
Cash flows from investing activities:		
Purchase and donated property and equipment	(13,881)	(15,280)
Purchase of investments	(475,161)	(604,607)
Proceeds on sale of investments	<u>384,666</u>	<u>525,985</u>
Net cash used for investing activities	<u>(104,376)</u>	<u>(93,902)</u>
Net increase in cash and cash equivalents	(31,257)	44,714
Cash and cash equivalents, beginning of year	<u>135,074</u>	<u>90,360</u>
Cash and cash equivalents, end of year	<u>\$ 103,817</u>	<u>\$ 135,074</u>

The accompanying notes are an integral part of this exhibit.

Lekotek of Georgia, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2018

	Child/Family Support Services	Administrative Services	Fund-Raising Activities	Total
Teachers' salaries	\$ 331,885	\$ -	\$ -	\$ 331,885
Administrative salaries	11,966	7,426	1,877	21,269
Director salary	39,550	8,475	8,475	56,500
Staff development	2,140	-	-	2,140
Special events	7,270	-	42,128	49,398
Publicity printing	4,389	510	200	5,099
Family programs	14,392	-	-	14,392
Dues & subscriptions	1,835	204	-	2,039
Insurance	27,738	-	-	27,738
Office expense	6,177	1,800	-	7,977
Postage	1,831	806	588	3,225
Depreciation	7,201	2,400	-	9,601
Rent	104,611	5,506	-	110,117
Consultants	19,879	-	-	19,879
Computer expenses	4,554	-	-	4,554
Teaching aids	13,935	-	-	13,935
Taxes-payroll	30,876	985	985	32,846
Telephone	7,879	875	-	8,754
Travel	3,137	-	-	3,137
Utilities	2,082	110	-	2,192
Total	<u>\$ 643,327</u>	<u>\$ 29,097</u>	<u>\$ 54,253</u>	<u>\$ 726,677</u>
Percent of total	<u>89%</u>	<u>4%</u>	<u>7%</u>	<u>100%</u>

The accompanying notes are an integral part of this exhibit.

Lekotek of Georgia, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2017

	Child/Family Support Services	Administrative Services	Fund-Raising Activities	Total
Teachers' salaries	\$ 301,108	\$ -	\$ -	\$ 301,108
Administrative salaries	11,966	7,426	9,028	28,420
Director salary	40,390	8,655	8,655	57,700
Staff development	14,674	-	-	14,674
Special events	7,270	-	33,841	41,111
Publicity printing	1,858	229	200	2,287
Family programs	9,908	-	-	9,908
Dues & subscriptions	2,775	308	-	3,083
Insurance	24,249	-	-	24,249
Office expense	8,930	2,977	-	11,907
Postage	1,640	742	588	2,970
Depreciation	7,312	2,437	-	9,749
Rent	95,708	5,037	-	100,745
Consultants	15,850	-	-	15,850
Computer expenses	4,132	-	-	4,132
Teaching aids	15,796	-	-	15,796
Taxes-payroll	26,385	842	842	28,069
Telephone	6,929	770	-	7,699
Travel	3,671	-	-	3,671
Utilities	1,587	84	-	1,671
Total	<u>\$ 602,138</u>	<u>\$ 29,507</u>	<u>\$ 53,154</u>	<u>\$ 684,799</u>
Percent of total	<u>88%</u>	<u>4%</u>	<u>8%</u>	<u>100%</u>

The accompanying notes are an integral part of this exhibit.

Lekotek of Georgia, Inc.

NOTES TO FINANCIAL STATEMENTS

Years ended June 30, 2018 and 2017

Note A-Summary of significant accounting policies:

Nature of activities:

Lekotek of Georgia, Inc. (the “Organization”) is a not-for-profit that provides support, accessible play, technology and resources to maximize educational and therapeutic gains for children with disabilities. The Organization envisions a world where all children are included and empowered through play. It is independently funded through corporate and individual gifts, and program fees.

