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**Karlin & Long, LLC**  
*Certified Public Accountants*

May 15, 2015

To the Board of Directors  
Success By 6 Coalition of Douglas County

We have audited the financial statements of Success By 6 Coalition of Douglas County (a nonprofit organization), for the year ended December 31, 2014, and have issued our report thereon dated May 15, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 15, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Success By 6 Coalition of Douglas County (a nonprofit organization) are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

Management's estimate of the depreciation is based on useful lives of assets. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was (were):

The disclosure of cash.

The financial statement disclosures are neutral, consistent, and clear.

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Lawrence, Kansas 66044  
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### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated May 15, 2015.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our examination of the financial statements of Success By 6 Coalition of Douglas County (a nonprofit organization) for the year ended December 31, 2014, we made observations, which in our professional judgment are neither a significant deficiency or a material weakness, we feel will be of benefit to you in your continuing management or the Organization's affairs and policies.

1. We noted no items to note at this time.

This information is intended solely for the use of Board of Directors and management Success By 6 Coalition of Douglas County (a nonprofit organization) and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

  
Karlin & Long, LLC

Certified Public Accountants

**SUCCESS BY 6 COALITION  
OF DOUGLAS COUNTY**  
Lawrence, Kansas

FINANCIAL STATEMENTS  
For the year ended December 31, 2014

And

INDEPENDENT AUDITOR'S REPORT

...*KL*...

***Karlin & Long, LLC***  
*Certified Public Accountants*

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**SUCCESS BY 6 COALITION OF DOUGLAS COUNTY**  
Lawrence, Kansas

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**Karlin & Long, LLC**  
*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT  
ON FINANCIAL STATEMENTS**

To the Board of Directors  
Success By 6 Coalition of Douglas County  
1525 West 6<sup>th</sup> Street  
Lawrence, Kansas 66044

We have audited the accompanying financial statements of financial position and the related statements of activities, functional expenses, and cash flows of Success By 6 Coalition of Douglas County (a nonprofit organization) as of and for the year ended December 31, 2014, which comprise the Organization's basic financial statements as listed in the table of contents, 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 opinions 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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.

Board of Directors  
Success By 6 Coalition of Douglas County

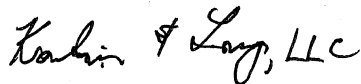
An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Success By 6 Coalition of Douglas County (a nonprofit organization), as of December 31, 2014 and the respective changes in net assets and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 15, 2015, on our consideration of Success By 6 Coalition of Douglas County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



Karlin & Long, LLC  
Certified Public Accountants

May 15, 2015  
Lenexa, Kansas

**SUCCESS BY 6 COALITION OF DOUGLAS COUNTY**  
Lawrence, Kansas

**STATEMENT OF FINANCIAL POSITION**  
As of December 31, 2014

**Assets**

Current assets

|                     |                |
|---------------------|----------------|
| Cash                | \$ -           |
| Accounts receivable | <u>169,414</u> |

Total current assets \$ 169,414

Fixed assets

|                                 |                |
|---------------------------------|----------------|
| Property and equipment (Note 2) | 4,207          |
| Accumulated depreciation        | <u>(4,207)</u> |

Total fixed assets -

Total assets \$ 169,414

**Liabilities and Net Assets**

Current Liabilities

|                     |              |
|---------------------|--------------|
| Cash Overdrawn      | \$ 52,992    |
| Accounts payable    | 79,492       |
| Accrued liabilities | <u>2,173</u> |

Total current liabilities \$ 134,657

Net Assets

|              |               |
|--------------|---------------|
| Unrestricted | <u>34,757</u> |
|--------------|---------------|

Total net assets 34,757

Total liabilities and net assets \$ 169,414

The accompanying notes to financial statements  
are an integral part of this statement.



# SUCCESS BY 6 COALITION OF DOUGLAS COUNTY

Lawrence, Kansas

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2014

### Support

|                           |               |
|---------------------------|---------------|
| United Way                | \$ 143,217    |
| Contracted Grant Services | 15,908        |
| State grants              | 1,030,818     |
| Interest income           | 2             |
| Unrestricted donations    | 2,772         |
| Miscellaneous income      | <u>31,756</u> |

|               |                     |
|---------------|---------------------|
| Total support | <u>\$ 1,224,473</u> |
|---------------|---------------------|

### Expenses

|                        |                |
|------------------------|----------------|
| ECBG                   | 448,156        |
| Evaluation             | 41,739         |
| Family Support Systems | 611,454        |
| Administration         | <u>102,335</u> |

|                |                  |
|----------------|------------------|
| Total expenses | <u>1,203,684</u> |
|----------------|------------------|

|                                           |               |
|-------------------------------------------|---------------|
| <b>Change in net assets, unrestricted</b> | <b>20,789</b> |
|-------------------------------------------|---------------|

|                                            |               |
|--------------------------------------------|---------------|
| Unrestricted net assets, beginning of year | <u>13,968</u> |
|--------------------------------------------|---------------|

|                                      |                         |
|--------------------------------------|-------------------------|
| Unrestricted net assets, end of year | <u><u>\$ 34,757</u></u> |
|--------------------------------------|-------------------------|

The accompanying notes to financial statements  
are an integral part of this statement.

