

**FORT BEND COUNTY CHILD ADVOCATES, INC.
AND
FORT BEND COUNTY CHILD
ADVOCATES ENDOWMENT, INC.**

COMBINING FINANCIAL STATEMENTS

**For the Year Ended December 31, 2017
with Comparative Totals for 2016**

**FORT BEND COUNTY CHILD ADVOCATES, INC.
AND
FORT BEND COUNTY CHILD ADVOCATES ENDOWMENT, INC.**

**COMBINING FINANCIAL STATEMENTS
For the Year Ended December 31, 2017**

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REPORT OF INDEPENDENT AUDITORS

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 financial statements of Fort Bend County Child Advocates, Inc. and Fort Bend County Child Advocates Endowment, Inc. Endowment (collectively, the "Organization") which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of the Organization as of December 31, 2016, and for the year then ended were audited by a predecessor auditor and, accordingly, we express no opinion or provide no assurance on it. The predecessor auditor expressed an unmodified opinion on those financial statements in their report dated April 20, 2017.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 22, 2018, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control over financial reporting and compliance.

Whitley Penn LLP

Houston, Texas
May 22, 2018

FINANCIAL STATEMENTS

**FORT BEND COUNTY CHILD ADVOCATES, INC. AND
 FORT BEND COUNTY CHILD ADVOCATES ENDOWMENT, INC.**

Combining Statement of Financial Position

As of December 31, 2017 (with comparative totals for 2016)

	<u>Agency</u>	<u>Endowment</u>	<u>Eliminations</u>	<u>2017 Total</u>	<u>2016 Total</u>
Assets					
Current Assets:					
Cash and cash equivalents	\$ 568,327	\$ 372,934	\$ -	\$ 941,261	\$ 891,231
Grants receivable	580,709	-	-	580,709	306,432
Promises to give	648,815	-	-	648,815	651,142
Prepaid expenses	29,951	-	-	29,951	24,165
Property and Equipment, net	2,274,247	-	-	2,274,247	2,300,027
Due from Endowment	665,051	-	(665,051)	-	-
Investments	-	4,028,035	-	4,028,035	3,648,568
Total Assets	<u>\$ 4,767,100</u>	<u>\$ 4,400,969</u>	<u>\$ (665,051)</u>	<u>\$ 8,503,018</u>	<u>\$ 7,821,565</u>
Liabilities and Net Assets					
Liabilities:					
Accounts payable	17,232	-	-	17,232	3,558
Accrued expenses	75,536	-	-	75,536	75,475
Deferred revenue	9,500	-	-	9,500	8,525
Due to Agency	-	665,051	(665,051)	-	-
Total Liabilities	<u>102,268</u>	<u>665,051</u>	<u>(665,051)</u>	<u>102,268</u>	<u>87,558</u>
Net Assets:					
Unrestricted	4,184,014	3,735,918	-	7,919,932	7,512,289
Temporarily restricted	480,818	-	-	480,818	221,718
Total Net Assets	<u>4,664,832</u>	<u>3,735,918</u>	<u>-</u>	<u>8,400,750</u>	<u>7,734,007</u>
Total Liabilities and Net Assets	<u>\$ 4,767,100</u>	<u>\$ 4,400,969</u>	<u>\$ (665,051)</u>	<u>\$ 8,503,018</u>	<u>\$ 7,821,565</u>

The accompanying notes are an integral part of these 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, 2017 (with comparative totals for 2016)

	<u>Agency</u>	<u>Endowment</u>	<u>Eliminations</u>	<u>2017 Total</u>	<u>2016 Total</u>
Unrestricted Net Assets					
Unrestricted Revenues and Gains:					
Contributions and grants	1,035,392	\$ -	\$ (201,771)	\$ 833,621	\$ 866,169
Federal and State grants	1,303,066	-	-	1,303,066	1,026,206
Partner reimbursements	119,121	-	-	119,121	124,228
Special fundraising events	557,903	-	-	557,903	544,697
Less: cost of direct benefits to donors	(70,378)	-	-	(70,378)	(60,150)
In-kind contributions	1,000	33,255	-	34,255	34,966
Interest/dividend income	160	65,096	-	65,256	61,003
Gain on sale of investments	-	108,376	-	108,376	57,539
Unrealized gain (loss) on investments	-	397,034	-	397,034	144,711
Total Unrestricted Revenues and Gains	2,946,264	603,761	(201,771)	3,348,254	\$ 2,799,369
Net assets released from restrictions	345,500	-	-	345,500	218,218
Total Unrestricted Revenues and Gains, and Releases from Temporary Restrictions	3,291,764	603,761	(201,771)	3,693,754	3,017,587
Expenses					
Program:					
Contribution Agency	-	201,771	(201,771)	-	-
Program services	2,489,938	-	-	2,489,938	2,269,516
Total Program	2,489,938	201,771	(201,771)	2,489,938	2,269,516
Supporting Services:					
General and administrative	646,402	36,433	-	682,835	622,787
Fundraising	113,338	-	-	113,338	125,260
Total Supporting Services	759,740	36,433	-	796,173	748,047
Total Expenses	3,249,678	238,204	(201,771)	3,286,111	3,017,563
Change in Unrestricted Net Assets	42,086	365,557	-	407,643	24
Temporarily Restricted Net Assets					
Contributions	604,600	-	-	604,600	227,500
Net assets released from restrictions	(345,500)	-	-	(345,500)	(218,218)
Change in Temporarily Restricted Net Assets	259,100	-	-	259,100	9,282
Change in Net Assets	301,186	365,557	-	666,743	9,306
Net Assets, beginning of year	4,363,646	3,370,361	-	7,734,007	7,724,701
Net Assets, end of year	\$ 4,664,832	\$ 3,735,918	\$ -	\$ 8,400,750	\$ 7,734,007

