



Children’s Advocacy Center of Collin County, Inc.

**Financial Statements
June 30, 2019 and 2018**

Children's Advocacy Center of Collin County, Inc.

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Children's Advocacy Center of Collin County, Inc., (a nonprofit organization) which comprise the statements of financial position as of June 30, 2019 and 2018, 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.

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, 2019 and 2018 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 16, 2020

Children's Advocacy Center of Collin County, Inc.
Statements of Financial Position
June 30, 2019 and 2018

| | 2019 | 2018 |
|---|----------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,503,118 | \$ 1,091,123 |
| Certificates of deposit | 704,831 | 691,193 |
| Investments | 582,376 | 554,333 |
| Government grants receivable | 166,314 | 173,527 |
| Unconditional promises to give, net | 60,103 | 47,743 |
| Prepaid expenses | 136,975 | 199,269 |
| Total current assets | 3,153,717 | 2,757,188 |
| Noncurrent assets: | | |
| Unconditional promises to give, net - long-term | 167,859 | 109,470 |
| Assets restricted for capital campaign: | | |
| Cash and cash equivalents | 478,861 | - |
| Unconditional promises to give, net | 2,035,558 | - |
| Property and equipment, net | 5,330,339 | 5,563,001 |
| Total assets | \$ 11,166,334 | \$ 8,429,659 |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 81,298 | \$ 87,116 |
| Deferred revenue | 61,474 | 65,068 |
| Total current liabilities | 142,772 | 152,184 |
| Net assets: | | |
| Without donor restrictions | 8,496,932 | 8,232,874 |
| With donor restrictions | 2,526,630 | 44,601 |
| Total net assets | 11,023,562 | 8,277,475 |
| Total liabilities and net assets | \$ 11,166,334 | \$ 8,429,659 |

See notes to financial statements.

Children's Advocacy Center of Collin County, Inc.
Statement of Activities
Year Ended June 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------------|
| Support and revenue: | | | |
| Contributions | \$ 1,543,917 | \$ 2,742,965 | \$ 4,286,882 |
| In-kind contributions | 729,139 | - | 729,139 |
| Texas Children's Advocacy Center | 322,126 | - | 322,126 |
| Government grants | 1,279,845 | - | 1,279,845 |
| Special events (net of direct costs of \$626,988) | 902,886 | - | 902,886 |
| Rent from partner agencies | 482,382 | - | 482,382 |
| Net investment income | 55,418 | - | 55,418 |
| Other | 123,372 | - | 123,372 |
| Net assets released from restrictions | 248,241 | (248,241) | - |
| Total support and revenue | 5,687,326 | 2,494,724 | 8,182,050 |
| Expenses: | | | |
| Program services | 4,168,689 | - | 4,168,689 |
| Management and general | 429,364 | - | 429,364 |
| Fundraising | 825,215 | - | 825,215 |
| Total expenses | 5,423,268 | - | 5,423,268 |
| Change in net assets from operations | 264,058 | 2,494,724 | 2,758,782 |
| Bad debt loss | - | (12,695) | (12,695) |
| Change in net assets | 264,058 | 2,482,029 | 2,746,087 |
| Net assets, beginning of year | 8,232,874 | 44,601 | 8,277,475 |
| Net assets, end of year | \$ 8,496,932 | \$ 2,526,630 | \$ 11,023,562 |

See notes to financial statements.

Children's Advocacy Center of Collin County, Inc.
Statement of Activities
Year Ended June 30, 2018

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|---------------------|
| Support and revenue: | | | |
| Contributions | \$ 1,203,879 | \$ 55,441 | \$ 1,259,320 |
| In-kind contributions | 723,483 | - | 723,483 |
| Texas Children's Advocacy Center | 335,506 | - | 335,506 |
| Government grants | 1,086,976 | - | 1,086,976 |
| Special events (net of direct costs of \$791,395) | 671,730 | - | 671,730 |
| Rent from partner agencies | 451,035 | - | 451,035 |
| Net investment income | 28,886 | - | 28,886 |
| Other | 131,913 | - | 131,913 |
| Net assets released from restrictions | 90,340 | (90,340) | - |
| Total support and revenue | 4,723,748 | (34,899) | 4,688,849 |
| Expenses: | | | |
| Program services | 3,737,079 | - | 3,737,079 |
| Management and general | 424,510 | - | 424,510 |
| Fundraising | 650,399 | - | 650,399 |
| Total expenses | 4,811,988 | - | 4,811,988 |
| Change in net assets | (88,240) | (34,899) | (123,139) |
| Net assets, beginning of year | 8,321,114 | 79,500 | 8,400,614 |
| Net assets, end of year | \$ 8,232,874 | \$ 44,601 | \$ 8,277,475 |

See notes to financial statements.

