

Childhood Apraxia of Speech
Association of North America

Financial Statements for the Years Ended
December 31, 2018 and 2017

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March 4, 2019

To the Board of Directors of
Childhood Apraxia of Speech Association
of North America
Pittsburgh, Pennsylvania

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have audited the accompanying financial statements of Childhood Apraxia of Speech Association of North America, a nonprofit organization, which comprise the statements of financial position as of December 31, 2018, and 2017, and the related statements of activities, changes in net assets, 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 audits 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 Childhood Apraxia of Speech Association of North America as of December 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.

The Binkley Kanavy Group, LLC

Certified Public Accountants

CHILDHOOD APRAXIA OF SPEECH ASSOCIATION OF NORTH AMERICA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

ASSETS	2018	2017
CURRENT ASSETS		
Cash and cash equivalents, Note 1	\$ 349,975	\$ 240,383
Investments at fair value, Notes 1 and 3	487,068	1,048,664
Accounts receivable, Note 1	26,136	21,523
Inventory, Note 1	22,853	13,645
Prepaid expenses and other current assets	37,447	17,363
	<u>923,479</u>	<u>1,341,578</u>
TOTAL CURRENT ASSETS		
PROPERTY AND EQUIPMENT, Note 1		
Equipment	72,243	26,599
Accumulated depreciation	(21,962)	(10,969)
	<u>50,281</u>	<u>15,630</u>
NET PROPERTY AND EQUIPMENT		
INTANGIBLE ASSETS, Notes 1 and 2		
Intangible Assets (Net of accumulated amortization of \$112,698 and \$103,098, as of December 31, 2018, and 2017, respectively)	60,152	78,127
Website Design in process	13,663	-
	<u>73,815</u>	<u>78,127</u>
TOTAL INTANGIBLE ASSETS		
TOTAL ASSETS		
	<u>\$ 1,047,575</u>	<u>\$ 1,435,335</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 47,381	\$ 72,469
Payroll tax and other liabilities	42,389	24,685
	<u>89,770</u>	<u>97,154</u>
TOTAL CURRENT LIABILITIES		
NET ASSETS, Note 1		
Without donor restrictions, Note 6	921,468	1,338,181
With donor restrictions, Note 6	36,337	-
	<u>957,805</u>	<u>1,338,181</u>
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS		
	<u>\$ 1,047,575</u>	<u>\$ 1,435,335</u>

The accompanying notes are an integral part of these financial statements.

CHILDHOOD APRAXIA OF SPEECH ASSOCIATION OF NORTH AMERICA
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31,

	2018	2017
Changes in net assets without donor restrictions:		
Revenues		
Contributions	\$ 1,143,056	\$ 892,614
Grants and contributions	22,402	2,500
Indirect Public Support	1,074	28,926
Conference Income	255,829	289,854
Online Store	38,219	53,272
Contract Services	52,322	12,750
Speech Services	-	40,394
In-kind donations	56,792	148,114
Other income	9,458	3,096
Loss on disposal of fixed assets	-	(4,761)
Investment Income (Loss)	(11,404)	75,957
	1,567,748	1,542,716
Net assets released from restrictions	21,163	24,899
Total revenues, net	1,588,911	1,567,615
Expenses		
Program Services	1,531,804	1,665,016
Management and General	363,067	217,751
Fundraising	110,753	101,935
Total Expenses	2,005,624	1,984,702
Decrease in net assets without donor restrictions	(416,713)	(417,087)
Changes in net assets with donor restrictions:		
Revenues		
Grants and contributions	57,500	-
Net assets released from restrictions	(21,163)	(24,899)
Increase (Decrease) in net assets with donor restrictions	36,337	(24,899)
Decrease in net assets	\$ (380,376)	\$ (441,986)

The accompanying notes are an integral part of these financial statements.

CHILDHOOD APRAXIA OF SPEECH ASSOCIATION OF NORTH AMERICA
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, January 1, 2017	\$ 1,755,268	\$ 24,899	\$ 1,780,167
Change in net assets during 2017	<u>(417,087)</u>	<u>(24,899)</u>	<u>(441,986)</u>
Net assets, December 31, 2017	1,338,181	-	1,338,181
Change in net assets during 2018	<u>(416,713)</u>	<u>36,337</u>	<u>(380,376)</u>
Net assets, December 31, 2018	<u>\$ 921,468</u>	<u>\$ 36,337</u>	<u>\$ 957,805</u>

The accompanying notes are an integral part of these financial statements.