**SUCCESS BY 6 COALITION OF DOUGLAS COUNTY**  
Lawrence, Kansas

**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2014

|                              | <b>ECBG</b>       | <b>Evaluation</b> | <b>Family Support<br/>Systems</b> | <b>Administration</b> | <b>Total</b>        |
|------------------------------|-------------------|-------------------|-----------------------------------|-----------------------|---------------------|
| Payroll Expense              |                   | \$ 9,223          | \$ 55,315                         | \$ 58,000             | \$ 122,538          |
| Payroll taxes and benefits   |                   | 963               | 7,076                             | 10,525                | 18,564              |
| Building and maintenance     |                   | 735               | 154                               | 3,054                 | 3,943               |
| Direct family support        |                   |                   | 24,685                            | (112)                 | 24,573              |
| Indirect costs               | 16,481            |                   | 23,921                            | 6,021                 | 46,423              |
| Contractual services         | 431,675           | 3,396             | 494,158                           | 12,419                | 941,648             |
| Staff training and education |                   | 5,753             | 1,805                             | 1,409                 | 8,967               |
| Professional services        |                   | 12,376            |                                   | 3,029                 | 15,405              |
| Supplies and printing        |                   | 9,161             | 1,021                             | 4,797                 | 14,979              |
| Travel and meetings          |                   | 132               | 3,319                             | 3,193                 | 6,644               |
| Depreciation                 |                   |                   |                                   |                       | -                   |
| Total Expenses               | <u>\$ 448,156</u> | <u>\$ 41,739</u>  | <u>\$ 611,454</u>                 | <u>\$ 102,335</u>     | <u>\$ 1,203,684</u> |

The accompanying notes to financial statements  
are an integral part of this statement

**SUCCESS BY 6 COALITION OF DOUGLAS COUNTY**  
Lawrence, Kansas

**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2014

**Cash Flows From Operating Activities**

|                                                                    |           |
|--------------------------------------------------------------------|-----------|
| <b>Increase (decrease) in net assets</b>                           | \$ 20,789 |
| Adjustments to reconcile change in net assets<br>to net cash flows |           |
| Depreciation                                                       | -         |
| Change in assets and liabilities                                   |           |
| (Increase) decrease in Accounts receivable                         | (129,710) |
| Increase (decrease) in Accounts payable                            | 43,687    |
| Increase (decrease) in Deferred revenue                            | (14,569)  |
| Increase (decrease) in Accrued liabilities                         | (175)     |

|                                                         |                 |
|---------------------------------------------------------|-----------------|
| <b>Net Cash Provided (Used) by Operating Activities</b> | <u>(79,978)</u> |
|---------------------------------------------------------|-----------------|

|                                                   |          |
|---------------------------------------------------|----------|
| <b>Net Increase (Decrease) in Cash for period</b> | (79,978) |
|---------------------------------------------------|----------|

|                                       |               |
|---------------------------------------|---------------|
| <b>Cash as of Beginning of Period</b> | <u>26,986</u> |
|---------------------------------------|---------------|

|                                 |                           |
|---------------------------------|---------------------------|
| <b>Cash as of End of Period</b> | <u><u>\$ (52,992)</u></u> |
|---------------------------------|---------------------------|

**Supplemental Information**

|                   |                    |
|-------------------|--------------------|
| Interest paid     | <u><u>\$ -</u></u> |
| Income taxes paid | <u><u>\$ -</u></u> |

The accompanying notes to financial statements  
are an integral part of this statement

# **SUCCESS BY 6 COALITION OF DOUGLAS COUNTY**

Lawrence, Kansas

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 – Summary of Significant Accounting Policies**

#### **Business Activity**

The purpose of Success By 6 Coalition of Douglas County is to bring together a broad-based community to work collaboratively to ensure that all Douglas County families of children under 6 have what they need to successfully parent their young children, thereby fostering positive parent-child relationships and preparing children for success in school and life. The Organization depends on grants to continue its daily operations.

#### **Financial Statements**

The accompanying financial statements of Success By 6 Coalition of Douglas County have been prepared on an accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

#### **Cash**

Cash includes demand deposits and funds invested at market rates in interest bearing accounts.