Children's Advocacy Center of Collin County, Inc.
Statement of Functional Expenses
Year Ended June 30, 2019

| | Program Services | Management and General | Fundraising | Total |
|--|----------------------------|---------------------------|--------------------------|----------------------------|
| Payroll costs | \$ 2,519,110 | \$ 353,280 | \$ 514,841 | \$ 3,387,231 |
| Professional services | 57,252 | 26,080 | 34,186 | 117,518 |
| Building occupancy | 253,423 | 8,705 | 6,533 | 268,661 |
| Supplies | 18,397 | 6,015 | 2,972 | 27,384 |
| Equipment | 49,087 | 2,933 | 2,390 | 54,410 |
| Communication | 48,240 | 3,756 | 6,162 | 58,158 |
| Education | 65,732 | 6,177 | 2,501 | 74,410 |
| Travel | 28,638 | 3,645 | 6,391 | 38,674 |
| Insurance | 47,093 | 3,339 | 2,428 | 52,860 |
| Depreciation | 239,761 | 13,149 | 9,993 | 262,903 |
| Client services | 89,314 | - | - | 89,314 |
| Client assistance - in-kind | 729,139 | - | - | 729,139 |
| Direct costs of special events | - | - | 626,988 | 626,988 |
| Capital Campaign | - | - | 203,640 | 203,640 |
| Miscellaneous | 23,503 | 2,285 | 33,178 | 58,966 |
| Total expense by function | 4,168,689 | 429,364 | 1,452,203 | 6,050,256 |
| Less expenses included with revenues on the statement of activities - Direct costs of special events | - | - | (626,988) | (626,988) |
| Total expenses included in the expense section on the statement of activities | <u>\$ 4,168,689</u> | <u>\$ 429,364</u> | <u>\$ 825,215</u> | <u>\$ 5,423,268</u> |

See notes to financial statements.

Children's Advocacy Center of Collin County, Inc.
Statement of Functional Expenses
Year Ended June 30, 2018

| | Program Services | Management and General | Fundraising | Total |
|--|----------------------------|---------------------------|--------------------------|----------------------------|
| Payroll costs | \$ 2,175,643 | \$ 342,524 | \$ 442,526 | \$ 2,960,693 |
| Professional services | 81,473 | 37,537 | 49,032 | 168,042 |
| Building occupancy | 181,739 | 7,023 | 5,601 | 194,363 |
| Supplies | 17,834 | 3,329 | 2,415 | 23,578 |
| Equipment | 41,729 | 3,155 | 3,905 | 48,789 |
| Communication | 41,820 | 2,769 | 5,497 | 50,086 |
| Education | 53,470 | 5,666 | 3,734 | 62,870 |
| Travel | 28,086 | 2,747 | 5,234 | 36,067 |
| Insurance | 46,308 | 3,438 | 2,520 | 52,266 |
| Depreciation | 242,088 | 13,387 | 10,179 | 265,654 |
| Client services | 82,759 | - | - | 82,759 |
| Client assistance - in-kind | 723,483 | - | - | 723,483 |
| Direct costs of special events | - | - | 791,395 | 791,395 |
| Capital Campaign | - | - | 84,317 | 84,317 |
| Miscellaneous | 20,647 | 2,935 | 35,439 | 59,021 |
| Total expense by function | 3,737,079 | 424,510 | 1,441,794 | 5,603,383 |
| Less expenses included with revenues on the statement of activities - Direct costs of special events | - | - | (791,395) | (791,395) |
| Total expenses included in the expense section on the statement of activities | <u>\$ 3,737,079</u> | <u>\$ 424,510</u> | <u>\$ 650,399</u> | <u>\$ 4,811,988</u> |

See notes to financial statements.

