SCHALL & ASHENFARB Certified Public Accountants, LLC

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ROOM TO GROW NATIONAL, INC.

Audited Financial Statements

December 31, 2016

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Independent Auditors' Report

To the Board of Directors of
Room to Grow National, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Room to Grow National, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2016, 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.

Auditors' 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 auditors' 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 organization'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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Room to Grow National, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 11, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schall & Ashenfarb

Schall & Ashenfarb
Certified Public Accountants, LLC

April 14, 2017

ROOM TO GROW NATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2016
(With comparative totals at December 31, 2015)

	12/31/16	12/31/15
Assets		
Cash and cash equivalents	$5,315,532	$3,859,903
Pledges receivable	236,615	285,696
Inventory - baby items	695,953	611,365
Prepaid expenses and other assets	53,305	44,525
Security deposit	116,164	92,164
Property and equipment, net (Note 3)	464,898	103,550
Total assets	$6,882,467	$4,997,203
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$134,689	$74,988
Deferred rent	51,805	63,396
Total liabilities	186,494	138,384
Net assets:		
Unrestricted	4,446,340	2,700,419
Temporarily restricted (Note 4)	2,249,633	2,158,400
Total net assets	6,695,973	4,858,819
Total liabilities and net assets	$6,882,467	$4,997,203

The attached notes and auditors' report are an integral part of these financial statements.

ROOM TO GROW NATIONAL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(With comparative totals for the year ended December 31, 2015)

	Unrestricted	Temporarily Restricted	Total 12/31/16	Total 12/31/15
Support and revenue:				
Contributions	$1,503,103	$1,570,391	$3,073,494	$3,190,544
Contributions - in-kind baby items	490,932		490,932	565,175
Special event income (net of expenses with a direct benefit to donors (Note 5)	1,201,705		1,201,705	993,148
Contributed services	30,900		30,900	183,800
Interest and dividends	345		345	1,153
Loss on disposal of inventory - baby items	(10,499)		(10,499)	(19,788)
Net assets released from restrictions	1,479,158	(1,479,158)	0	0
Total support and revenue	4,695,644	91,233	4,786,877	4,914,032
Expenses:				
Program services	2,027,001		2,027,001	1,729,490
Supporting services:				
Management and general	435,557		435,557	337,723
Fundraising	487,165		487,165	439,746
Total supporting services	922,722	0	922,722	777,469
Total expenses	2,949,723	0	2,949,723	2,506,959
Change in net assets	1,745,921	91,233	1,837,154	2,407,073
Net assets - beginning of year	2,700,419	2,158,400	4,858,819	2,451,746
Net assets - end of year	$4,446,340	$2,249,633	$6,695,973	$4,858,819

The attached notes and auditors' report are an integral part of these financial statements.

ROOM TO GROW NATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(With comparative totals for the year ended December 31, 2015)

		Supporting Services				
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses 12/31/16	Total Expenses 12/31/15
Salaries	$898,379	$106,371	$163,099	$269,470	$1,167,849	$946,451
Payroll taxes & benefits	121,805	14,421	22,113	36,534	158,339	147,745
Distribution of baby items (including in-kind)	395,845			0	395,845	427,042
Program expense	25,915				25,915	0
Occupancy	368,255	43,602	66,855	110,457	478,712	418,926
Storage (including in-kind)	17,395			0	17,395	125,819
Professional fees (including in-kind)	21,015	244,674	55,125	299,799	320,814	151,525
Office supplies	56,476	6,687	10,253	16,940	73,416	35,587
Insurance	12,540	1,485	2,277	3,762	16,302	11,770
Telephone	10,693	1,266	1,941	3,207	13,900	8,029
Other event expenses (Note 5)			147,586	147,586	147,586	110,526
Postage and delivery	2,431	288	441	729	3,160	6,550
Printing and production	12,375	1,465	2,247	3,712	16,087	19,640
Travel and meals	44,169	5,229	8,019	13,248	57,417	17,653
Bank fees		5,366		5,366	5,366	20,171
Other	4,101	487	745	1,232	5,333	7,062
Dues and subscriptions	11,734	1,389	2,130	3,519	15,253	9,330
Depreciation	23,873	2,827	4,334	7,161	31,034	39,008
Bad debt expense				0	0	4,125
Total expenses	$2,027,001	$435,557	$487,165	$922,722	$2,949,723	$2,506,959

The attached notes and auditors' report are an integral part of these financial statements.

