

**VOCEL: VIEWING OUR CHILDREN
AS EMERGING LEADERS NFP**

FINANCIAL STATEMENTS

**For the Years Ended
August 31, 2017 and 2016**

**VOCEL: VIEWING OUR CHILDREN
AS EMERGING LEADERS NFP**

**Annual Financial Report
August 31, 2017 and 2016**

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Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors
VOCEL: Viewing Our Children as Emerging
Leaders NFP
Chicago, IL

We have audited the accompanying financial statements of VOCEL: Viewing Our Children as Emerging Leaders NFP (a nonprofit organization), which comprise the statements of financial position as of August 31, 2017 and 2016, and the related statements of activities, functional expenses, 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.

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 of 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 positions of VOCEL: Viewing Our Children as Emerging Leaders NFP as of August 31, 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.

Desmond & Ahern, Ltd

October 27, 2017
Chicago, IL

**VOCEL: VIEWING OUR CHILDREN AS EMERGING
LEADERS NFP
STATEMENTS OF FINANCIAL POSITION
As of August 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 399,023	\$ 324,686
Contributions receivable	320,407	92,692
Investments	-	15,275
Prepaid expenses and other assets	11,064	10,273
Total current assets	<u>730,494</u>	<u>442,926</u>
Property and Equipment		
Leasehold Improvements	34,980	-
Office equipment	1,086	1,086
Less accumulated depreciation	(5,781)	(422)
Net property and equipment	<u>30,285</u>	<u>664</u>
Total Assets	<u><u>\$ 760,779</u></u>	<u><u>\$ 443,590</u></u>
<u>Liabilities and Net Assets</u>		
Accounts payable	\$ 2,037	\$ 2,618
Accrued liabilities	18,624	10,044
Deferred revenue	37,250	12,500
Total current liabilities	<u>57,911</u>	<u>25,162</u>
<u>Net Assets</u>		
Unrestricted	382,461	418,428
Temporary restricted	320,407	-
Total net assets	<u>702,868</u>	<u>418,428</u>
Total Liabilities and Net Assets	<u><u>\$ 760,779</u></u>	<u><u>\$ 443,590</u></u>

See independent auditor's report and notes to financial statements.

**VOCEL: VIEWING OUR CHILDREN AS EMERGING
LEADERS NFP
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended August 31, 2017 and 2016**

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>Public Support and Revenue</u>						
Contributions						
Foundations and corporations	\$ 267,604	\$ 255,000	\$ 522,604	\$ 161,660	\$ -	\$ 161,660
Individuals and board members	107,661	65,407	173,068	175,977	-	175,977
Special events	143,000	-	143,000	87,065	-	87,065
In-kind services	40,000	-	40,000	30,000	-	30,000
In-kind goods	-	-	-	6,061	-	6,061
In-kind rent	-	-	-	9,375	-	9,375
Program revenue	44,790	-	44,790	65,091	-	65,091
Total public support and revenue	<u>603,055</u>	<u>320,407</u>	<u>923,462</u>	<u>535,229</u>	<u>-</u>	<u>535,229</u>
<u>Expenses</u>						
Program Services	391,164	-	391,164	346,039	-	346,039
Administrative	90,125	-	90,125	46,455	-	46,455
Fundraising	157,733	-	157,733	105,281	-	105,281
Total expenses	<u>639,022</u>	<u>-</u>	<u>639,022</u>	<u>497,775</u>	<u>-</u>	<u>497,775</u>
Change in net assets	(35,967)	320,407	284,440	37,454	-	37,454
Net assets, beginning of year	<u>418,428</u>	<u>-</u>	<u>418,428</u>	<u>380,974</u>	<u>-</u>	<u>380,974</u>
Net assets, end of year	<u>\$ 382,461</u>	<u>\$ 320,407</u>	<u>\$ 702,868</u>	<u>\$ 418,428</u>	<u>\$ -</u>	<u>\$ 418,428</u>

See independent auditor's report and notes to financial statements.

