

Fort Bend County Child Advocates, Inc. and
Fort Bend County Child Advocates Endowment, Inc.

Combining Financial Statements
for the Year Ended December 31, 2016
(with comparative totals for 2015)



Bennoch & Tipton LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Fort Bend County Child Advocates, Inc. and
Fort Bend County Child Advocates Endowment, Inc.
Rosenberg, Texas

Report on the Financial Statements

We have audited the accompanying combining financial statements of Fort Bend County Child Advocates, Inc. and Fort Bend County Child Advocates Endowment, Inc. (collectively the "Organization"), which comprise the combining statement of financial position as of December 31, 2016, and the related combining 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 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.

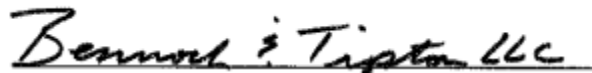
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fort Bend County Child Advocates, Inc. and Fort Bend County Child Advocates Endowment, Inc. as of December 31, 2016, and the results of its operations 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 combining financial statements, and we expressed an unmodified audit opinion on those audited combining financial statements in our report dated June 7, 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 combining financial statements from which it has been derived.



Bennoch & Tipton LLC
Certified Public Accountants
Houston, Texas

April 20, 2017

**FORT BEND COUNTY CHILD ADVOCATES, INC. AND
FORT BEND COUNTY CHILD ADVOCATES ENDOWMENT, INC.**
COMBINING STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 (with comparative totals for 2015)

	Agency	Endowment	Eliminations	2016 Total	2015 Total
ASSETS					
Cash and cash equivalents	\$ 504,387	\$ 386,844	\$ -	\$ 891,231	\$ 1,237,170
Grants receivable	306,432	-	-	306,432	154,299
Promises to give	651,142	-	-	651,142	613,480
Prepaid expenses	24,165	-	-	24,165	23,243
Property and equipment, net	2,300,027	-	-	2,300,027	2,365,050
Due from Endowment	665,051	-	(665,051)	-	-
Investments	-	3,648,568	-	3,648,568	3,381,173
TOTAL ASSETS	<u>\$ 4,451,204</u>	<u>\$ 4,035,412</u>	<u>\$ (665,051)</u>	<u>\$ 7,821,565</u>	<u>\$ 7,774,415</u>
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable	\$ 3,558	\$ -	\$ -	\$ 3,558	\$ 4,343
Accrued expenses	75,475	-	-	75,475	45,371
Deferred revenue	8,525	-	-	8,525	-
Due to Agency	-	665,051	(665,051)	-	-
Total Liabilities	<u>87,558</u>	<u>665,051</u>	<u>(665,051)</u>	<u>87,558</u>	<u>49,714</u>
Net Assets					
Unrestricted	4,141,928	3,370,361	-	7,512,289	7,512,265
Temporarily restricted	221,718	-	-	221,718	212,436
Total Net Assets	<u>4,363,646</u>	<u>3,370,361</u>	<u>-</u>	<u>7,734,007</u>	<u>7,724,701</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,451,204</u>	<u>\$ 4,035,412</u>	<u>\$ (665,051)</u>	<u>\$ 7,821,565</u>	<u>\$ 7,774,415</u>

The accompanying notes are an integral part of these combining financial statements.

**FORT BEND COUNTY CHILD ADVOCATES, INC. AND
FORT BEND COUNTY CHILD ADVOCATES ENDOWMENT, INC.**
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative totals for 2015)

