Children's Advocacy Center of Collin County, Inc.

Financial Statements
June 30, 2017 and 2016

SFC Answers.

Children's Advocacy Center of Collin County, Inc.
Contents

Sutton Frost Cary LLP
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
Children's Advocacy Center of Collin County, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Children's Advocacy Center of Collin County, Inc., (Center) which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, 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 U.S. generally accepted accounting principles; 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 audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Advocacy Center of Collin County, Inc. as of June 30, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
January 18, 2018

Children's Advocacy Center of Collin County, Inc.
Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	$ 1,363,666	$ 1,316,146
Certificates of deposit	454,475	452,763
Investments	530,009	497,491
Governmental grants receivable	126,690	92,548
Unconditional promises to give, net	49,155	66,330
Prepaid expenses	79,923	89,060
Total current assets	2,603,918	2,514,338
Noncurrent assets:		
Unconditional promises to give	62,171	74,140
Property and equipment, net	5,828,655	5,231,616
Total assets	$ 8,494,744	$ 7,820,094
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 41,700	$ 150,377
Deferred revenue	52,430	111,653
Total current liabilities	94,130	262,030
Net assets:		
Unrestricted	8,321,114	7,426,966
Temporarily restricted	79,500	131,098
Total net assets	8,400,614	7,558,064
Total liabilities and net assets	$ 8,494,744	$ 7,820,094

See notes to financial statements.

Children's Advocacy Center of Collin County, Inc.
Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	$ 1,313,775	$ 79,500	$ 1,393,275
National and Texas Children's Advocacy Centers	340,101	-	340,101
Governmental grants	832,790	-	832,790
In-kind contributions	689,514	-	689,514
Special events (net of direct costs of $707,110)	543,692	-	543,692
Rental income	436,672	-	436,672
Net investment income	41,802	-	41,802
Other	91,824	-	91,824
Net assets released from restrictions	131,098	(131,098)	-
Total support and revenue	4,421,268	(51,598)	4,369,670
Expenses:			
Program services	3,378,760	-	3,378,760
Support services:			
Management and general	341,269	-	341,269
Fundraising	575,985	-	575,985
Total expenses	4,296,014	-	4,296,014
Change in net assets before gain on involuntary conversion	125,254	(51,598)	73,656
Gain on involuntary conversion	768,894	-	768,894
Change in net assets	894,148	(51,598)	842,550
Net assets, beginning of year	7,426,966	131,098	7,558,064
Net assets, end of year	$ 8,321,114	$ 79,500	$ 8,400,614

See notes to financial statements.

Children’s Advocacy Center of Collin County, Inc.
Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	$ 1,156,818	$ 135,200	$ 1,292,018
National and Texas Children's Advocacy Centers	324,446	-	324,446
Governmental grants	602,403	-	602,403
In-kind contributions	579,188	-	579,188
Special events (net of direct costs of $642,690)	738,160	-	738,160
Rental income	447,173	-	447,173
Net investment income	8,688	-	8,688
Other	76,849	-	76,849
Net assets released from restrictions	289,736	(289,736)	-
Total support and revenue	4,223,461	(154,536)	4,068,925
Expenses:			
Program services	3,465,464	-	3,465,464
Support services:			
Management and general	304,749	-	304,749
Fundraising	541,518	-	541,518
Total expenses	4,311,731	-	4,311,731
Loss on disposals of property and equipment	57,781	-	57,781
Total expenses and loss	4,369,512	-	4,369,512
Change in net assets	(146,051)	(154,536)	(300,587)
Net assets, beginning of year	7,573,017	285,634	7,858,651
Net assets, end of year	$ 7,426,966	$ 131,098	$ 7,558,064

See notes to financial statements.

