

CONEXUS

FINANCIAL REPORT

JUNE 30, 2017

TABLE OF CONTENTS

| | Page |
|----------------------------------|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| FINANCIAL STATEMENTS | |
| Statement of Financial Position | 2 |
| Statement of Activities | 3 |
| Statement of Functional Expenses | 4 |
| Statement of Cash Flows | 5 |
| Notes to Financial Statements | 6 - 11 |

**PILC &
MOSELEY, LLC**
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Conexus
Richmond, Virginia

We have audited the accompanying financial statements of Conexus (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 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 misstatements.

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 Conexus as of June 30, 2017, and the changes in its net assets, functional expenses, and its cash flows for the seven months then ended in accordance with accounting principles generally accepted in the United States of America.

Pilc & Moseley, LLC

Richmond, Virginia

January 19, 2018

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FINANCIAL STATEMENTS

CONEXUS
Statement of Financial Position
June 30, 2017

ASSETS

CURRENT ASSETS

| | |
|---------------------------|---------------|
| Cash and cash equivalents | \$ 23,425 |
| Miscellaneous receivable | 11,100 |
| Prepaid expenses | 4,725 |
| Investments | <u>36,705</u> |
| Total current assets | <u>75,955</u> |

PROPERTY AND EQUIPMENT, NET

542,458

OTHER ASSETS

| | |
|--------------------|---------------|
| Contributed assets | 36,608 |
| Deposits | <u>400</u> |
| Total other assets | <u>37,008</u> |

Total assets \$ 655,421

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|---------------------------------------|------------------|
| Accounts payable and accrued expenses | <u>\$ 56,261</u> |
| Total current liabilities | <u>56,261</u> |

NET ASSETS

| | |
|------------------|----------------|
| Unrestricted | <u>599,160</u> |
| Total net assets | <u>599,160</u> |

Total liabilities and net assets \$ 655,421

See accompanying notes.

CONEXUS
Statement of Activities
Year Ended June 30, 2017

| | Unrestricted | Temporarily Restricted | Total |
|--|-------------------|---------------------------|-------------------|
| PUBLIC SUPPORT AND OPERATING REVENUE | | | |
| Public Support | | | |
| Received directly | | | |
| Contributions | \$ 146,962 | \$ 29,847 | \$ 176,809 |
| In-kind contributions | 112,373 | - | 112,373 |
| Special events revenue | 185,017 | - | 185,017 |
| Direct benefit cost of special events | (57,851) | - | (57,851) |
| Received indirectly - combined service campaigns | 4,721 | - | 4,721 |
| Total public support | <u>391,222</u> | <u>29,847</u> | <u>421,069</u> |
| Operating Revenue | | | |
| Program service revenue | 9,288 | - | 9,288 |
| Net investment gain | 605 | - | 605 |
| Total operating revenue | <u>9,893</u> | <u>-</u> | <u>9,893</u> |
| Net assets released from restrictions | 158,074 | (158,074) | - |
| Total public support and operating revenue | <u>559,189</u> | <u>(128,227)</u> | <u>430,962</u> |
| EXPENSES | | | |
| Program Services | | | |
| Public health education | 128,489 | - | 128,489 |
| Professional education and training | 147,551 | - | 147,551 |
| Community services | 246,009 | - | 246,009 |
| Total program services | <u>522,049</u> | <u>-</u> | <u>522,049</u> |
| Supporting Services | | | |
| General and administrative | 25,714 | - | 25,714 |
| Fund-raising | 52,103 | - | 52,103 |
| Total support services | <u>77,817</u> | <u>-</u> | <u>77,817</u> |
| Total expenses | <u>599,866</u> | <u>-</u> | <u>599,866</u> |
| CHANGE IN NET ASSETS | (40,677) | (128,227) | (168,904) |
| NET ASSETS, BEGINNING OF PERIOD | <u>639,837</u> | <u>128,227</u> | <u>768,064</u> |
| NET ASSETS, END OF PERIOD | <u>\$ 599,160</u> | <u>\$ -</u> | <u>\$ 599,160</u> |

See accompanying notes.

CONEXUS
Statement of Cash Flows
Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|------------------|
| Change in net assets | \$ (168,904) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | |
| Depreciation & amortization | 26,800 |
| Gain on sale of investments | (21,160) |
| Unrealized loss on investments | 21,196 |
| Changes in assets and liabilities: | - |
| Miscellaneous receivable | (10,850) |
| Prepaid expenses | (966) |
| Accounts payable and accrued expenses | <u>10,297</u> |
| Net cash used in operating activities | <u>(143,587)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|-----------------|
| Proceeds from sale of investments | 98,175 |
| Purchase of equipment | (26,694) |
| Purchase of investments | <u>(23,372)</u> |
| Net cash provided by investing activities | <u>48,109</u> |
| Net decrease in cash and cash equivalents | (95,478) |

CASH AND CASH EQUIVALENTS

| | |
|-----------|------------------|
| Beginning | <u>118,903</u> |
| Ending | <u>\$ 23,425</u> |

See accompanying notes.

CONEXUS
Notes to Financial Statements
June 30, 2017

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Conexus is a not-for-profit organization dedicated to eliminating poor vision as a barrier to children's success through direct community service in schools, preschools and other child development centers, identifying children with vision problems and coordinating follow up care. Conexus' principle resources of revenue are public support (contributions, legacies and bequests), net revenue from special events and program service income.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

For external reporting purposes the Organization's financial statements have been prepared to focus on the Organization as a whole and to present balances and transactions classified in accordance with the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

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 will be met either by actions of the Organization and/or the passage of time. The Organization had no temporarily restricted net assets at June 30, 2017.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that require they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. The Organization had no permanently restricted net assets at June 30, 2017.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

(Continued)

CONEXUS
Notes to Financial Statements
June 30, 2017

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, all highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents.