CHILDHOOD APRAXIA OF SPEECH ASSOCIATION OF NORTH AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 577,236	\$ 83,006	\$ 58,428	\$ 718,670
Benefits	116,899	16,810	11,832	145,541
Payroll Taxes	46,625	6,705	4,719	58,049
Products for Awareness	89,479	22,563	-	112,042
Website Fees & Banking Fees	118,243	20,456	6,901	145,600
Advertising	10,908	4,546	3,153	18,607
In-Kind Advertising	19,930	-	-	19,930
Other Non-personnel Costs	2,784	3,038	3,703	9,525
Accounting & Auditing	1,658	38,110	-	39,768
Other Contract Services	38,034	24,337	2,139	64,510
In-Kind Legal Services	20,000	16,600	-	36,600
Facilities & Equipment	46,091	29,724	7,414	83,229
Insurance	19,458	2,363	1,503	23,324
Operations	60,526	38,299	9,990	108,815
iPad Project	54,811	-	-	54,811
Travel, Meetings & Conference	23,474	5,811	424	29,709
Meals	7,828	1,991	-	9,819
Hotel	25,494	1,246	146	26,886
Conference Rental	16,807	-	-	16,807
Audio Visual	34,790	-	-	34,790
Event Insurance	28	-	-	28
Catering	89,881	140	-	90,021
Registration & Vendor Fees	15,776	436	-	16,212
Hospitality	13,593	-	-	13,593
Grants	69,780	-	-	69,780
Depreciation & Amortization	-	33,967	-	33,967
Other Miscellaneous	11,671	12,919	401	24,991
TOTAL EXPENSES	\$ 1,531,804	\$ 363,067	\$ 110,753	\$ 2,005,624

The accompanying notes are an integral part of these financial statements.

CHILDHOOD APRAXIA OF SPEECH ASSOCIATION OF NORTH AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 549,403	\$ 45,359	\$ 63,849	\$ 658,611
Benefits	110,089	8,008	8,640	126,737
Payroll Taxes	39,952	3,519	3,846	47,317
Products for Awareness	144,686	156	-	144,842
Website Fees & Banking Fees	103,384	9,214	6,180	118,778
Advertising	4,261	4,118	4,269	12,648
In-Kind Advertising	104,574	-	-	104,574
Other Non-personnel Costs	6,114	1,280	-	7,394
Accounting & Auditing	17,903	4,750	3,335	25,988
Other Contract Services	47,492	67,678	2,634	117,804
In-Kind Legal Services	43,540	-	-	43,540
Facilities & Equipment	29,183	9,803	2,992	41,978
Insurance	14,218	5,231	2,024	21,473
Operations	56,514	23,415	3,087	83,016
iPad Project	52,083	-	-	52,083
Travel, Meetings & Conference	34,767	1,412	1,004	37,183
Meals	5,442	1,271	75	6,788
Hotel	26,035	2,143	-	28,178
Conference Rental	11,562	-	-	11,562
Audio Visual	35,099	-	-	35,099
Event Insurance	6,397	-	-	6,397
Catering	66,944	2,865	-	69,809
Registration & Vendor Fees	2,125	709	-	2,834
Hospitality	1,725	176	-	1,901
Grants	141,950	-	-	141,950
Depreciation & Amortization	-	21,027	-	21,027
Other Miscellaneous	14	5,617	-	7,460
Incentive Program	9,560	-	-	9,560
TOTAL EXPENSES	\$ 1,665,016	\$ 217,751	\$ 101,935	\$ 1,984,702

The accompanying notes are an integral part of these financial statements.

CHILDHOOD APRAXIA OF SPEECH ASSOCIATION OF NORTH AMERICA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (380,376)	\$ (441,986)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization expense	33,967	21,027
Net unrealized and realized (gain) loss on investments	11,595	(75,426)
Loss on disposal of assets	-	4,762
(Increase) decrease in Operating Assets:		
Accounts receivable	(4,613)	(7,641)
Inventory	(9,208)	32,772
Prepaid expenses and other current assets	(20,084)	21,927
Increase (decrease) in Operating Liabilities:		
Accounts payable	(25,088)	39,657
Payroll taxes and other current liabilities	17,704	21,438
NET CASH USED IN OPERATING ACTIVITIES	<u>(376,103)</u>	<u>(383,470)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment and intangible assets	(50,643)	(75,940)
Payments for website design - in process	(13,663)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<u>(64,306)</u>	<u>(75,940)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Withdrawals from investments account	550,001	-
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	<u>550,001</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	109,592	(459,410)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>240,383</u>	<u>699,793</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 349,975</u>	<u>\$ 240,383</u>
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

