MEYER CENTER
FOR SPECIAL CHILDREN

GREENVILLE, SOUTH CAROLINA

FINANCIAL STATEMENTS
June 30, 2016

(With Independent Auditors' Report Thereon)

MEYER CENTER FOR SPECIAL CHILDREN
GREENVILLE, SOUTH CAROLINA
Financial Statements
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June 30, 2016

MARTIN • SMITH
& COMPANY CPAs

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Meyer Center for Special Children
Greenville, South Carolina

Report on the Financial Statements
We have audited the accompanying statement of financial position of Meyer Center for Special Children (a non-profit organization) as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 the 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 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 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 Meyer Center for Special Children as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Martin Smith and Company CPAs PA

September 16, 2016

MEYER CENTER FOR SPECIAL CHILDREN
STATEMENT OF FINANCIAL POSITION
June 30, 2016

ASSETS

Cash (Note 2)	$	240,690
Cash restricted for investment in property and equipment		338,915
Accounts receivable (Note 3)		104,274
Pledges receivable (Note 3)		280,000
Investments (Note 4)		82,503
Property and equipment, net (Note 5)		2,940,066
Other assets (Note 6)		5,000
	$	3,991,448

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	$	57,756
Unearned income		10,375
Long-term debt (Note 7)		474,244
		542,375
Net assets:		
Unrestricted:		
Designated by board:		
Property and equipment, net of related debt		2,465,822
Other unrestricted		536,238
Total unrestricted		3,002,060
Temporarily restricted (Note 9)		338,915
Permanently restricted (Note 9)		108,098
		3,449,073
	$	3,991,448

See accompanying notes to financial statements.

MEYER CENTER FOR SPECIAL CHILDREN
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues:				
United Way	$ 410,597	$ -	$ -	$ 410,597
Fees	99,728	-	-	99,728
Contributions	1,338,850	308,704	828	1,648,382
Fees from government agencies	1,450,624	-	-	1,450,624
Investment income	1,807	-	-	1,807
Rental income	31,581	-	-	31,581
Other income	2,908	-	-	2,908
Net assets released from purpose restrictions:				
School program and equipment	53,634	(53,634)	-	-
Total support and revenues	3,389,729	255,070	828	3,645,627
Expenses:				
Program services:				
Developmental services	1,383,220	-	-	1,383,220
Training and therapy	1,029,927	-	-	1,029,927
Supporting services:				
Management and general	570,652	-	-	570,652
Fundraising	433,733	-	-	433,733
Total expenses	3,417,532	-0-	-0-	3,417,532
Changes in net assets	(27,803)	255,070	828	228,095
Net assets at beginning of year	3,029,863	83,845	107,270	3,220,978
Net assets at end of year	$ 3,002,060	$ 338,915	$ 108,098	$ 3,449,073

See accompanying notes to financial statements.

MEYER CENTER FOR SPECIAL CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	Program Services			Supporting Services			
	Pre-School Developmental Services	Pre-School Developmental Training and Therapy	Total	Management and General	Fund Raising	Total	Total Expenses
Salaries	$ 885,518	$ 700,578	$ 1,586,096	$ 302,089	$ 191,657	$ 493,746	$ 2,079,842
Employee benefits	176,169	144,138	320,307	44,042	36,034	80,076	400,383
Payroll taxes	65,105	53,268	118,373	16,276	13,317	29,593	147,966
	1,126,792	897,984	2,024,776	362,407	241,008	603,415	2,628,191
Professional fees	44,368	-	44,368	77,669	-	77,669	122,037
Supplies	55,136	858	55,994	12,601	-	12,601	68,595
Telephone	-	-	-	8,097	-	8,097	8,097
Postage	-	-	-	4,307	-	4,307	4,307
Occupancy	39,733	32,509	72,242	9,933	8,127	18,060	90,302
Repairs and maintenance	-	-	-	38,395	-	38,395	38,395
Printing, advertising and photography	-	-	-	3,460	-	3,460	3,460
Transportation	31,848	28,750	60,598	-	-	-	60,598
Conferences	-	-	-	22,035	123	22,158	22,158
Interest	13,636	11,157	24,793	3,409	2,789	6,198	30,991
Dues	-	-	-	3,317	-	3,317	3,317
Equipment purchases	-	-	-	3,380	-	3,380	3,380
Fundraising	-	-	-	-	167,019	167,019	167,019
Miscellaneous	-	-	-	3,716	-	3,716	3,716
Total before depreciation	1,311,513	971,258	2,282,771	552,726	419,066	971,792	3,254,563
Depreciation / Amortization	71,707	58,669	130,376	17,926	14,667	32,593	162,969
Total	$ 1,383,220	$ 1,029,927	$ 2,413,147	$ 570,652	$ 433,733	$ 1,004,385	$ 3,417,532