	Agency	Endowment	Eliminations	2016 Total	2015 Total
Unrestricted Net Assets					
Unrestricted Revenues and Gains					
Contributions and grants	\$ 1,074,417	\$ -	\$ (208,248)	\$ 866,169	\$ 717,978
Federal and State grants	1,026,206	-	-	1,026,206	797,325
Partner reimbursements	124,228	-	-	124,228	126,810
Special fundraising events	544,697	-	-	544,697	579,095
Less: costs of direct benefits to donors	(60,150)	-	-	(60,150)	(58,103)
In-kind contributions	950	34,016	-	34,966	30,234
Interest/dividend income	151	60,852	-	61,003	55,846
Gain on sale of investments	-	57,539	-	57,539	105,378
Unrealized gain (loss) on investments	-	144,711	-	144,711	(171,789)
Total Unrestricted Revenues and Gains	<u>2,710,499</u>	<u>297,118</u>	<u>(208,248)</u>	<u>2,799,369</u>	<u>2,182,774</u>
Net assets released from restrictions	<u>218,218</u>	<u>-</u>	<u>-</u>	<u>218,218</u>	<u>352,281</u>
Total Unrestricted Revenues and Gains, and Releases from Temporary Restrictions	<u>2,928,717</u>	<u>297,118</u>	<u>(208,248)</u>	<u>3,017,587</u>	<u>2,535,055</u>
Expenses					
Program:					
Contribution to Agency	-	208,248	(208,248)	-	-
Program services	<u>2,269,516</u>	<u>-</u>	<u>-</u>	<u>2,269,516</u>	<u>1,909,553</u>
Total Program	<u>2,269,516</u>	<u>208,248</u>	<u>(208,248)</u>	<u>2,269,516</u>	<u>1,909,553</u>
Supporting Services:					
General and administrative	588,784	34,003	-	622,787	516,123
Fundraising	<u>125,260</u>	<u>-</u>	<u>-</u>	<u>125,260</u>	<u>122,704</u>
Total Supporting Services	<u>714,044</u>	<u>34,003</u>	<u>-</u>	<u>748,047</u>	<u>638,827</u>
Total Expenses	<u>2,983,560</u>	<u>242,251</u>	<u>(208,248)</u>	<u>3,017,563</u>	<u>2,548,380</u>
Change in Net Assets	<u>(54,843)</u>	<u>54,867</u>	<u>-</u>	<u>24</u>	<u>(13,325)</u>
Temporarily Restricted Net Assets					
Contributions	227,500	-	-	227,500	218,218
Net assets released from restrictions	<u>(218,218)</u>	<u>-</u>	<u>-</u>	<u>(218,218)</u>	<u>(352,281)</u>
Change in Temporarily Restricted Net Assets	<u>9,282</u>	<u>-</u>	<u>-</u>	<u>9,282</u>	<u>(134,063)</u>
Change in Net Assets	(45,561)	54,867	-	9,306	(147,388)
Net Assets, Beginning of Year	<u>4,409,207</u>	<u>3,315,494</u>	<u>-</u>	<u>7,724,701</u>	<u>7,872,089</u>
Net Assets, End of Year	<u>\$ 4,363,646</u>	<u>\$ 3,370,361</u>	<u>\$ -</u>	<u>\$ 7,734,007</u>	<u>\$ 7,724,701</u>

The accompanying notes are an integral part of these combining financial statements.

**FORT BEND COUNTY CHILD ADVOCATES, INC. AND
FORT BEND COUNTY CHILD ADVOCATES ENDOWMENT, INC.**
COMBINING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Agency			Total
	Program	General and Administrative	Fundraising	
Payroll				
Salaries	\$ 1,455,478	\$ 363,870	\$ -	\$ 1,819,348
Employee benefits	177,302	44,326	-	221,628
Payroll taxes	95,248	23,812	-	119,060
Retirement contributions	29,878	7,470	-	37,348
Payroll services	<u>16,480</u>	<u>4,120</u>	<u>-</u>	<u>20,600</u>
Total Payroll	<u>1,774,386</u>	<u>443,598</u>	<u>-</u>	<u>2,217,984</u>
Other				
Bank charges	2,798	700	13,853	17,351
Bad debts	-	35,608	-	35,608
Contracted services	420	80	55,487	55,987
Depreciation (note 4)	75,976	18,994	-	94,970
Dues and license fees	8,219	1,993	-	10,212
E-mail and website expenses	39,404	9,851	-	49,255
Equipment and software	37,888	9,472	-	47,360
Facilities rental	2,078	520	-	2,598
Grants to Agency (note 9)	-	-	-	-
Insurance	22,042	5,511	-	27,553
Meals	1,771	432	118	2,321
Miscellaneous	4,304	110	3,663	8,077
Office supplies	18,458	4,615	38,256	61,329
Postage	2,884	721	1,166	4,771
Printing	2,591	648	8,227	11,466
Promotion	13,837	2,843	2,525	19,205
Professional fees	84,360	21,090	-	105,450
Program supplies	45,029	3,115	1,480	49,624
Program fees	5,280	-	-	5,280
Repairs and maintenance	34,101	8,526	-	42,627
Telephone	15,871	3,968	-	19,839
Travel	38,988	6,708	485	46,181
Training	14,054	3,487	-	17,541
Utilities	<u>24,777</u>	<u>6,194</u>	<u>-</u>	<u>30,971</u>
Total Other	<u>495,130</u>	<u>145,186</u>	<u>125,260</u>	<u>765,576</u>
Total Functional Expenses	<u>\$ 2,269,516</u>	<u>\$ 588,784</u>	<u>\$ 125,260</u>	<u>\$ 2,983,560</u>

The accompanying notes are an integral part of these combining financial statements.