Children's Advocacy Center of Collin County, Inc.
Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services	Management and General	Fundraising	Total
Payroll cost	$ 1,846,015	$ 252,483	$ 482,088	$ 2,580,586
Professional services	80,209	39,737	26,044	145,990
Building occupancy	216,217	9,297	6,954	232,468
Supplies	19,601	5,318	2,563	27,482
Equipment	30,976	1,526	1,081	33,583
Communication	63,382	4,721	17,627	85,730
Education	42,149	5,016	1,889	49,054
Travel	22,675	2,691	6,658	32,024
Insurance	37,058	3,756	2,898	43,712
Depreciation	230,481	12,943	9,848	253,272
Client services	81,212	-	-	81,212
Client assistance - in-kind	689,514	-	-	689,514
Direct costs of special events	-	-	707,110	707,110
Miscellaneous	19,271	3,781	18,335	41,387
Total expenses by function	3,378,760	341,269	1,283,095	5,003,124
Less expenses included with revenues on the statement of activities -				
Direct costs of special events	-	-	(707,110)	(707,110)
Total	$ 3,378,760	$ 341,269	$ 575,985	$ 4,296,014

See notes to financial statements.

Children's Advocacy Center of Collin County, Inc.
Statement of Functional Expenses
Year Ended June 30, 2016

	Program Services	Management and General	Fundraising	Total
Payroll cost	$ 1,886,647	$ 244,962	$ 447,375	$ 2,578,984
Professional services	101,617	19,210	21,607	142,434
Building occupancy	304,907	5,421	6,093	316,421
Supplies	18,917	7,050	2,785	28,752
Equipment	26,998	4,007	2,812	33,817
Communication	106,382	6,443	26,164	138,989
Education	33,462	2,786	2,002	38,250
Travel	26,095	3,416	7,879	37,390
Insurance	39,201	2,037	2,431	43,669
Depreciation	250,664	7,400	9,667	267,731
Client services	74,527	-	-	74,527
Client assistance - in-kind	579,188	-	-	579,188
Direct costs of special events	-	-	642,690	642,690
Miscellaneous	16,859	2,017	12,703	31,579
Total expenses by function	3,465,464	304,749	1,184,208	4,954,421
Less expenses included with revenues on the statement of activities -				
Direct costs of special events	-	-	(642,690)	(642,690)
Total	$ 3,465,464	$ 304,749	$ 541,518	$ 4,311,731

See notes to financial statements.

Children's Advocacy Center of Collin County, Inc.
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 842,550	$ (300,587)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	253,272	267,731
Realized and unrealized (gains) losses on investments	(28,562)	4,735
Change in discount on unconditional promises to give	1,618	(2,362)
Gain on involuntary conversion	(768,894)	-
Loss on disposal of property and equipment	-	57,781
Changes in operating assets and liabilities:		
Governmental grants receivable	(34,142)	(17,960)
Unconditional promises to give	27,526	30,089
Prepaid expenses	9,137	17,892
Accounts payable and accrued expenses	(108,677)	(4,913)
Deferred revenue	(59,223)	9,499
Net cash provided by operating activities	134,605	61,905
Cash flows from investing activities:		
Proceeds from involuntary conversion	768,894	-
Purchases of property and equipment	(850,311)	(44,017)
Purchases of certificates of deposit	(1,712)	(1,709)
Purchases of investments	(3,956)	(4,747)
Net cash used by investing activities	(87,085)	(50,473)
Net increase in cash and cash equivalents	47,520	11,432
Cash and cash equivalents at beginning of year	1,316,146	1,304,714
Cash and cash equivalents at end of year	$ 1,363,666	$ 1,316,146

See notes to financial statements.

1. Organization

Children’s Advocacy Center of Collin County, Inc. (Center), a Texas non-profit organization, is classified by the Internal Revenue Service (IRS) as tax-exempt under Section 501(c)(3). The Center serves the Collin County, Texas area by providing quality advocacy, intervention and therapeutic services to victims of child abuse and their families. In addition, the Center supports and promotes actions to prevent child abuse. The Center operates on contributions received from individuals, businesses and civic organizations, and from special fundraising events. The Center also receives governmental grants, some of which are passed through national and state advocacy centers.

2. Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

> *Unrestricted net assets* - Net assets not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the board of directors.
>
> *Temporarily restricted net assets* - Net assets subject to donor or grantor stipulations that will be met by actions of the Center and/or the passage of time.
>
> *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that will never lapse, thus requiring the funds to 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 related investments for general or specific purpose. The Center had no permanently restricted net assets as of June 30, 2017 and 2016.

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. Gains and losses are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions with donor-imposed restrictions that are met in the same year as the contributions were received are reported as unrestricted net assets.

Credit Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash and cash equivalents, investments, grants receivable and unconditional promises to give. The Center places cash and cash equivalents, which at times may exceed the federally insured limits, with high credit quality financial institutions to minimize risk. As of June 30, 2017 the uninsured amounts totaled $193,227. The Center has not experienced losses on such assets.

The Center’s investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of investments to the Center’s financial position and the level or risk inherent in most investments, it is reasonably possible that changes in the values of the investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes.

Unconditional promises to give are unsecured and are due from various donors. Governmental grants receivable are unsecured and are due from various grantors. The Center continually evaluates the collectability of unconditional promises to give and governmental grants receivable and maintains allowances as necessary.

At June 30, 2017 and 2016 approximately 83% and 78%, respectively, of grants receivable were due from two agencies.

The Center operates entirely within the Collin County, Texas area. Therefore, financial activities are subject to the economic conditions of the area. For the year ended June 30, 2017 and 2016, the Center received approximately 27% and 23% of its support and revenue from funds originating from federal, state and local government agencies, respectively. Continuation of such funding at current levels in future periods is subject to various factors such as economic conditions, compliance with grant provisions, potential new legislation and continued applicability of mission.

Cash and Cash Equivalents

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

Certificates of Deposit

Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as current assets. The Center has two certificates of deposit with interest rates of .4% maturing in April and June of 2018, respectively.

Investments

The Center's investments consist of mutual funds, exchange traded funds and money market funds and are carried at fair value. Realized gains and losses are recorded as the difference between historical cost and fair value, and are shown on a net basis. Unrealized gains and losses are recorded for the change in fair value of investments between reporting periods.

Property and Equipment

The Center capitalizes property and equipment over $1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over estimated useful lives of the assets, which range from 3 to 40 years.

Revenue Recognition

Contributions are generally recorded on receipt, unless evidence of an unconditional promise to give has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions to which they are subject are met.

Government grant revenue is recognized as contract terms are fulfilled. Cost reimbursement contracts are recognized as revenue when the allowable costs are incurred. Fees for contract services are recognized as revenue when the contracted services are performed.

Donated Services and Materials

Donated goods are reflected as contributions at their estimated fair values at date of receipt. Contributions of services are recorded at estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. For the year ended June 30, 2017, contributed professional services and materials in the amount of $426,456 and $263,059, respectively, have been recognized as in-kind contributions and program expense in the statement of activities. For the year ended June 30, 2016, contributed professional services and materials in the amount of $330,381 and $248,807, respectively, have been recognized as in-kind contributions and program expense in the statement of activities.

Grants and Contracts

The Center receives grants and contracts from federal, state and local agencies, as well as private organizations, to be used for specific programs. For government grants and contracts, the excess of reimbursable expenditures over cash receipts is included in grants receivable.

The Center's costs incurred under its government grants and contracts are subject to audit by government agencies. Management believes that the disallowance of costs, if any, would not be material to the financial position or changes in net assets of the Center.

