VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP

FINANCIAL STATEMENTS

For the Years Ended
August 31, 2018 and 2017

VOCEL: VIEWING OUR CHILDREN
AS EMERGING LEADERS NFP

Annual Financial Report

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D&A
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, 2018 and 2017, 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.

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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, 2018 and 2017, 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

December 5, 2018
Chicago, IL

VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP
STATEMENTS OF FINANCIAL POSITION
August 31, 2018 and 2017

	2018	2017
Current Assets		
Cash and cash equivalents	$ 456,008	$ 399,023
Contributions receivable	128,990	320,407
Prepaid expenses and other assets	17,800	11,064
Total current assets	602,798	730,494
Property and Equipment		
Leasehold Improvements	50,391	34,980
Office equipment	1,086	1,086
Less accumulated depreciation	(13,172)	(5,781)
Net property and equipment	38,305	30,285
Total Assets	$ 641,103	$ 760,779
Liabilities and Net Assets		
Accounts payable	$ 3,207	$ 2,037
Accrued liabilities	31,616	18,624
Deferred revenue	47,500	37,250
Total current liabilities	82,323	57,911
Net Assets		
Unrestricted	421,280	382,461
Temporary restricted	137,500	320,407
Total net assets	558,780	702,868
Total Liabilities and Net Assets	$ 641,103	$ 760,779

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, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue						
Contributions						
Foundations and corporations	$ 145,003	$ 100,000	$ 245,003	$ 267,604	$ 255,000	$ 522,604
Individuals and board members	231,278	-	231,278	107,661	65,407	173,068
Special events, net	208,787	-	208,787	117,436	-	117,436
In-kind services	15,907	-	15,907	40,000	-	40,000
Program revenue	207,599	-	207,599	44,790	-	44,790
Miscellaneous revenue	1,587	-	1,587	-	-	-
Net assets released from restrictions - satisfaction of restriction	282,907	(282,907)	-	-	-	-
Total public support and revenue	1,093,068	(182,907)	910,161	577,491	320,407	897,898
Expenses						
Program Services	723,953	-	723,953	391,164	-	391,164
Administrative	142,079	-	142,079	90,125	-	90,125
Fundraising	88,217	-	88,217	132,169	-	132,169
Total expenses	954,249	-	954,249	613,458	-	613,458
Change in net assets before non-operating items	138,819	(182,907)	(44,088)	(35,967)	320,407	284,440
Non-Operating Items:						
Bad debt expense	(100,000)	-	(100,000)	-	-	-
Change in net assets	38,819	(182,907)	(144,088)	(35,967)	320,407	284,440
Net assets, beginning of year	382,461	320,407	702,868	418,428	-	418,428
Net assets, end of year	$ 421,280	$ 137,500	$ 558,780	$ 382,461	$ 320,407	$ 702,868

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, 2018 and 2017

	2018				2017			
	Program	Administrative	Fundraising	Total	Program	Administrative	Fundraising	Total
Functional Expenses								
Salaries	$ 522,968	$ 43,186	$ 47,319	$ 613,473	$ 241,601	$ 20,908	$ 64,081	$ 326,590
Payroll taxes	54,082	4,629	6,943	65,654	22,161	5,912	5,572	33,645
Professional fees and consulting	1,980	31,781	-	33,761	4,869	19,332	1,096	25,297
Travel and conferences	3,291	77	1,070	4,438	907	919	282	2,108
Insurance	6,966	2,730	247	9,943	6,310	2,451	1,362	10,123
Banking fees	-	6,054	-	6,054	-	2,113	56	2,169
Office supplies	7,018	6,614	555	14,187	3,173	3,955	2,403	9,531
IT and computer	1,650	14,713	175	16,538	1,060	4,854	1,464	7,378
Postage and shipping	2,042	2,042	66	4,150	355	749	557	1,661
Printing	2,878	195	5,915	8,988	273	614	2,775	3,662
Occupancy	20,520	28,974	-	49,494	65,856	8,203	9,416	83,475
In-kind services	15,532	375	-	15,907	13,333	13,333	13,334	40,000
Classroom	77,418	188	494	78,100	31,266	158	-	31,424
Depreciation	6,300	521	570	7,391	-	5,359	-	5,359
Event costs	1,308	-	24,863	26,171	-	1,265	29,771	56,600
Total Expenses	$ 723,953	$ 142,079	$ 88,217	$ 954,249	$ 391,164	$ 90,125	$ 132,169	$ 639,022