Basis of accounting:

The Organization maintains its accounting records on the accrual basis of accounting. All gifts are considered to be available for unrestricted use unless specifically restricted by the donor.

Financial statement presentation:

The financial statements follow the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards No. 116, “Accounting for Contributions Received and Contributions Made”, and Statement No. 117, “Financial Statements for Not-For-Profit Organizations”.

Under Statement of Financial Accounting Standards No. 117, the net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes there-in are classified and reported as follows:

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

Temporarily restricted net assets-Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets-Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Lekotek of Georgia, Inc.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

Years ended June 30, 2018 and 2017

Note A-Summary of significant accounting policies-continued:

Cash and cash equivalents:

For purposes of the statement of cash flows, the Organization considers all liquid investments purchased with a maturity of three months or less to be cash equivalents.

Investments:

The organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the changes in net assets in the statements of activities.

Property and equipment:

The furniture and equipment and computer equipment is stated at historical cost or fair market value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from three to ten years.

Donated services:

Volunteers have donated significant amounts of their time to the Organization's program services and fund raising campaigns. No amounts for donated services have been reflected in the statements since no objective basis is available for measuring the value of such services.

Income taxes:

The Organization is recognized as exempt from Federal income tax under Internal Revenue Code Section 501(c)(3) whereby only the unrelated business income, as defined by Section 512(a)(1) of the Internal Revenue Code, is subject to Federal income tax. The Organization has been classified as an organization that is not a private foundation under IRC Section 509(a).

Lekotek of Georgia, Inc.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

Years ended June 30, 2018 and 2017

Note A-Summary of significant accounting policies-continued:

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note B-Investments:

SFAS No. 157 requires assets and liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition, to be disclosed to enable users of financial statements to assess the inputs used to develop those measurements. The Organization's investments are all classified as Level 1 measurement (quoted prices in active markets for identical assets and liabilities which the Organization has the ability to access at the measurement date).

Investments at June 30, 2018 and 2017 are stated at fair value and are summarized as follows:

	<u>2018</u>	<u>2017</u>
Unrestricted:		
Bonds	\$ 96,360	\$ 80,267
Mutual Funds	<u>569,972</u>	<u>545,881</u>
Subtotal	<u>666,332</u>	<u>626,148</u>
Board-designated endowment funds classified as unrestricted (Note E):		
Equities	174,089	87,248
Mutual Funds	194,777	202,116
Other Assets	<u>13,579</u>	<u>12,429</u>
Subtotal	<u>382,445</u>	<u>301,793</u>
 Total unrestricted investments	 <u>\$ 1,048,777</u>	 <u>\$ 927,941</u>

The net realized (loss) at June 30, 2018 and 2017 was (\$2,813) and (\$22,350) and the net unrealized gain at June 30, 2018 and 2017 was \$33,154 and \$94,324, respectively.

Lekotek of Georgia, Inc.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

Years ended June 30, 2018 and 2017

Note C-Property and equipment-net:

Property and equipment-net at June 30, 2018 and 2017 is summarized as follow:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 8,987	\$ 8,987
Capital improvements	23,653	16,000
Computer equipment	<u>72,627</u>	<u>66,399</u>
Total	105,267	91,386
Less accumulated depreciation	<u>59,067</u>	<u>49,466</u>
Property and equipment-net	<u>\$ 46,200</u>	<u>\$ 41,920</u>

The Organization's capitalization policy requires items with a fair market value greater than \$500 and an estimated useful life of five years or greater to be capitalized. This also relates to in-kind gifts (see Note F). Depreciation expense related to property and equipment was \$9,601 and \$9,749 for the years ended June 30, 2018 and 2017, respectively.

Note D-Operating leases:

The Organization leases its main operating and five satellite facilities under non-cancelable operating leases that expire in December, 2020, April, 2021, March, 2023, and August, 2023 (see Note G). One of these facilities leases are donated (See Note F). The lease agreements provide for escalating rents based upon a fixed rent schedule. Rent expense (excluding in-kind gifts in Note F) under the leases was \$97,116 and \$79,145 for the years ended June 30, 2018 and 2017, respectively.