Functional Allocation of Expenses

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

Income Taxes

The Center is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and has not been classified as a private foundation as defined in the IRC. Income generated from activities unrelated to the Center's exempt purpose is subject to tax under IRC Section 511. The Center had no unrelated business income for the years ended June 30, 2017 and 2016. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Center's tax return and recognition of a tax liability (or asset) if the Center has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Center and has concluded that as of June 30, 2017 and 2016, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

3. Governmental Grants Receivable

Grants receivable consists of the following at June 30:

	2017	2016
Victims of Crime Act Grant	$ 70,610	$ 45,459
Other Victim Assistance Grant	8,216	8,062
CAC of Texas, Inc. Grant	34,140	27,042
City of Plano	-	7,319
Other	13,724	4,666
	$ 126,690	$ 92,548

4. Unconditional Promises to Give

Unconditional promises to give consist of the following at June 30:

	2017	2016
Unconditional promises to give	$ 128,893	$ 160,867
Less: allowance for doubtful pledges	(12,889)	(17,337)
	116,004	143,530
Less: unamortized discount	(4,678)	(3,060)
	$ 111,326	$ 140,470
Due in one year or less	$ 49,155	$ 66,330
Due from one year to five years	62,171	74,140
	$ 111,326	$ 140,470

At June 30, 2017 and 2016, the discount rate utilized in computing the discount was 1.89% and 1.01%, respectively.

5. Property and Equipment

Property and equipment consist of the following at June 30:

	2017	2016
Land	$ 700,000	$ 700,000
Building	4,632,681	4,632,681
Building improvements	2,689,596	2,025,893
Furniture and equipment	1,063,842	1,045,574
Software	170,249	137,119
	9,256,368	8,541,267
Less: accumulated depreciation	(3,427,713)	(3,309,651)
	$ 5,828,655	$ 5,231,616

Depreciation expense for the years ended June 30, 2017 and 2016 was $253,272 and $267,731, respectively.

6. Insurance Proceeds

During 2017, the Center sustained hail damage to its property. The property was insured and were restored to their previous operating state. The proceeds received from the insurance company to replace the damaged roof totaled $768,894 and is included in the accompanying statement of activities.

7. Employee Benefit Plan

The Center has established a 401(k) plan for eligible employees. For the years ended June 30, 2017 and 2016, the Center matched employee contributions, up to 3% of the employee's salary. The Center's contributions totaled $47,104 and $41,263 for the years ended June 30, 2017 and 2016, respectively.

8. Rental Income

The Center leases part of its facility to agencies serving similar clients. Income (including reimbursements for utility costs) from tenants for the years ended June 30, 2017 and 2016 totaled $436,672 and $447,173, respectively. One tenant represents approximately 94% of total rent revenue.

9. Investments

Fair Value Measurements

Under the Fair Value Measurements and Disclosures topic of the Accounting Standards Codification (ASC), disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

> Level 1 - Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;
>
> Level 2 - Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies;
>
> Level 3 - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Mutual Funds and Exchange Traded Funds

These investments are public investment vehicles using the net asset value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within level 1 of the valuation hierarchy.

Money Market Funds

These investments are valued using $1 for the NAV and are classified as level 1 of the valuation hierarchy.

The following table sets forth the Center's investments at estimated fair value as of June 30:

	2017	2016
Mutual funds	$ -	$ 10,250
Exchange traded funds	478,536	416,527
Money market funds	51,473	70,714
	$ 530,009	$ 497,491

Investment income consisted of the following for the years ended June 30:

	2017	2016
Interest and dividends	$ 13,240	$ 13,423
Realized and unrealized gains (losses)	28,562	(4,735)
	$ 41,802	$ 8,688

10. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of amounts restricted by donors for the following purposes at June 30:

	2017	2016
Salary and benefits	$ 75,000	$ 75,000
Programs	4,500	56,098
	$ 79,500	$ 131,098

11. Subsequent Events

Subsequent to year end, the Organization signed a 3 year noncancelable office lease agreement for a new satellite therapy clinic located in McKinney, Texas. The annual rent payments are estimated to be approximately $32,000 per year. The new clinic is expected to open in February 2018.

The Center evaluated subsequent events through January 18, 2018, which was the date the financial statements were available to be issued, and concluded that no additional disclosures are required.