At year end, the carrying amount of the organization's accounts was \$ (52,992) which consisted of \$ (52,992) in open accounts. The bank balance at December 31, 2014 was \$ 4,061. The difference between the bank balance and the carrying amounts was outstanding checks written but not yet clearing the bank account at year end.

The organization's deposits are held at First State Bank and Trust. The Federal Deposit Insurance Corporation insures demand and time accounts up to \$ 250,000 per bank per account type. Amounts in the bank are secured by FDIC coverage up to \$ 250,000 and pledged securities by the bank for amounts in excess of \$ 250,000. The deposits were fully secured as of December 31, 2014.

**SUCCESS BY 6 COALITION OF DOUGLAS COUNTY**  
Lawrence, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

**Property and Depreciation**

Property and equipment are recorded at cost. Depreciation is provided using the straight line method over the estimated useful lives of the respective assets. Depreciation recorded for the year ended December 31, 2014 was \$ 0.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expenses as incurred.

**Income Taxes Status**

Success By 6 Coalition of Douglas County is exempt from federal income taxes under section 501 (c) (3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, Success By 6 Coalition of Douglas County 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. The organization has not been involved in any activities subject to the Unrelated Business Income Tax of nonprofit organizations.

The Organization’s payroll tax returns for the years ending 2014, 2013, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

**Use of Accounting 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 the affect certain reported amounts of certain assets, liabilities and disclosures. Accordingly, actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year the adjustment is determined.

**Accounts Receivable**

The direct write-off method is used for expensing uncollectible accounts. This method recognizes a bad debt expense when an account is assumed to be uncollectible.

# **SUCCESS BY 6 COALITION OF DOUGLAS COUNTY**

Lawrence, Kansas

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 – Summary of Significant Accounting Policies (Continued)**

#### **Donated Materials and Services**

The Organization records the value of donated goods or services when there is an objective basis available to measure their value. Donated materials and services are reflected as revenues and expenditures in the accompanying statements at their estimated values at date of receipt. During the year ended December 31, 2014 there were not any services meeting the requirements for recognition in the financial statements.

#### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalent.

### **NOTE 2 – Property and Equipment**

Property and equipment are summarized by major classification at December, 31, 2014 as follows:

|                  |                 |
|------------------|-----------------|
| Office equipment | <u>\$ 4,207</u> |
|------------------|-----------------|

### **NOTE 3 – Compensated Absences**

Full time employees qualify for 12 days paid vacation per year for the first four years, 15 days for per year for employees with five to nine years service, and 20 days per year after the tenth year. Unused vacation days will be paid upon termination, considering appropriate notice was given and the employee has passed the probationary period. Sick leave accrues at the rate of 1 day per month for full-time employees. Sick leave may be accumulated to a maximum of 40 working days. Accrued vacation and sick leave have not been recorded as a liability because to pay the liability the Organization must continue to receive grant funding. The liability for accrued vacation and sick leave for December 31, 2014 not recorded in these financial statements is deemed to be immaterial.

# **SUCCESS BY 6 COALITION OF DOUGLAS COUNTY**

Lawrence, Kansas

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 4 – Leases**

The Organization leases building space under an operating lease with a one-year term. Monthly rent payments required under the lease are \$ 200. Rental expense was \$ 2,400 for the year ending December 31, 2014.

### **NOTE 5 – Contingencies**

Success By 6 participants in federal and state programs that are fully or partially funded by grants received from governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor agency. If expenditures are disallowed due to noncompliance with grant program regulations, Success By 6 may be required to reimburse the grantor agency. As of December 31, 2014, a significant amount of program expenditures have not been audited by grantor agencies, but Success by 6 believes that disallowed expenditures, if any, will not have material effect on the financial position of Success by 6.

### **NOTE 6 – Concentration**

The Organization uses grant funds to provide contractual services to the children served. At December 31, 2014, one grantor agency accounted for 96% of accounts receivable.

### **NOTE 7 – Subsequent Events**

Subsequent events for management's review have been evaluated through May 15, 2015. The date in the prior sentence is the date the financial statements were available to be issued.

...KL...

**Karlin & Long, LLC**  
*Certified Public Accountants*

Board of Directors  
Success By 6 Coalition of Douglas County  
1525 West 6<sup>th</sup> Street  
Lawrence, Kansas 66044

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Success By 6 Coalition of Douglas County (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 15, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Success By 6 Coalition of Douglas County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Success By 6 Coalition of Douglas County's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Board of Directors  
Success By 6 Coalition of Douglas County

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Success By 6 Coalition of Douglas County's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Karlin & Long, LLC". The signature is written in a cursive, flowing style.

Karlin & Long, LLC  
Certified Public Accountants  
Lenexa, Kansas

May 15, 2015