The minimum rental commitments under the operating leases are as follows:

<u>Year ending</u> <u>June 30,</u>	
2019	\$ 112,522
2020	114,828
2021	75,768
2022	70,294
2023	35,100

Lekotek of Georgia, Inc.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

Years ended June 30, 2018 and 2017

Note E-Endowment related activities:

SFAS No. 117-1 subject to the UPMIFA (Uniform Prudent Management of Institutional Funds Act) requires additional disclosures relating to the Organization's Endowment Fund. The Endowment Fund consists of one Board-Designated Endowment Fund, the Chase Endowment Fund, classified as unrestricted and designated by the Board of Directors to function as an endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors must approve all appropriation of assets for expenditure as well as all investment policies. The investment objectives are investing in steady growth securities for a long term benefit. The Fund is made up of equities, mutual funds, and other assets held by a brokerage firm. For the fiscal years ending June 30, 2018 and 2017 the board-restricted endowment had the following endowment-related activities:

	Board- Designated Endowment Fund 2018	Board- Designated Endowment Fund 2017
	<u>2018</u>	<u>2017</u>
Balance as of June 30	\$ 301,793	\$ 178,052
Investment changes		
Investment income	8,688	9,670
Endowment contributions	-	110,651
Purchases (sales) - net	52,171	(12,006)
Realized gain (loss)	1,140	(25,360)
Net unrealized gain	<u>18,653</u>	<u>40,786</u>
Total investment changes	<u>80,652</u>	<u>123,741</u>
Balance as of June 30	<u>\$ 382,445</u>	<u>\$ 301,793</u>

Note F-In-Kind Gifts:

SFAS No. 116 requires the fair value of donated services to be recognized in the financial statements if the services either (a) create or enhance a non-financial asset or (b) require specialized skills, are provided by entities or persons possessing those skills, and would need to be purchased if they were not donated. Certain gifts that might be considered services such as advertising, do not relate to personal services, and, therefore are recorded as in-kind gifts instead of donated services. Non-cash gifts of services are recognized as in-kind gifts in the period received and as an expense for the benefits received.

Lekotek of Georgia, Inc.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

Years ended June 30, 2018 and 2017

Note F-In-Kind Gifts - continued:

The Organization's capitalization policy (see Note C) is used for in-kind gifts of items. However, the majority of these items have been previously used and determination of useful life is uncertain as many of these items are provided at little or no costs to Lekotek members and families. Additional in-kind donations are made for special events and since the value of these items are uncertain and no objective basis is available for measurement they are not recorded in the financial statements.

The Organization is provided with one facility by Children's Healthcare of Atlanta at their Duluth Rehabilitation Center on a month-to-month basis for use at no charge. The Organization also receives computers and accessories that are donated to assist families as teaching aids and bookkeeping services. The estimated fair value of the use of these facilities, computers, and bookkeeping services for the years ended June 30, 2018 and 2017 is \$14,580 and \$21,600, respectively.

Note G-Related party transactions:

The Organization leases its main operating facility from a partnership in which one of the partners is a family member of the Organization's Executive Director (see Note D). The lease agreement terms for rent are below fair market value.

Note H-Functional allocation of expenses:

The cost of providing the various programs and other activities has been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note I-Employee benefit plan:

The Organization offers staff employees the opportunity for participation in a contributory 403(b) retirement plan. There was no expense to the Organization under the arrangement for the years ended June 30, 2018 and 2017.

Note J-Tax related matters:

The Organization's Form 990 does not take into account the estimated fair market value of in-kind gifts received and expensed of \$14,580 and \$21,600 for the years ended June 30, 2018 and 2017.

The Organization has not been audited by Federal and State taxing authorities for open tax years, is current on all tax reporting requirements, and there are no uncertain tax positions.

Note K-Subsequent events:

Subsequent events were evaluated through October 15, 2018, which is the date the financial statements were available to be issued.