The Organization maintains its cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

Pledges Receivable

Pledges are recorded when made. Pledges receivable due in the next year are reflected as current assets and recorded at their net realizable value. Pledges receivable in subsequent years are reflected as long-term pledges receivable and recorded as their net realizable value, using risk-free interest rates applicable to the years in which the pledges were made.

Donated Services

The Organization recognizes the fair value of contributed services that require specialized skills and are provided by individuals who possess those skills as revenue in the period received.

A substantial number of volunteers have donated significant amounts of their time to the Organization. The estimated value of such donated time has not been recorded in the consolidated financial statements for those services that do not require specialized expertise.

(Continued)

CONEXUS
Notes to Financial Statements
June 30, 2017

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the following estimated useful lives:

| | |
|---------------------------|---------------|
| Equipment | 5-7 years |
| Building and improvements | 27.5-39 years |

Maintenance and repairs, including replacement of minor items of physical properties, are charged to expense; major additions are capitalized.

Investments

The Organization records its investments at fair value with gains and losses included in the consolidated statement of activities.

Investments consist of money market instruments and mutual fund investments.

The Organization's investments are exposed to various risks such as interest rates, credit and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and could materially affect the amounts reported in the consolidated statements of financial position.

Income Taxes

The Organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no income taxes were required to be provided for in the accompanying financial statements.

Functional Expenses

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

Fair Value Measurements

The Organization has adopted the FASB ASC 820-10 guidance on fair value measures. FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The guidance does not require any new fair value measurements but may require some entities to change their measurement practices.

CONEXUS
Notes to Financial Statements
June 30, 2017

NOTE 2. PROPERTY AND EQUIPMENT

Conexus' property and equipment consisted of the following as of June 30, 2017:

| | |
|-------------------------------|-------------------|
| Land | \$ 67,387 |
| Building and improvements | 578,941 |
| Furniture and fixtures | 16,343 |
| Vehicles | 49,700 |
| Equipment | <u>75,798</u> |
| | 788,169 |
| Less accumulated depreciation | <u>245,711</u> |
| | <u>\$ 542,458</u> |

Depreciation expense in the amount of \$26,800 was recorded for the year ended June 30, 2017.

NOTE 3. DONATED ASSETS

Donated assets consist of various pieces of sculpture that are intended to be sold by the Organization in order to raise funds for program activities. The fair market value of the assets was recorded as in-kind contribution revenue. Any difference between the fair market value and the sale proceeds will be recorded as an adjustment to contribution revenue in the period the sale occurs. The fair market value of the assets on hand at June 30, 2017 is \$36,608.

NOTE 4. FAIR VALUE MEASUREMENTS

FASB ASC 820-10 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 as of the measurement date. FASB ASC 820-10 describes three approaches to measuring the fair value of assets and liabilities: the market approach, the income approach and the cost approach. Each approach includes multiple valuation techniques. The standard does not prescribe which valuation technique should be used when measuring fair value, but does establish a fair value hierarchy that prioritizes the inputs used in applying the various techniques. Inputs broadly refer to the assumptions that market participants use to make pricing decisions, including assumptions about risk. Level 1 inputs are given the highest priority in the hierarchy while Level 3 inputs are given the lowest priority. Financial assets and liabilities carried at fair value are classified in one of the following three categories based on the nature of the inputs to the valuation technique used:

(Continued)

CONEXUS
Notes to Financial Statements
June 30, 2017

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

Level 1 - Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

All investments of the Organization are valued using Level 1 inputs based on unadjusted quoted market prices within active markets.

Fair values of Level 1 investments measured on a recurring basis at June 30, 2017 as follows:

| | |
|--------------------------|------------------|
| Money market instruments | \$ <u>36,705</u> |
|--------------------------|------------------|

NOTE 5. INVESTMENTS

Investments as of June 30, 2017 are summarized as follows:

| | Cost | Fair Value | Unrealized Gain (Loss) |
|--------------------------|------------------|------------------|---------------------------|
| Money market instruments | <u>\$ 36,705</u> | <u>\$ 36,705</u> | <u>\$ -</u> |

(Continued)

CONEXUS
Notes to Financial Statements
June 30, 2017

NOTE 5. INVESTMENTS (Continued)

The following schedule summarizes the unrestricted investment gain in the statements of activities for the year ended June 30, 2017:

| | |
|-------------------------|-----------------|
| Interest and dividends | \$ 1,441 |
| Net realized gains | 21,160 |
| Net unrealized losses | (21,196) |
| Administrative expenses | <u>(800)</u> |
| Total investment return | <u>\$ (605)</u> |

NOTE 6. EMPLOYEE BENEFIT PLAN

Conexus offers a contributory SEP IRA plan to all employees who meet the eligibility requirements. When eligible, Conexus will contribute the equivalent of 7% of the employee's salary to the plan. Total Organization contributions under the plan were \$17,851 for the year ended June 30, 2017.

NOTE 7. ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

The Organization follows Financial Accounting Standards Board ("FASB") guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. Management evaluated the Organization's tax position and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Organization is not currently under audit by any tax jurisdiction. Generally, the Organization's tax returns remain open for three years for federal income tax examination.

NOTE 8. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 19, 2018, which is the date the financial statements were available to be issued.