ROOM TO GROW NATIONAL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(With comparative totals for the year ended December 31, 2015)

	12/31/16	12/31/15
Cash flows from operating activities:		
Change in net assets	$1,837,154	$2,407,073
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	31,034	39,008
Contributions - in-kind baby items	(490,932)	(565,175)
Distribution of baby items	395,845	427,042
Loss on disposal of inventory - baby items	10,499	19,788
Changes in operating assets and liabilities:		
Pledges receivable	49,081	(40,844)
Prepaid expenses and other assets	(8,780)	(275)
Security deposit	(24,000)	(29,039)
Accounts payable and accrued expenses	59,701	13,256
Deferred rent	(11,591)	(6,567)
Total adjustments	10,857	(142,806)
Net cash flows provided by operating activities	1,848,011	2,264,267
Cash flows from investing activities:		
Purchases of inventory	0	(4,183)
Purchases of fixed assets	(392,382)	0
Net cash flows used for investing activities	(392,382)	(4,183)
Net increase in cash and cash equivalents	1,455,629	2,260,084
Cash and cash equivalents - beginning of year	3,859,903	1,599,819
Cash and cash equivalents - end of year	$5,315,532	$3,859,903
Supplemental disclosures:		
Interest and taxes paid	$0	$0

The attached notes and auditors' report are an integral part of these financial statements.

Note 1 - Organization

Room to Grow National, Inc. (the "Organization") provides parents raising babies in poverty with one-on-one parenting support and essential baby items throughout their children's critical first three years of life. Parents expecting a baby are referred to Room to Grow by selected prenatal programs assisting low-income families. Upon their referral, parents visit Room to Grow's warm and inviting space once every three months from just before the birth of the baby until their child turns three. During their one-on-one appointments with staff clinicians, typically lasting two hours, parents receive developmental information, customized support, and all of the needed baby items to ensure a healthy and secure start for their child.

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting
The financial statements have been prepared on the accrual basis of accounting which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

b. Basis of Presentation
The Organization reports information regarding their financial position and activities according to the following classes of net assets:

- *Unrestricted* – represents all activity without donor-imposed restrictions as well as activity with donor-imposed restrictions, which expire within the same period.

- *Temporarily restricted* – relates to contributions of cash and other assets with donor stipulations that make clear the assets restriction, either due to a program nature or by passage of time.

Donor-restricted support has been reported as an increase in temporarily restricted net assets. 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. However, contributions whose restrictions expire in the same year they were received, and contributions received without restrictions are recorded in the unrestricted class of net assets.

c. Cash and Cash Equivalents
The Organization considers cash held in checking accounts and money market funds with a maturity of three months or less to be cash and cash equivalents.

d. Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentration of credit risk consist of cash accounts which are placed with financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits. While at year end the Organization had material uninsured balances, management feels they have little risk and has not experienced any losses due to bank failure.

e. Pledges Receivable

Pledges that are expected to be received in less than one year are recorded at net realizable value. Those that are due in greater than one year are recorded at fair value which is calculated using risk adjusted present value techniques. Long term pledges are treated as time restricted until the period they are due, at which time they will be released from restriction and counted towards operations.

Based on historical experience and a specific review of outstanding receivables, management has deemed that no allowance for doubtful accounts is necessary.

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

f. Inventory – Baby Items

The Organization receives donated baby items that are used to provide program participants with vital supplies needed. Inventory that is donated is recorded at fair value as of the date of donation. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. exit price) in an orderly transaction between market participants at the measurement date.

Inventory is grouped into homogenous categories and estimates are computed based on average prices on recognized exchanges for similar goods. This is considered type 2 on the fair value hierarchy. Inventory is valued at the lower of carrying value (average cost/donated value) or fair value.

g. Property and Equipment

Purchases of furniture, equipment, and other fixed assets that have a useful life of greater than one year are capitalized at cost or, if donated, at their fair value at the date of the gift. Property and equipment is depreciated using the straight-line method over the estimated useful life of the asset.

h. Deferred Rent

Rent expense is recognized evenly over the life of the lease using the straight-line method. In the earlier years of the lease, as rent expense exceeds amounts paid, a deferred rent liability is created. In later years of the lease, as payments exceed the amount of expense recognized, deferred rent will be reduced until it is zero at the end of the lease.

i. Contributed Services

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided in-kind.