Program	Endowment		Eliminations	Total Expenses	
	General and Administrative	Total			
\$ -	\$ -	\$ -	\$ -	\$ 1,819,348	Payroll
-	-	-	-	221,628	Salaries
-	-	-	-	119,060	Employee benefits
-	-	-	-	37,348	Payroll taxes
-	-	-	-	20,600	Retirement contributions
-	-	-	-	20,600	Payroll services
-	-	-	-	<u>2,217,984</u>	Total Payroll
-	-	-	-	17,351	Other
-	-	-	-	35,608	Bank charges
-	-	-	-	55,987	Bad debts
-	-	-	-	94,970	Contracted services
-	-	-	-	10,212	Depreciation (note 4)
-	-	-	-	49,255	Dues and license fees
-	-	-	-	47,360	E-mail and website expenses
-	-	-	-	2,598	Equipment and software
208,248	-	208,248	(208,248)	-	Facilities rental
-	-	-	-	27,553	Grants to Agency (note 9)
-	-	-	-	2,321	Insurance
-	-	-	-	8,077	Meals
-	-	-	-	61,329	Miscellaneous
-	-	-	-	4,771	Office supplies
-	-	-	-	11,466	Postage
-	-	-	-	19,205	Printing
-	34,003	34,003	-	139,453	Promotion
-	-	-	-	49,624	Professional fees
-	-	-	-	5,280	Program supplies
-	-	-	-	42,627	Program fees
-	-	-	-	19,839	Repairs and maintenance
-	-	-	-	46,181	Telephone
-	-	-	-	17,541	Travel
-	-	-	-	30,971	Training
-	-	-	-	30,971	Utilities
<u>208,248</u>	<u>34,003</u>	<u>242,251</u>	<u>(208,248)</u>	<u>799,579</u>	Total Other
<u>\$ 208,248</u>	<u>\$ 34,003</u>	<u>\$ 242,251</u>	<u>\$ (208,248)</u>	<u>\$ 3,017,563</u>	Total Functional Expenses

**FORT BEND COUNTY CHILD ADVOCATES, INC. AND
FORT BEND COUNTY CHILD ADVOCATES ENDOWMENT, INC.**
COMBINING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Agency			Total
	Program	General and Administrative	Fundraising	
Payroll				
Salaries	\$ 1,248,725	\$ 312,181	\$ -	\$ 1,560,906
Employee benefits	134,135	33,534	-	167,669
Payroll taxes	88,452	22,113	-	110,565
Retirement contributions	28,460	7,115	-	35,575
Payroll services	14,688	3,672	-	18,360
Total Payroll	<u>1,514,460</u>	<u>378,615</u>	<u>-</u>	<u>1,893,075</u>
Other				
Bank charges	3,642	911	10,957	15,510
Bad debts	-	18,440	-	18,440
Contracted services	950	-	23,166	24,116
Depreciation (note 4)	69,996	16,696	-	86,692
Dues and license fees	7,179	1,779	-	8,958
E-mail and website expenses	19,535	431	-	19,966
Equipment and software	49,672	18,434	-	68,106
Facilities rental	2,281	570	163	3,014
Grants to Agency (note 9)	-	-	-	-
Insurance	21,177	5,294	-	26,471
Meals	1,123	225	73	1,421
Miscellaneous	3,259	1,401	3,245	7,905
Office supplies	17,782	4,446	42,581	64,809
Postage	5,576	1,394	1,985	8,955
Printing	695	174	13,861	14,730
Promotion	8,016	1,930	3,400	13,346
Professional fees	12,412	3,103	-	15,515
Program supplies	38,963	3,297	-	42,260
Program fees	-	5,546	-	5,546
Repairs and maintenance	32,617	8,154	-	40,771
Telephone	13,904	4,158	-	18,062
Travel	44,304	2,272	23	46,599
Training	16,431	4,008	23,250	43,689
Utilities	25,579	6,395	-	31,974
Total Other	<u>395,093</u>	<u>109,058</u>	<u>122,704</u>	<u>626,855</u>
Total Functional Expenses	<u>\$ 1,909,553</u>	<u>\$ 487,673</u>	<u>\$ 122,704</u>	<u>\$ 2,519,930</u>

The accompanying notes are an integral part of these combining financial statements.