Children's Advocacy Center of Collin County, Inc.
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

| | 2019 | 2018 |
|---|--------------|--------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 2,746,087 | \$ (123,139) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 262,903 | 265,654 |
| Realized and unrealized gains on investments | (21,530) | (19,774) |
| Bad debt loss | 12,695 | - |
| Allowance for doubtful pledges | 8,464 | 5,097 |
| Change in discount on unconditional promises to give | 90,280 | (18) |
| Contributions restricted for capital campaign | (2,799,421) | - |
| Changes in operating assets and liabilities: | | |
| Government grants receivable | 7,213 | (46,837) |
| Unconditional promises to give | (84,632) | (50,966) |
| Prepaid expenses | 62,294 | (119,346) |
| Accounts payable and accrued expenses | (5,818) | 45,416 |
| Deferred revenue | (3,594) | 12,638 |
| | 274,941 | (31,275) |
| Net cash provided (used) by operating activities | | |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (30,241) | - |
| Purchases of certificates of deposit | (13,638) | (236,718) |
| Purchases of investments | (6,513) | (4,550) |
| | (50,392) | (241,268) |
| Net cash used by investing activities | | |
| Cash flows from financing activities: | | |
| Collections of contributions restricted for capital campaign | 666,307 | - |
| | 890,856 | (272,543) |
| Net increase (decrease) in cash and cash equivalents | | |
| Cash and cash equivalents at beginning of year | 1,091,123 | 1,363,666 |
| Cash and cash equivalents at end of year | \$ 1,981,979 | \$ 1,091,123 |
| Reconciliation of cash and cash equivalents and restricted cash and cash equivalents reported within the statement of financial position to the statement of cash flows: | | |
| Cash and cash equivalents | \$ 1,503,118 | \$ 1,091,123 |
| Restricted cash and cash equivalents | 478,861 | - |
| | \$ 1,981,979 | \$ 1,091,123 |
| Cash and cash equivalents and restricted cash and cash equivalents reported on the statement of cash flows | | |

See notes to financial statements.

Children's Advocacy Center of Collin County, Inc.

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's mission is to provide safety, healing and justice for children victimized by abuse and neglect in our community. The Center offers a multi-disciplinary team approach where law enforcement, Texas Department of Family and Protective Services, prosecution, medical and mental health professionals work together as a team under one roof. The Center operates by bringing services to the child instead of the child going from place to place to tell their stories and get help. We provide the following core services: Forensic Interviews, Family Advocacy and Support Services, Therapeutic Counseling, Community Education and Child Protective Services. 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. Summary of 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:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

Net assets with donor restrictions - Net assets subject to donor stipulations that will be met by actions of the Center and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Center to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy. As of June 30, 2019 and 2018, no such net asset restrictions existed.

Children's Advocacy Center of Collin County, Inc.

Notes to Financial Statements

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (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 net assets without donor restrictions. Donor restrictions on contributions of property and equipment or contributions restricted for the purchase or construction of property expire when the assets are placed in service unless the donor stipulated otherwise.

Credit and Market Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash and cash equivalents, certificates of deposit, investments, grants receivable and unconditional promises to give. The Center places cash and cash equivalents and certificates of deposit, which at times may exceed the federally insured limits, with high credit quality financial institutions to minimize risk. As of June 30, 2019 the uninsured amounts totaled \$59,850. 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 of 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. Government grants receivable are unsecured and are due from various grantors. The Center continually evaluates the collectability of unconditional promises to give and government grants receivable and maintains allowances as necessary.

At June 30, 2019 and 2018, approximately 97% and 89%, respectively, of government grants receivable were due from two agencies. At June 30, 2019, approximately 51% of pledges receivable were due from two donors.

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, 2019 and 2018, the Center received approximately 19% and 30% 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

Children's Advocacy Center of Collin County, Inc.

Notes to Financial Statements

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 three certificates of deposit with interest rates ranging from 2.0 to 2.25% maturing between May and June of 2020.

Investments

The Center's investments consist of 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.