The Organization received donated storage space valued at $107,000 during the year ended December 31, 2015. The donated storage space was not used in 2016. In addition, donated professional fees were received for board development and restructuring, architect, design services and strategic planning totaling $30,900 and $76,800 during the years ended December 31, 2016 and 2015, respectfully.

Board members and other individuals volunteer their time and perform a variety of tasks that assist the Organization. These services have not been recorded in the financial statements because they do not meet the criteria for recognition as outlined above.

j. Management Estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

k. Expense Allocation
The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

l. Accounting for Uncertainty of Income Taxes
The Organization does not believe its financial statements include any material uncertain tax positions. Tax filings for periods ending December 31, 2013 and later are subject to examination by applicable taxing authorities.

m. Comparative Financial Information
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

n. Subsequent Events
Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through April 14, 2017, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.

o. New Accounting Pronouncement
On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, which becomes effective for the December 31, 2018 fiscal year, with early implementation permitted, focuses on improving the current net asset classification requirements and information

presented in the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the December 31, 2020 fiscal year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

The Organization has not yet evaluated the impact these standards will have on future financial statements.

Note 3 - Property and Equipment

Property and equipment consist of the following:

	12/31/16	12/31/15	Estimated Useful Life
Furniture and fixtures	$148,517	$70,340	5 to 7 years
Office equipment	36,644	36,644	5 years
Leasehold improvements	565,342	251,137	Life of lease
	750,503	358,121	
Less: accumulated depreciation	(285,605)	(254,571)	
Net: property and equipment	$464,898	$103,550	

Note 4 - Temporarily Restricted Net Assets

Activity in the temporarily restricted class of net assets can be summarized as follows:

	December 31, 2016			
	1/1/16	New Contributions	Released from Restriction	12/31/16
Clinical services & other projects	$150,400	$650,000	($210,900)	$589,500
Capital campaign	355,000	19,675	(374,425)	250
Program evaluation	140,500	323,451	(93,833)	370,118
Time restrictions	1,512,500	577,265	(800,000)	1,289,765
Total	$2,158,400	$1,570,391	($1,479,158)	$2,249,633

	December 31, 2015			
	1/1/15	New Contributions	Released from Restriction	12/31/15
Clinical services & other projects	$5,000	$147,500	($2,100)	$150,400
Capital campaign	30,000	325,000	0	355,000
Program evaluation	45,000	95,500	0	140,500
Time restrictions	130,000	1,512,500	(130,000)	1,512,500
Total	$210,000	$2,080,500	($132,100)	$2,158,400

Note 5 - Fundraising Events

The Organization had fundraising events in New York and Boston. They are summarized as follows:

	December 31, 2016		
	Boston	New York	Total
Gross revenue	$557,386	$790,439	$1,347,825
Less: expenses with a direct benefit to donors	(66,248)	(79,872)	(146,120)
	491,138	710,567	1,201,705
Less: other event expenses	(83,446)	(64,140)	(147,586)
Net income from fundraising events	$407,692	$646,427	$1,054,119

	December 31, 2015		
	Boston	New York	Total
Gross revenue	$581,060	$570,176	$1,151,236
Less: expenses with a direct benefit to donors	(85,480)	(72,608)	(158,088)
	495,580	497,568	993,148
Less: other event expenses	(45,466)	(65,060)	(110,526)
Net income from fundraising events	$450,114	$432,508	$882,622

Note 6 - Retirement Plan

The Organization has a retirement plan under IRS Section 403(b). After a waiting period of three months, all full-time employees may elect to defer a portion of their salary and contribute to this plan up to statutory amounts. The employer is not required to match and therefore has not incurred any expense.

Note 7 - Commitments

The Organization occupies office space in Boston under a non-cancelable lease which expires on January 31, 2019 and in New York under a non-cancelable lease for office space which expires on June 30, 2023.

Future minimum payments are as follows:

Year ending:	December 31, 2017	$391,065
	December 31, 2018	404,538
	December 31, 2019	247,533
	December 31, 2020	239,570
	December 31, 2021	246,757
	Thereafter	390,629
Total		$1,920,092