Program	Endowment		Eliminations	Total Expenses	
	General and Administrative	Total			
\$ -	\$ -	\$ -	\$ -	\$ 1,560,906	Payroll
-	-	-	-	167,669	Salaries
-	-	-	-	110,565	Employee benefits
-	-	-	-	35,575	Payroll taxes
-	-	-	-	18,360	Retirement contributions
-	-	-	-	18,360	Payroll services
-	-	-	-	<u>1,893,075</u>	Total Payroll
-	-	-	-	15,510	Other
-	-	-	-	18,440	Bank charges
-	-	-	-	24,116	Bad debts
-	-	-	-	86,692	Contracted services
-	-	-	-	8,958	Depreciation (note 4)
-	-	-	-	19,966	Dues and license fees
-	-	-	-	68,106	E-mail and website expenses
-	-	-	-	3,014	Equipment and software
202,025	-	202,025	(202,025)	-	Facilities rental
-	-	-	-	-	Grants to Agency (note 9)
-	-	-	-	26,471	Insurance
-	-	-	-	1,421	Meals
-	-	-	-	7,905	Miscellaneous
-	-	-	-	64,809	Office supplies
-	-	-	-	8,955	Postage
-	-	-	-	14,730	Printing
-	-	-	-	13,346	Promotion
-	28,450	28,450	-	43,965	Professional fees
-	-	-	-	42,260	Program supplies
-	-	-	-	5,546	Program fees
-	-	-	-	40,771	Repairs and maintenance
-	-	-	-	18,062	Telephone
-	-	-	-	46,599	Travel
-	-	-	-	43,689	Training
-	-	-	-	31,974	Utilities
<u>202,025</u>	<u>28,450</u>	<u>230,475</u>	<u>(202,025)</u>	<u>655,305</u>	Total Other
<u>\$ 202,025</u>	<u>\$ 28,450</u>	<u>\$ 230,475</u>	<u>\$ (202,025)</u>	<u>\$ 2,548,380</u>	Total Functional Expenses

**FORT BEND COUNTY CHILD ADVOCATES, INC. AND
FORT BEND COUNTY CHILD ADVOCATES ENDOWMENT, INC.**
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative totals for 2015)

	Agency	Endowment	2016 Total	2015 Total
Cash Flows from Operating Activities				
Change in Net Assets	\$ (45,561)	\$ 54,867	\$ 9,306	\$ (147,388)
Adjustments to reconcile change in net assets to net cash from operating activities:				
Unrealized (gain)/loss on investments	-	(144,711)	(144,711)	171,789
Realized (gain)/loss on investments	-	(57,539)	(57,539)	(105,378)
Depreciation expense	94,970	-	94,970	86,692
Change in operating assets and liabilities			-	
Grants receivable	(152,133)	-	(152,133)	(15,833)
Promises to give	(37,662)	-	(37,662)	(37,681)
Prepaid expenses	(922)	-	(922)	(6,464)
Funds held by Endowment	47,966	-	47,966	(200,000)
Accounts payable	(785)	-	(785)	(7,655)
Accrued expenses	30,104	-	30,104	13,668
Deferred revenue	8,525	-	8,525	(5,500)
Funds held for Agency	-	(47,966)	(47,966)	200,000
Net Cash from Operating Activities	<u>(55,498)</u>	<u>(195,349)</u>	<u>(250,847)</u>	<u>(53,750)</u>
Cash Flows from Investing Activities				
Purchases of property and equipment	(29,947)	-	(29,947)	(84,329)
Interest and dividends reinvested	-	(60,852)	(60,852)	(55,621)
Purchases of investments	-	1,087,260	1,087,260	1,046,890
Proceeds from sales of investments	-	(1,091,553)	(1,091,553)	(1,038,744)
Net Cash from Investing Activities	<u>(29,947)</u>	<u>(65,145)</u>	<u>(95,092)</u>	<u>(131,804)</u>
Net Change in Cash and Cash Equivalents	(85,445)	(260,494)	(345,939)	(185,554)
Cash and Cash Equivalents, Beginning of Year	<u>589,832</u>	<u>647,338</u>	<u>1,237,170</u>	<u>1,422,724</u>
Cash and Cash Equivalents, End of Year	<u>\$ 504,387</u>	<u>\$ 386,844</u>	<u>\$ 891,231</u>	<u>\$ 1,237,170</u>

The accompanying notes are an integral part of these combining financial statements.