**VOCEL: VIEWING OUR CHILDREN AS EMERGING
LEADERS NFP
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended August 31, 2017 and 2016**

	2017				2016			
	Program	Administrative	Fundraising	Total	Program	Administrative	Fundraising	Total
<u>Functional Expenses</u>								
Salaries	\$ 241,601	\$ 20,908	\$ 64,081	\$ 326,590	\$ 217,007	\$ 28,568	\$ 48,075	\$ 293,650
Payroll taxes	22,161	5,912	5,572	33,645	19,668	2,449	4,303	26,420
Professional fees and consulting	4,869	19,332	1,096	25,297	8,455	1,168	1,859	11,482
Travel and conferences	907	919	282	2,108	390	342	66	798
Insurance	6,310	2,451	1,362	10,123	3,745	449	781	4,975
Banking fees	-	2,113	56	2,169	-	715	3	718
Office supplies	4,233	8,809	3,867	16,909	3,497	3,444	1,294	8,235
Postage and shipping	355	749	557	1,661	1,133	288	541	1,962
Printing	273	614	2,775	3,662	1,448	483	1,009	2,940
Occupancy	65,856	8,203	9,416	83,475	9,070	2,724	4,636	16,430
In-kind occupancy	-	-	-	-	9,375	-	-	9,375
In-kind goods	-	-	-	-	6,061	-	-	6,061
In-kind services	13,333	13,333	13,334	40,000	19,505	5,584	4,911	30,000
Classroom	31,266	116	-	31,382	46,685	-	-	46,685
Depreciation	-	5,359	-	5,359	-	241	-	241
Event costs	-	1,307	55,335	56,642	-	-	37,803	37,803
Total Expenses	\$ 391,164	\$ 90,125	\$ 157,733	\$ 639,022	\$ 346,039	\$ 46,455	\$ 105,281	\$ 497,775

See independent auditor's report and notes to financial statements.

**VOCEL: VIEWING OUR CHILDREN AS EMERGING
LEADERS NFP
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<u>Cash Flows from Operating Activities</u>		
Increase in net assets	\$ 284,440	\$ 37,454
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,359	241
Decrease (increase) in assets		
Contributions receivable	(227,715)	(70,775)
Prepaid expense and other assets	(791)	3,453
Increase (decrease) in liabilities		
Deferred revenue	24,750	12,500
Accounts payable and accrued expenses	7,999	11
Net cash provided (used) by operating activities	<u>94,042</u>	<u>(17,116)</u>
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<u>Cash Flows from Investing Activities</u>		
Proceeds from sale of investments	15,275	-
Purchase of investments	-	(15,275)
Purchase of property and equipment	(34,980)	-
Net cash used by investing activities	<u>(19,705)</u>	<u>(15,275)</u>
Net increase (decrease) in cash and cash equivalents	74,337	(32,391)
Cash and cash equivalents, beginning of year	<u>324,686</u>	<u>357,077</u>
Cash and cash equivalents, end of year	<u>\$ 399,023</u>	<u>\$ 324,686</u>

See independent auditor's report and notes to financial statements.

**VOCEL: VIEWING OUR CHILDREN AS EMERGING
LEADERS NFP
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016**

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Organization

VOCEL: Viewing our Children as Emerging Leaders NFP (“VOCEL”), a not-for-profit Illinois corporation, is an innovative take on early learning, rooted in language development and an open, intentional teaching style. Focused on kids as young as six weeks and as old as five years. VOCEL is committed to developing children’s communication, interpersonal and executive function skills so they thrive in school and succeed in life.

Basis of Accounting

The financial statements of VOCEL have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities in accordance with the accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (ASC) No. 958-205, *Not-for-Profit Entities Presentation of Financial Statements*. Under ASC No. 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets, if applicable. At August 31, 2017, temporarily restricted net assets amounted to \$320,407. There were no temporarily restricted net assets at August 31, 2016. There were no permanently restricted net assets at August 31, 2017 and 2016. The restriction is time based as it is made up of pledges receivable.