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, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Increase in net assets	$ (44,088)	$ 284,440
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,391	5,359
Bad debt expense	(100,000)	-
Decrease (increase) in assets		
Contributions receivable	191,417	(227,715)
Prepaid expense and other assets	(6,736)	(791)
Increase in liabilities		
Deferred revenue	10,250	24,750
Accounts payable and accrued expenses	14,162	7,999
Net cash provided by operating activities	72,396	94,042
Cash Flows from Investing Activities		
Proceeds from sale of investments	-	15,275
Purchase of property and equipment	(15,411)	(34,980)
Net cash used by investing activities	(15,411)	(19,705)
Net increase in cash and cash equivalents	56,985	74,337
Cash and cash equivalents, beginning of year	399,023	324,686
Cash and cash equivalents, end of year	$ 456,008	$ 399,023

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

VOCEL: VIEWING OUR CHILDREN AS EMERGING LEADERS NFP
NOTES TO FINANCIAL STATEMENTS
August 31, 2018 and 2017

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, jumpstarts children's brain development through innovative early learning programs, rooted in language development and social emotional support. Through its two-generational programming, VOCEL serves young children under the age of five and their parents/primary caregivers ultimately ensuring children have the early foundations they need to be successful in school and thrive 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. For the years ended August 31, 2018 and 2017, temporarily restricted net assets amounted to $152,500 and $302,407 respectively. There were no permanently restricted net assets at August 31, 2018 and 2017.

Contributions Receivable
Contributions are recorded at fair value and are recognized as revenue and receivables in the period in which the pledge is made. The Organization will not recognize a conditional promise to give until the conditions which the promise depends are substantially met. A promise that calls for specific financial goals to be achieved will be treated as conditional promises to give in the amount of $100,000 for the year ended August 31, 2018. 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, 2018 and 2017, 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.

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

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 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 2018 and 2017, 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. 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, 2018, VOCEL received donated services meeting the above criteria valued at $15,907. For the year ended August 31, 2017, VOCEL received donated services meeting the above criteria valued at $40,000.

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, 2018. The

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

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, 2018.

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, 2018 and 2017.

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.

Reclassifications
Certain amounts previously reported in the 2017 financial statements have been reclassified to conform to the 2018 presentation. These reclassifications had no effect on the prior year net assets.

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 December 5, 2018, which is the date the financial 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.

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.

Note 2 – Fair Value Measurements (cont.)

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.

There were no fair value investments for the year ended August 31, 2018 and 2017.

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, 2018 and 2017 was $33,075 and $60,386.

Future minimum operating lease payments are as follows:

2019	$ 31,518
2020	26,995
Total future minimum lease payments	$ 58,513

Note 4 – Temporarily Restricted Net Assets

Temporarily restricted net assets as of August 31:

	2018	2017
Time restricted contributions		
Foundation and corporations	$ 90,000	$ 255,000
Individual	37,500	65,704
Technical Assistance Support	10,000	-
	$ 137,500	$ 320,704

Note 5 – Special Events

The Organization special events during the years ended August 31, 2018 and 2017:

	2018	2017
Contributions	$ 98,103	$ 37,500
Sponsorship	83,268	77,500
Special events revenue, ticket portion	51,970	28,000
Revenue from special events	233,341	143,000
Less direct benefits to donors	(24,554)	(25,564)
Net revenues from special events	$ 208,787	$ 117,436

Note 6 – Non-Operating Item

During the year ended August 31, 2018, the Organization made a strategic decision to close its Early Learning Center. The decision was in response to the City of Chicago's increase of early learning education funding being allocated toward Chicago Public Schools. A foundation pledged multi-year amounts related to this program and due to the shift of program operations this foundation grant ended. The Organization is required to write this off to bad debt expense in the amount of $100,000 during the year ended August 31, 2018.