**FORT BEND COUNTY CHILD ADVOCATES, INC. AND
FORT BEND COUNTY CHILD ADVOCATES ENDOWMENT, INC.**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 (with comparative totals for 2015)

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Fort Bend County Child Advocates, Inc. (the “Agency”) is a not-for-profit enterprise organized for the purpose of working on behalf of child abuse victims through two advocacy programs: Court Appointed Special Advocates (CASA) and The Children's Advocacy Center (CAC). Incorporated in 1991, the Agency's mission is to provide a voice for abused and neglected children in Fort Bend County through the use of specially trained community volunteers and staff. Fort Bend County Child Advocates, Inc. is supported primarily through donor contributions and grants.

Fort Bend County Child Advocates Endowment, Inc. (the “Endowment”) was incorporated in 1998 and funded by Fort Bend County Child Advocates, Inc. in 1999. The Endowment was organized and operates for educational and charitable purposes, and is exclusively for the benefit of Fort Bend County Child Advocates, Inc. (the Supported Organization).

Basis of Accounting – The combining financial statements of the Agency and the Endowment (collectively, the "Organization") have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Significant intercompany accounts between the combining entities have been eliminated.

Basis of Presentation – The Organization’s financial statements are presented in accordance with Financial Accounting Standards Board’s (FASB) Accounting Standards Codification (ASC) 958-205-45-4, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205-45-4, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – These are resources that are not subject to donor-imposed stipulations and can be used for the general operations of the Organization.

Temporarily restricted net assets – These are resources that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – These are resources that are subject to donor restrictions requiring that the principal be held in perpetuity and any income thereon be used by the Organization.

In addition, the Organization is required by FASB ASC 958-205-45-4 to present a statement of cash flows.

**FORT BEND COUNTY CHILD ADVOCATES, INC. AND
FORT BEND COUNTY CHILD ADVOCATES ENDOWMENT, INC.**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 (with comparative totals for 2015)

Revenue Recognition – Generally, grants are recognized as revenues when earned. Grants that operate on a reimbursement basis are recognized on the accrual basis as revenues only to the extent of disbursements and commitments that are allowable for reimbursement. Revenues from contributions, donations and other sources are recognized as unrestricted or temporarily restricted revenues when received or unconditionally promised by a third party. Revenues from special events are recognized when the events are held. Interest income is recognized when earned based on passage of time. Program income and other income are recognized when received.

Contributions and Promises to Give – In accordance with FASB ASC 958-605-45-3, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give cash or other assets are not recognized as revenues until received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met in the fiscal year in which the contributions were recognized. All other donor-restricted contributions would be reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

The Organization uses the allowances method to determine uncollectible unconditional promises receivable. The allowance is based on management's analysis of specific promises made. The Organization considers all remaining promises to give to be fully collectible; accordingly, no allowance for doubtful accounts is required.

If amounts become uncollectible, they will be charged to operations when that determination is made. Bad debt expense was \$35,608 and \$18,440 for the years ended December 31, 2016 and 2015, respectively.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. The significant estimates included in the financial statements are the estimates of useful lives used for depreciating property and equipment items.

Cash and Cash Equivalents – The Organization considers all monies in banks and highly liquid investments with maturities of three months or less from the date of purchase to be cash and cash

**FORT BEND COUNTY CHILD ADVOCATES, INC. AND
FORT BEND COUNTY CHILD ADVOCATES ENDOWMENT, INC.**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 (with comparative totals for 2015)

equivalents. The carrying values of any cash and cash equivalents are deemed to approximate their fair values because of the short maturities of those financial instruments.

Property and Equipment – Purchased property and equipment assets are carried at cost. Major additions and betterments equal to or greater than \$5,000 that extend the useful lives of property and equipment are capitalized and charged to the asset accounts while replacements, maintenance, and repairs, which do not improve or extend the life of the respective assets, are expensed. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as restricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method with lives of 3 to 40 years.

Donations – Donations are recorded as contributions at fair value at the date of donation. Such donations are reported as unrestricted net assets unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as restricted by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Grants Receivable – Grants receivable consist primarily of cost reimbursement requests outstanding at year-end related to various contracts from the State of Texas and other agencies under Federal grant programs.