Assets Restricted for Capital Campaign

During the year ended June 30, 2019, the Center initiated a capital campaign to identify and construct an additional facility in North Collin County. At June 30, 2019, assets restricted for the capital campaign include gifts of cash totaling \$478,861 and unconditional promises to give totaling \$2,035,558, net of a discount to present value of \$84,861 and an allowance for doubtful pledges of \$12,695 (See Note 5).

Property and Equipment

The Center capitalizes property and equipment over \$5,000. Lesser amounts are expensed. Purchased property and equipment are reported at cost. Donations of property and equipment are recorded as contributions at their estimated fair value on the date donated. Property and equipment are depreciated using the straight-line method over estimated useful lives of the assets, which range from 3 to 40 years.

Impairment of Long Lived Assets

The Center reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows are less than the carrying value, an impairment loss is recognized

Children's Advocacy Center of Collin County, Inc.

Notes to Financial Statements

equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment included current operating results, trends and prospects and the effects of obsolescence, demand completion and other economic factors. There were no indications of asset impairment during the year ended June 30, 2019.

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 Goods and Services

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, 2019, contributed professional services and materials in the amount of \$417,294 and \$311,845, respectively, have been recognized as in-kind contributions and program expense in the statement of activities. For the year ended June 30, 2018, contributed professional services and materials in the amount of \$447,817 and \$275,666, 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 government 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.

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Notes to Financial Statements

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses presents expenses by function and natural classification. Certain costs are charged directly to the functions they benefit.

Other expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include building occupancy and depreciation, which are allocated on a square footage basis, as well as payroll costs, professional services, supplies, equipment, communication, education, travel, insurance, client assistance and miscellaneous which are allocated on the basis of estimates of time and effort.

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, 2019 and 2018. 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, 2019 and 2018, 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.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification.

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Notes to Financial Statements

The Center considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Center's financial position and changes in net assets.

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. The effective date of ASU 2014-09 is for annual periods beginning after December 15, 2018 for the majority of not-for-profit organizations.

In 2018, the FASB issued ASU 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Topic 958, *Not-for-Profit Entities* or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is not a factor for determining whether an agreement is within the scope of that guidance. The standard is effective for annual periods beginning after December 15, 2018 for the majority of not-for-profit entities. The changes in this standard should generally be applied on a retrospective basis in the year that it is first applied.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2020.

The Center is currently assessing the impact that adopting this new guidance will have on the financial statements.

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU amends the previous reporting model for nonprofit organizations and

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Notes to Financial Statements

enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (d) presenting investment return net of external and direct internal investment expenses, and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Center has adopted this ASU as of and for the year ended June 30, 2019 with retrospective application for the 2018 financial statements. The Center opted to not disclose liquidity and availability information for 2018 as permitted under the ASU in the year of adoption.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash*, which requires that the statement of cash flows explains the change during the year in total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of year and end of year total amounts shown on the statement of cash flows. The Center has adopted this ASU as of and for the year ended June 30, 2019 with retrospective application for the 2018 financial statements.

3. 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 |

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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:

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.

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

| | <u>2019</u> | <u>2018</u> |
|-----------------------|-------------|-------------|
| Exchange traded funds | \$ 582,376 | \$ 554,333 |

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

| | <u>2019</u> | <u>2018</u> |
|-------------------------------|------------------|------------------|
| Interest and dividends | \$ 38,754 | \$ 14,564 |
| Realized and unrealized gains | 21,530 | 19,774 |
| Investment fees | (4,866) | (5,452) |
| | <u>\$ 55,418</u> | <u>\$ 28,886</u> |

4. Governmental Grants Receivable

Government grants receivable consists of the following at June 30:

| | <u>2019</u> | <u>2018</u> |
|-------------------------------|-------------------|-------------------|
| Victims of Crime Act Grant | \$ 107,670 | \$ 94,419 |
| Other Victim Assistance Grant | 2,442 | 12,701 |
| CAC of Texas, Inc. Grant | 53,344 | 60,006 |
| Other | 2,858 | 6,401 |
| | <u>\$ 166,314</u> | <u>\$ 173,527</u> |

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5. Unconditional Promises to Give