See accompanying notes to financial statements.

MEYER CENTER FOR SPECIAL CHILDREN
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

Cash flows from operating activities:	
Changes in net assets	$ 228,095
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	162,969
Unrealized loss on investments	4,420
(Increase) decrease in assets:	
Accounts receivable	(3,935)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(26,632)
Unearned income	10,375
Contributions restricted for capital improvements	(259,814)
Net cash provided by operating activities	115,478
Cash flows from investing activities:	
Purchases of property and equipment	(19,181)
Purchase of investments	(43,670)
Net cash used in investing activities	(62,851)
Cash flows from financing activities:	
Payments on note payable	(35,154)
Contributions restricted for capital improvements	259,814
Net cash provided by financing activities	224,660
Net increase in cash	277,287
Cash at beginning of year	302,318
Cash at end of year	$ 579,605
Interest paid	$ 21,310

See accompanying notes to financial statements.

MEYER CENTER FOR SPECIAL CHILDREN
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Organization

Meyer Center for Special Children (the "Center") is a non-profit organization established in 1954 to provide programs in developmental pre-school and developmental therapy for handicapped children. In October 1998, the Center was approved as a charter school by the School District of Greenville County, effective with the school year beginning in the fall of 1999. In April 2010, the School District of Greenville County renewed this charter through June 2020. As a charter school, the Center is eligible for certain local, state and federal funds based upon its student population. The Center continues to pursue its mission to provide quality education and therapy services to preschool children with disabilities.

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and, accordingly, reflect all significant receivables, payables, and other liabilities.

c) Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in the *Accounting Standards Codification* (ASC). Under FASB ASC, the Center is required to report information regarding its financial position and activities according to three classes of net assets:

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 Center and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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

d) Support and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

d) Support and Revenue, Continued

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. The Center uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

The Center receives client fees, Medicaid income, Medicare income, and other third-party insurance income for billable client services and recognizes these fees and income when earned.

e) Donated Services

A substantial number of volunteer hours have been donated to the Center's programs and activities. None of these volunteer amounts have been included in the financial statements for donated services inasmuch as no objective basis is available to measure the value of such services.

f) Cash and Cash Equivalents

The Center considers highly liquid investments with an original maturity of three months or less when purchased to be cash or cash equivalents.

g) Investments

Investments are reported at fair value, using the three-level hierarchy established under the *Fair Value Measurement* topic of the FASB ASC. Gains and losses on investments generally are reported as increases and decreases in unrestricted net assets unless explicit donor stipulations restrict their use.

h) Building and Equipment

Building and equipment is recorded at cost or at estimated fair value at the date of gift. Depreciation is provided using the straight-line method over the estimated useful lives, ranging from five to twenty years, of the related assets. Capital expenditures greater than $1,000 are capitalized.

i) Promises to Give

Unconditional promises to give that are expected to be collected in future years are recorded as pledges receivable and contribution income at the present values of their estimated future cash flows. The discounted value of the unconditional promises to give is computed using interest rates applicable to the year in which the promises are received. Amortization of the discount is included in other revenue. Conditional promises to give are not included as support until the conditions are substantially met. Intentions to give are not recorded as assets or contribution revenue.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

j) Tax Exempt Status

The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Center has adopted the provisions of the *Accounting for Uncertainty in Income Taxes* topic of FASB ASC. This guidance addresses the accounting uncertainty in income taxes recognized in an organization's financial statements and prescribes a threshold of more-likely-than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. It also provides related guidance on measurement classification, interest and penalties, and disclosure. The Center has determined that it has no uncertain tax positions requiring accrual and disclosure.

k) Functional Allocation of Expenses

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

l) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include determining depreciable lives of assets and method of depreciation, calculating an allowance for promises to give, and disclosing investment cost as it approximates fair value.

m) Statement of Financial Position Presentation

Assets and liabilities presented in the statement of financial position are recorded in order of liquidity or nearness to conversion to cash.