Contributed Services – The Organization receives a substantial amount of services donated by volunteers in carrying out the Organization's purpose. No amounts have been reflected in the combining financial statements for these volunteer services since they do not meet the criteria for recognition under FASB ASC 958-605-25-26, *"Accounting for Contributions Received and Contributions Made"*.

During the years ended December 31, 2016 and 2015, the value of contributed services meeting the requirements for recognition in the financial statements was \$34,966 and \$30,234, respectively.

Functional Allocation of Expense – Expenses are categorized in the Statement of Activities as program services, fundraising and management and general. The Organization's expenses are allocated on a functional basis among these benefited categories.

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Program service expenses include direct and indirect (allocated) expenses for the various programs offered by the Organization. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Other expenses, that are common to several functions, are allocated to program services by various reasonable bases.

Income Taxes – The Organization is a nonprofit corporation that is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (“Code”) and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization did not conduct any unrelated business activities in the current fiscal year. Therefore, the Organization has made no provision for federal income taxes in the accompanying financial statements.

The Organization applies the provisions of FASB ASC Topic 740, *Income Taxes*, (formerly FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109*), which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Investments and Investment Income – In accordance with ASC 958-320, *Accounting for Certain Investments Held by Not for Profit Organizations* (formerly SFAS No. 124), investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the combining statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Effective July 1, 2008, the Organization adopted the provisions of ASC 820, *Fair Value Measurements and Disclosures* (formerly SFAS 157), with respect to its investments. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, and establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level I – Quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

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- Level 2 – Inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs that are supported by little or no market activity.

All cash, cash equivalents and investments held by the Organization as of December 31, 2016 and 2015 were Level 1. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used are to maximize the use of observable inputs and minimize the use of unobservable inputs.

Advertising – Advertising costs are expensed as incurred.

NOTE 2 – CONCENTRATION OF CREDIT RISK

All of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, are insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard maximum deposit insurance amount (\$250,000), for each deposit insurance ownership category. Additionally, cash and securities held by a customer at a Security Investor Protection Corporation (SIPC) member brokerage firm are protected up to \$500,000, which includes a limit of \$250,000 for cash.

The Organization maintains cash balances at a financial institution located in Texas. At December 31, 2016 and 2015, the Organization had approximately \$291,000 and \$364,000, respectively, of cash balances that were not insured by the FDIC. The Organization has not experienced any losses in such accounts and believes the risk of future loss is mitigated by monitoring the balances and the financial institutions where the cash is deposited.

The Organization's investments amount to \$4,035,412 and \$4,028,511 at December 31, 2016 and 2015, respectively, and consist of cash held for long-term investment, fixed income securities, mutual funds and corporate equities which are held at a brokerage firm. Investments in excess of the SIPC limit amounts to \$3,148,568 and \$3,249,661 at December 31, 2016 and 2015, respectively. These investments are exposed to several risks, such as interest rates, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Organization's combining financial statements.

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NOTE 3 – GRANTS RECEIVABLE

As of December 31, 2016 and 2015, grants receivable consist of the following:

	<u>2016</u>	<u>2015</u>
Federal Financial Assistance		
Criminal Justice Division-CAC VOCA	\$ 41,371	\$ 31,124
VOCA	13,764	12,375
Fort Bend County CDBG	5,426	5,745
City of Missouri City CDBG	1,993	1,649
City of Sugar Land CDBG	2,938	1,782
	<u>65,492</u>	<u>52,675</u>
Other governmental financial assistance		
Texas CASA	26,533	24,502
CAC's of Texas, Inc.	16,757	24,161
	<u>43,290</u>	<u>48,663</u>
Total Federal and other governmental financial assistance	<u>\$ 108,782</u>	<u>\$ 101,338</u>
Other Private Grants		
Henderson-Wessendorf Foundation	70,000	-
Houston Endowment	70,000	-
Rockefeller Philanthropy Advisors	30,000	-
Dunn Foundation	-	50,000
Other	27,650	2,961
Total Other Private Grants	<u>197,650</u>	<u>52,961</u>
Total grants receivable	<u>\$ 306,432</u>	<u>\$ 154,299</u>

All grants receivable are due within one year.

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NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 116,118	\$ 116,118
Buildings and improvements	2,850,814	2,845,439
Office furniture and equipment	<u>338,361</u>	<u>313,789</u>
	3,305,293	3,275,346
Less: accumulated depreciation	<u>(1,005,266)</u>	<u>(910,296)</u>
Total	<u>\$ 2,300,027</u>	<u>\$ 2,365,050</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$94,970 and \$86,692, respectively.