CHILDHOOD APRAXIA OF SPEECH ASSOCIATION OF NORTH AMERICA
Notes to Financial Statements
December 31, 2018 & 2017

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

The Childhood Apraxia of Speech Association of North America (the "Organization") is a not-for-profit organization that was founded in 2000. The Organization is designated as a 501(c)(3), and is incorporated in the Commonwealth of Pennsylvania. The Organization operates with the mission to spread awareness of childhood Apraxia to families, professionals and the public, to provide training to provide the professionals, and to provide support to the families of affected children. The Organization organizes regional walks spanning across North America intended to promote awareness for childhood Apraxia, an annual conference, continuing education to professionals, and research support to thousands of families and professionals each year on topics related to Apraxia and associated speech, language, learning delays, education, therapy and services.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting. This method requires that revenues and the related assets be recognized as earned and that expenses and the related liabilities be recognized when incurred.

Financial Statement Presentation

The Organization has adopted ASU 2016-14, *Not-for-Profit Entities*. Under this standard, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions, and net assets without donor restrictions. This standard has been retroactively applied for the financial statements for the year-ended December 31, 2017.

Net assets, revenue, and expenses are classified based on the existence or absence of donor imposed restrictions. Revenue is reported as an increase in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Contributions subject to donor-imposed stipulations that are met in the same reporting period are also reported as an increase in net assets without donor restrictions. Net assets may be released from donor restrictions by incurring expenses to satisfy the restricted purpose.

At the years ended December 31, 2018 and 2017, the Organization had donor-imposed restrictions on net assets amounting to \$36,337, and \$0, respectively.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid unrestricted debt instruments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable primarily consists of contracted services and reimbursable expenses related to these services. Management periodically reviews their listing of accounts receivable for past due amounts. The Organization has determined that at the years ended December 31, 2018, and 2017, no allowance for doubtful accounts was needed.

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, 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. The Organization evaluates estimates and assumptions on an ongoing basis and relies on historical experience and various other factors that are believed to be reasonable under the circumstances to determine such estimates. Because uncertainties with respect to estimates and assumptions are inherent in the preparation of financial statements, actual results could differ from those estimates.

Concentration of Credit Risk

Cash equivalents are maintained primarily at one financial institution which may at times exceed the federally insured limits. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization believes there is no significant risk with respect to deposits that exceed FDIC insurance limits.

CHILDHOOD APRAXIA OF SPEECH ASSOCIATION OF NORTH AMERICA
Notes to Financial Statements
December 31, 2018 & 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities and changes in net assets.

Inventory

Inventory is stated at the lower of cost or market, using the first-in, first-out method. The inventory system is maintained and updated with physical counts and adjustments required. Inventory consists of DVD's, CD's, and other merchandise items intended to assist children with apraxia and to promote awareness. These items are sold via the online store.

Property and Equipment

Property and equipment are recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair value on the date of contribution. Property and equipment are depreciated using the straight-line method over a five year period. Property and equipment with a cost greater than \$1,500 is capitalized. The cost of maintenance and repairs is charged to expense as incurred. Significant renewals and betterments are capitalized.

Intangible Assets

Intangible assets are recorded at cost. These assets are amortized using the straight-line method over their estimated useful lives.

In-Kind Donations

Donated services and items are reflected in the financial statements as in-kind revenue with a corresponding expense. In-kind services and donations are recorded at their estimated fair value on the date of the contribution. The donated services received in 2018 and 2017 consist of the following:

	2018	2017
Advertising	\$ 19,930	\$ 104,574
Legal	36,600	43,540
Other	<u>261</u>	<u>-</u>
Total	<u>\$ 56,791</u>	<u>\$ 148,114</u>

Income Taxes

The Organization is a non-profit organization currently exempt from federal and state income taxes under Section 501(c) (3) of the Internal Revenue Code. In addition, the Organization reviews on an annual basis that there are no material uncertain tax positions. For the years ended December 31, 2018, and December 31, 2017, the Organization recorded no tax penalties or interest costs. The Organization's IRS Form 990, Return of Organization Exempt from Income Tax, for the years ending after December 31, 2013, are subject to examination by the IRS, generally for three years after they were filed.