Contributions Receivable

Contributions are recorded at fair value and are recognized as revenue and receivables in the period in which the pledge is made. VOCEL periodically reviews contributions receivable and determines the need for an allowance for doubtful accounts. Based on management’s experience and information, no allowance for uncollectible receivables was deemed necessary as of August 31, 2017 and 2016, respectively.

Support and Revenue

VOCEL reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

VOCEL reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be

**VOCEL: VIEWING OUR CHILDREN AS EMERGING
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NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016**

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, VOCEL reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. During 2017 and 2016, no such gifts of land, buildings, or equipment were received.

Property and Equipment

All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments that materially extend the useful lives of assets in excess of \$1,000 are capitalized. Property and equipment are carried at cost, or if donated, at the approximate fair value at date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Depreciation expense was not recorded for the year ended August 31, 2017. Useful lives for each asset category are as follows:

Office equipment	3 - 5 years
Software	3 years
Website	5 years

Donated Services

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended August 31, 2017, VOCEL received donated website services meeting the above criteria valued at \$40,000. For the year ended August 31, 2016, VOCEL received donated real estate brokerage services meeting the above criteria valued at \$30,000.

A number of volunteers, including the Board of Directors, have made significant contributions of time to the Organization's policy-making, program and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services contained per Generally Accepted Accounting Principles.

Income Tax Status

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and therefore no provision for federal income taxes has been made on the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended August 31, 2017. The Organization's Form 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally for three years from date of filing. VOCEL has adopted the requirements for accounting for uncertain tax positions. Management has determined that VOCEL was not required to record a liability related to uncertain tax positions as of August 31, 2017.

**VOCEL: VIEWING OUR CHILDREN AS EMERGING
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NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016**

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affected certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits in federally insured accounts. The accounts may at times exceed the federally insured limit of \$250,000. VOCEL has never experienced any such losses in these accounts.

For purposes of the Statement of Cash Flows, VOCEL considers all highly liquid debt instruments with an original maturity or anticipated liquidation of three months or less and all certificates of deposit to be cash equivalents. No interest or taxes were paid during the years ended August 31, 2017 and 2016.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. VOCEL has evaluated subsequent events through the date of the report on the financial statements, which is the date the statements were available to be issued. No subsequent events have been identified that are required to be disclosed as of the date of the report.

Note 2 – Fair Value Measurements

Generally Accepted Accounting Principles defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in VOCEL's principal or most advantageous market in an orderly transaction between market participants on the measurement date.

Fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

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NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016**

Note 2 – Fair Value Measurements (cont.)

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The fair value of debt and equity investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or by quoted market prices of similar securities with similar due dates or matrix pricing. This is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on securities' relationship to other benchmark quoted securities (Level 2 inputs). Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions (Level 3 inputs). Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Following is a description of the valuation methodologies used for assets measured at fair value.

Equities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Valued at fair value based on quoted market prices of identical or similar securities based on observable inputs like interest rates using a market valuation approach.

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

**VOCEL: VIEWING OUR CHILDREN AS EMERGING
LEADERS NFP
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016**

Note 2 – Fair Value Measurements (cont.)

Assets and Liabilities Measured on a Recurring Basis

There were no fair value investments for the year ended August 31, 2017. Assets and liabilities measured at fair value on a recurring basis at August 31, 2016 are summarized below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ 9,972	\$ -	\$ -	\$ 9,972
Equities	5,303	-	-	5,303
	<u>\$ 15,275</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,275</u>

Note 3 – Leases

In November 2016, VOCEL entered into a forty-two month lease agreement for office and classroom space. The lease begins January 1, 2017 and expires June 30, 2020. Total rental expense for the year ended August 31, 2017 and 2016 was \$60,386 and \$24,967 .

Future minimum operating lease payments are as follows:

2018	\$ 32,267
2019	31,518
2020	<u>26,995</u>
Total future minimum lease payments	<u>\$ 90,780</u>