NOTE 5 – LONG-TERM INVESTMENTS

Investments for the years ended December 31, 2016 and 2015 are stated at fair value and consist primarily of fixed income securities, mutual funds and corporate equities, as follows:

	<u>2016</u>		
	<u>Cost</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Unrealized Appreciation</u>
Cash held for long-term investment	\$ 386,844	\$ 386,844	\$ -
Equity funds and other assets	<u>3,295,850</u>	<u>3,648,568</u>	<u>352,718</u>
Totals	<u>\$ 3,682,694</u>	<u>\$ 4,035,412</u>	<u>\$ 352,718</u>

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	2015		
	Cost	Quoted Prices in Active Markets for Identical Assets (Level 1)	Unrealized Appreciation
Cash held for long-term investment	\$ 647,338	\$ 647,338	\$ -
Equity funds and other assets	3,085,439	3,381,173	295,734
Totals	\$ 3,732,777	\$ 4,028,511	\$ 295,734

Investment return is summarized as follows:

	2016	2015
Interest and dividend income	\$ 60,852	\$ 55,621
Net realized/unrealized gain/(loss)	202,250	(66,411)
Total Unrestricted Investment Income	\$ 263,102	\$ (10,790)

NOTE 6 – LEASES

The Organization is obligated under a non-cancelable operating lease expiring May 30, 2020. Future minimum lease payments over the remainder of the copier lease agreement are as follows:

For the Year Ending December 31,	Amount
2017	\$ 11,222
2018	11,222
2019	11,222
2020	4,176
Thereafter	-
Total	\$ 37,842

Total lease expense for the years ended December 31, 2016 and 2015 was \$12,260 and \$14,538, respectively.

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NOTE 7 – PARTNERING AGENCIES

In accomplishing its mission, the Organization partners with various State and County agencies whose purpose is to serve the needs of the children of Fort Bend County. These partnering agencies occupy space within the Organization's facility and reimburse the Organization for expenses related to their occupancy such as utilities, repairs and maintenance based on an allocation of expenses determined by the square footage occupied. Currently, monthly reimbursements total approximately \$10,400 and \$10,600 for the years ended December 31, 2016 and 2015, respectively, and are recalculated at the end of each twelve-month agreement.

Total reimbursements from partnering agencies and licensing agreements were \$124,228 and \$126,810 for the years ended December 31, 2016 and 2015, respectively.

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose and time restrictions:

	2016	2015
CAC Program	\$ 44,218	\$ 127,436
CASA Program	141,500	-
Operations	36,000	85,000
Total	\$ 221,718	\$ 212,436

NOTE 9 – RELATED PARTY TRANSACTIONS

The Agency is an affiliate of Children's Advocacy Centers of Texas, Inc. (a State organization). The Agency pays annual affiliation fees to the State organization. The State organization provides the Agency with advocacy, educational opportunities, membership and other supporting services. The Agency paid affiliation fees of \$9,965 and \$8,893 for the years ended December 31, 2016 and 2015, respectively.

The Endowment gifted the Agency a portion of its investment income totaling \$208,248 and \$202,025 for the years ended December 31, 2016 and 2015, respectively.

In 2015, the Agency transferred \$200,000, in addition to \$465,051 in prior years totaling \$665,051, to the Endowment to combine with their investment funds to yield a higher rate of return.

These intercompany transactions are eliminated in the combining financial statements.

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NOTE 10 – EMPLOYEE BENEFITS

The Organization has a defined contribution, salary-reduction 401(k) plan that is available to all of its full-time employees age 21 and over after three months of service. Qualified employees may contribute any portion of their pretax annual compensation to the plan (up to annual statutory limits), and the Organization makes a 50% matching contribution up to 6% of the employee's pretax annual compensation. Such matching contributions are expensed by the Organization. Total accrued matching contributions were \$37,348 and \$35,575 for the years ended December 31, 2016 and 2015, respectively.

NOTE 11 – CONCENTRATIONS

The Organization is dependent on several sources of support and revenue. Grant funds from the State of Texas received directly for child advocacy and received indirectly as a contractor or sub-grantee from pass-through grants from other child advocacy agencies provide approximately thirty-five percent (35%) and thirty-one percent (31%) of the Organization's support for the years ended December 31, 2016 and 2015, respectively. These sources also make up ten percent (10%) and thirteen percent (13%) of the Organization's grants and promises to give receivables for the years ended December 31, 2016 and 2015, respectively. A significant reduction in the level of this support, if this were to occur, could have an adverse impact on the Organization's programs and activities.