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

| | 2019 | 2018 |
|--------------------------------------|--------------|------------|
| Unconditional promises to give | \$ 2,397,605 | \$ 179,859 |
| Less: allowance for doubtful pledges | (39,145) | (17,986) |
| | 2,358,460 | 161,873 |
| Less: unamortized discount | (94,940) | (4,660) |
| | \$ 2,263,520 | \$ 157,213 |
| Due in one year or less | \$ 689,438 | \$ 47,743 |
| Due from one year to five years | 1,574,082 | 109,470 |
| | \$ 2,263,520 | \$ 157,213 |

Reconciliation to statement of financial position:

| | 2019 |
|--|--------------|
| Unconditional promises to give, net | \$ 60,103 |
| Unconditional promises to give, net - long-term | 167,859 |
| Unconditional promises to give, net - restricted for capital campaign | 2,035,558 |
| Total unconditional promises to give, net | \$ 2,263,520 |

At June 30, 2019 and 2018, the discount rate utilized in computing the discount was 1.76% and 2.73%, respectively.

Children’s Advocacy Center of Collin County, Inc.
Notes to Financial Statements

6. Property and Equipment

Property and equipment consist of the following at June 30:

| | 2019 | 2018 |
|--------------------------------|--------------|--------------|
| Land | \$ 700,000 | \$ 700,000 |
| Building | 4,632,681 | 4,632,681 |
| Building improvements | 2,689,596 | 2,689,596 |
| Furniture and equipment | 1,094,083 | 1,063,842 |
| Software | 33,130 | 33,130 |
| | 9,149,490 | 9,119,249 |
| Less: accumulated depreciation | (3,819,151) | (3,556,248) |
| | \$ 5,330,339 | \$ 5,563,001 |

Depreciation expense for the years ended June 30, 2019 and 2018 was \$262,903 and \$265,654, respectively.

7. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of amounts restricted by donors for the following purposes at June 30:

| | 2019 | 2018 |
|---------------------|--------------|-----------|
| Capital campaign | \$ 2,498,221 | \$ - |
| Programs | 28,409 | 25,441 |
| Salary and benefits | - | 19,160 |
| | \$ 2,526,630 | \$ 44,601 |

8. Leases

The Center has a 3-year noncancelable office lease agreement for the satellite therapy clinic located in McKinney, Texas. Future minimum payments are as follows for the years ending June 30:

| | |
|-------|-----------|
| 2020 | \$ 33,815 |
| 2021 | 20,946 |
| Total | \$ 54,761 |

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The Center leases office space in its building to partnering agencies under cancelable operating leases. Rent (including reimbursements for utility costs) from partnering agencies for the years ended June 30, 2019 and 2018 totaled \$482,382 and \$451,035, respectively. One tenant represents approximately 86% of total rent revenue.

9. Employee Benefit Plan

The Center has established a 401(k) plan for eligible employees. For the years ended June 30, 2019 and 2018, the Center matched employee contributions up to 3% of the employee’s salary. The Center’s contributions totaled \$67,231 and \$57,015 for the years ended June 30, 2019 and 2018, respectively.

10. Liquidity and Availability of Resources

The Center’s financial assets available within one year of the statements of financial position date for general expenditure are as follows:

| | |
|--|---------------------|
| Cash and cash equivalents | \$ 1,981,979 |
| Certificates of deposit | 704,831 |
| Investments | 582,376 |
| Government grants receivable | 166,314 |
| Unconditional promises to give, net | <u>2,263,520</u> |
| Total financial assets | 5,699,020 |
| Less amounts not available for general expenditures within one year: | |
| Assets restricted for capital campaign: | |
| Cash and cash equivalents | (478,861) |
| Unconditional promises to give, net | (2,035,558) |
| Other unconditional promises to give - due after one year, net | <u>(167,859)</u> |
| Total financial assets available to meet cash needs for general expenditures within one year | <u>\$ 3,016,742</u> |

The Center manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stabilities, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Children's Advocacy Center of Collin County, Inc.
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11. Subsequent Events

In August 2019, the Center entered into an agreement to purchase a tract of land for approximately \$400,000 in association with their capital campaign. In addition, the Center entered into a development management agreement to carry out certain duties regarding the administration and management of the design, development and construction of a project on the tract of land.

The Center evaluated subsequent events after the statement of financial position date of June 30, 2019 through the date the financial statements were available to be issued, and concluded that no additional disclosures are required.