2) CASH

The Center maintains cash balances at two banks in South Carolina. Cash accounts at banks are insured by the Federal Deposit Insurance Corporation for up to $250,000. The Center's uninsured cash balances total $160,513 at June 30, 2016. Included in cash is $33,642 permanently restricted and $338,915 temporarily restricted for program expansion and equipment.

3) ACCOUNTS AND PLEDGES RECEIVABLE

Accounts receivable consist of the following as of June 30, 2016:

Insurance reimbursement claims for therapy fees	$	53,474
Fundraising events		50,800
	$	104,274

Pledges receivable consist of unconditional promises to give of $280,000, net of unamortized discount of $20,000, and are all unrestricted. All amounts are due in one to five years and are discounted at a rate of 4.25%.

4) INVESTMENTS

Investments at June 30, 2016, consist of permanently restricted mutual funds with a fair market value of $82,503 and a cost of $79,647. All investment income is unrestricted.

5) PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2016:

Buildings	$ 3,696,045
Equipment	483,762
Vehicles	281,581
Loan origination costs	3,500
	4,464,888
Less accumulated depreciation and amortization	(1,524,822)
	$ 2,940,066

Depreciation expense for the year ended June 30, 2016, is $162,969.

6) OTHER ASSETS

Other assets include an undivided, timeshare interest in resort property as of June 30, 2016.

7) NOTE PAYABLE

As of June 30, 2016, the Center has a $474,244 note payable with a bank. The note is payable in monthly installments of $4,333, including interest at 3.35% per annum for 5 years with an amortization schedule of 11 years and matures in July 2021. The note is secured by the Center's real estate.

Future scheduled maturities of long-term debt are as follows:

Year Ending June 30	
2017	$ 30,879
2018	37,517
2019	38,810
2020	40,118
2021	41,533
Thereafter	285,387
	$ 474,244

Interest expense for the year ended June 30, 2016, was $21,310.

8) DEFINED CONTRIBUTION PLAN

The Center's board of directors has established a defined contribution plan covering all employees. The Center contributes into the retirement fund for each employee that has been with the Center for more than one year an amount equal to 3% of the employee's gross salary. If an employee has been with the Center less than one year, the employee may make his own contribution without a corresponding employer contribution. The employer also will contribute a fixed amount equal to 50% of an employee's deferrals up to 2% of the employee's compensation. Plan expense for the year ended June 30, 2016, was $68,700 and was charged to employee benefits in the statement of functional expenses.

9) RESTRICTED NET ASSETS

At June 30, 2016, temporarily restricted net assets are available for the following purposes:

Building renovation and debt retirement	$	270,975
Vehicle		67,940
	$	338,915

Net assets of $108,098 are permanently restricted.

10) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Center has adopted the provisions of the *Fair Value Measurements and Disclosures* topic of FASB ASC. This guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a fair value hierarchy, which 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 inputs represent fair values obtained using quoted process in active markets. Level 2 inputs represent fair values obtained from observable market data but not from quoted market prices. Level 3 inputs represent unobservable inputs that are supported by little or no market activity and are generally based on the entity's own assumptions.

The following methods and assumptions are used to estimate the fair value of each financial instrument:

Cash and cash equivalents, accounts payable and accrued expenses – the carrying values approximate fair value due to their short maturities.

Accounts and pledges receivable – the carrying values approximate fair value due to their short maturities.

Investments – the fair values are based on quoted market prices (Level 1 inputs) of the underlying investment securities. Investments are carried at fair value in the accompanying statement of financial position.

Note payable – the fair value is determined by discounting the future cash flows of the debt instrument at rates currently offered to the Center for similar debt instruments of comparable maturities. The carrying amount of the note payable approximates its fair value.

11) SUBSEQUENT EVENTS

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through September 16, 2016, the date the financial statements were available to be issued. There were no such events requiring recording or disclosure for the year ended June 30, 2016.