The Organization also conducts two annual fundraisers in Fort Bend County, Texas, which provide approximately sixteen percent (16%) and twenty percent (20%) of its operating revenues for the years ended December 31, 2016 and 2015, respectively. The gross proceeds raised and direct costs of benefits to donors incurred may fluctuate from year-to-year based on economic and other factors.

NOTE 12 – CONTINGENCIES

The Organization's programs are supported through federal, state, and local grant programs that are governed by various rules and regulations. Expenses charged to the grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of management, there are no contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been made in the accompanying financial statements for such contingencies.

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NOTE 13 – ENDOWMENT FUNDS

As of December 31, 2016 and 2015, the Board of Trustees had designated \$3,370,361 and \$3,315,494, respectively, of unrestricted net assets as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The Organization has a spending policy of appropriating for distribution each year 5% of its board-designated endowment fund's average fair value of the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected investment return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its general endowment fund to grow at an average of 5% annually.

This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return. To achieve that objective, the Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the fund if possible.

The Organization expects its Endowment assets to perform based on market conditions and investment decisions. Returns may vary from year to year. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Composition of and changes in endowment net assets for the years ended December 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Board-designated endowment net assets, beginning of year	\$ 3,315,494	\$ 3,527,475
Investment income	60,852	55,621
Net appreciation	202,250	(66,411)
Amounts appropriated for expenditure	<u>(208,235)</u>	<u>(201,191)</u>
Board-designated endowment net assets, end of year	<u>\$ 3,370,361</u>	<u>\$ 3,315,494</u>

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NOTE 14 – PROMISES TO GIVE

Promises to give consist of the following:

	<u>2016</u>	<u>2015</u>
Voices for Children	\$ 646,462	\$ 611,280
Other	<u>4,680</u>	<u>2,200</u>
Total Promises to Give	<u>\$ 651,142</u>	<u>\$ 613,480</u>

The present value of cash flows from promises to give does not vary significantly from the stated value; therefore, no discount has been recorded. Promises to give are due as follows:

	<u>2016</u>	<u>2015</u>
Amounts due in:		
Less than one year	\$ 250,678	\$ 227,939
One to five years	<u>400,464</u>	<u>385,541</u>
Total	<u>\$ 651,142</u>	<u>\$ 613,480</u>

NOTE 15 – SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 20, 2017, the date the financial statements were available to be issued. No change to the financial statements for the year ended December 31, 2016 is deemed necessary as a result of this evaluation.

ADDITIONAL INFORMATION

**FORT BEND COUNTY CHILD ADVOCATES, INC. AND
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 SCHEDULE OF TEXAS CASA, INC. – VOCA FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative totals for 2015)**

Grantor/ Program Title	Grant Period	Grant Number	Award Amount	2016 Current Year Expenditures	2015 Prior Year Expenditures
VOCA - CASA	10/01/2016-9/30/2017	13647-17	\$ 93,335	\$ 21,281	\$ -
	9/01/2015-9/30/2016	13647-16	\$ 92,209	69,445	22,764
	9/01/2014-8/31/2015	13647-15	\$ 69,909	<u>-</u>	<u>46,527</u>
TOTAL EXPENDITURES FOR VOCA - CASA GRANT FUNDS				<u>\$ 90,726</u>	<u>\$ 69,291</u>

See independent auditor's report

**FORT BEND COUNTY CHILD ADVOCATES, INC. AND
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 SCHEDULE OF TEXAS CASA CVC/OAG GRANT AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative totals for 2015)**

Grantor/ Program Title	Grant Period	Grant Number	Award Amount	2016 Current Year Expenditures	2015 Prior Year Expenditures
CVC/OAG FUND	9/01/2016-8/31/2017	CVC-17-54	\$ 136,665	\$ 46,223	\$ -
	9/01/2015-8/31/2016	CVC-16-54	\$ 50,000	50,000	-
	9/01/2015-8/31/2016	CVC-16-54	\$ 98,261	55,708	42,553
	9/01/2014-8/31/2015	CVC-15-56	\$ 30,000	-	30,000
	9/01/2014-8/31/2015	CVC-15-54	\$ 103,433	-	57,083
TOTAL EXPENDITURES FOR CVC/OAG GRANT FUNDS				<u>\$ 151,931</u>	<u>\$ 129,636</u>

See independent auditor's report