Functional Expense Allocation

The expenses incurred for the years ended December 31, 2018, and December 31, 2017 have been allocated to program activities, management and general, and fundraising activities by direct costing and estimates made by management.

Operating Reserve

The Board of Directors holds three months of operating expenses as a board designated operating reserve. In 2017, the Board held five months of operating expenses as a board designated operating reserve.

CHILDHOOD APRAXIA OF SPEECH ASSOCIATION OF NORTH AMERICA
Notes to Financial Statements
December 31, 2018 & 2017

Note 2 - Intangible Assets

Intangible assets consist of a database registry, capitalized website design costs, an online webinar library and a donor system. These intangible assets are amortized over a five year life on the straight-line basis.

Amortization expense was \$22,564, and \$17,144, for the years ended December 31, 2018 and 2017, respectively.

Amortization expense over the next five years is projected below:

2019	\$ 20,410
2020	14,965
2021	12,770
2022	9,417
2023	500

Note 3 - Fair Value Measurements

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Organization only maintains Level 1 type assets.

	2018	2017
	<u>Amount Due</u>	<u>Amount Due</u>
Money Market Account	\$ 18	\$ 3
Mutual Funds	487,050	1,048,661
	<u>\$ 487,068</u>	<u>\$ 1,048,664</u>

CHILDHOOD APRAXIA OF SPEECH ASSOCIATION OF NORTH AMERICA
Notes to Financial Statements
December 31, 2018 & 2017

Note 4 – Operating Lease

The Organization’s lease for its office space commenced on February 1, 2016, and was ended effective February 28, 2018. The Organization entered into a lease for new office space commencing on March 1, 2018. Total office rent paid was \$65,140 and \$27,579 for the years ended December 31, 2018 and 2017, respectively.

The aggregate annual rent payments due over the next five years and thereafter:

	<u>Amount Due</u>
2019	\$ 76,041
2020	76,959
2021	77,877
2022	78,795
2023	79,713
Thereafter	<u>107,559</u>
Total	<u>\$ 496,944</u>

Note 5 - Retirement Plan

The Organization provides for a 100% match to their eligible employee's voluntary elective contributions to the Organization's retirement plan, not to exceed 5% of the eligible employee’s earnings. The Organization contributed \$24,906 and \$25,310, for the years ended December 31, 2018 and 2017, respectively.

Note 6 - Restrictions on Net Assets

The Organization expended \$24,899 of net assets with donor restrictions during 2017. These donor restricted net assets were related to a grant received to develop and establish an online resource directory. As of December 31, 2017, there were no restrictions on net assets.

In 2018, The Organization expended \$13,633 of net assets with donor restrictions for design of a new website. As of December 31, 2018, there were \$36,337 of net assets with donor restrictions for the design of a new website.

Note 7 - Moving Expenses

During 2017, the Organization decided to move its headquarters, located in Millvale, Pennsylvania. The Organization estimated relocation costs amounting to \$12,670 and recorded this amount in its 2017 financial statements. This relocation expense includes amounts for rents to be paid on the Millvale, Pennsylvania location while not in use, moving costs and fixed assets to be disposed of.

CHILDHOOD APRAXIA OF SPEECH ASSOCIATION OF NORTH AMERICA
Notes to Financial Statements
December 31, 2018 & 2017

Note 8 – Liquidity and the Availability of Financial Assets

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts that are not available include board-designated operating reserves and funds received from donors restricted for specific purposes. Financial assets available to meet cash needs for general expenditures within one year are shown as follows:

	<u>2018</u>	<u>2017</u>
Current assets, excluding nonfinancial assets		
Cash and cash equivalents	\$ 349,975	\$ 240,383
Investments	487,068	1,048,664
Accounts receivable	<u>26,136</u>	<u>21,523</u>
	863,179	1,310,570
Less: donor restrictions for website platform	(36,337)	-
Less: board-designated operating reserve	<u>(445,542)</u>	<u>(882,633)</u>
Financial assets available to meet cash needs for general expenditures within one year, in excess of board-designations and donor restrictions	<u>\$ 381,300</u>	<u>\$ 427,937</u>

Note 9 - Subsequent Events

The Organization has evaluated subsequent events in accordance with Accounting Standards Codification Topic 855, Subsequent Events, through March 4, 2019, which is the date the financial statements were available to be issued.