The accompanying notes are an integral part of these 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, 2017*

	Agency			Total
	Program	General and Administrative	Fundraising	
Payroll				
Salaries	\$ 1,581,768	\$ 395,448	\$ -	\$ 1,977,216
Employee benefits	238,884	59,722	-	298,606
Payroll taxes	103,194	25,798	-	128,992
Retirement contributions	34,372	8,593	-	42,965
Payroll services	17,496	4,374	-	21,870
Total Payroll	<u>1,975,714</u>	<u>493,935</u>	<u>-</u>	<u>2,469,649</u>
Other				
Bank charges	1,673	418	12,995	15,086
Bad debts	-	53,233	-	53,233
Contracted services	3,075	-	56,217	59,292
Depreciation (note 4)	77,371	19,343	-	96,714
Dues and license fees	7,377	2,052	-	9,429
E-mail and website expenses	46,875	11,719	-	58,594
Equipment and software	41,446	10,362	-	51,808
Facilities rental	-	-	-	-
Grants to Agency (note 9)	-	-	-	-
Insurance	21,777	5,444	-	27,221
Meals	1,475	330	-	1,805
Miscellaneous	4,239	64	1,299	5,602
Office supplies	19,025	4,756	-	23,781
Postage	3,173	793	1,058	5,024
Printing	6,133	1,533	9,777	17,443
Promotion	5,388	1,355	7,479	14,222
Professional fees	66,718	2,600	-	69,318
Program supplies	51,305	3,944	24,513	79,762
Program fees	9,162	-	-	9,162
Repairs and maintenance	48,397	12,098	-	60,495
Telephone	645	161	-	806
Travel	40,344	8,379	-	48,723
Training	17,035	3,486	-	20,521
Utilities	41,591	10,397	-	51,988
Total Other	<u>514,224</u>	<u>152,467</u>	<u>113,338</u>	<u>780,029</u>
Total Functional Expenses	<u>\$ 2,489,938</u>	<u>\$ 646,402</u>	<u>\$ 113,338</u>	<u>\$ 3,249,678</u>

The accompanying notes are an integral part of these financial statements

Endowment				
Program	General and Administrative	Total	Eliminations	Total Expenses
\$ -	\$ -	\$ -	\$ -	1,977,216
-	-	-	-	298,606
-	-	-	-	128,992
-	-	-	-	42,965
-	-	-	-	21,870
-	-	-	-	2,469,649
-	-	-	-	15,086
-	-	-	-	53,233
-	-	-	-	59,292
-	-	-	-	96,714
-	-	-	-	9,429
-	-	-	-	58,594
-	-	-	-	51,808
-	-	-	-	-
201,771	-	201,771	(201,771)	-
-	-	-	-	27,221
-	-	-	-	1,805
-	-	-	-	5,602
-	-	-	-	23,781
-	-	-	-	5,024
-	-	-	-	17,443
-	-	-	-	14,222
36,433	-	36,433	-	105,751
-	-	-	-	79,762
-	-	-	-	9,162
-	-	-	-	60,495
-	-	-	-	806
-	-	-	-	48,723
-	-	-	-	20,521
-	-	-	-	51,988
238,204	-	238,204	(201,771)	816,462
<u>\$238,204</u>	<u>\$ -</u>	<u>\$ 238,204</u>	<u>\$ (201,771)</u>	<u>\$ 3,286,111</u>

**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*

	<u>Agency</u>			
	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
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	16,480	4,120	-	20,600
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	24,777	6,194	-	30,971
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 financial statements

Endowment				
Program	General and Administrative	Total	Eliminations	Total Expenses
\$ -	\$ -	\$ -	\$ -	\$ 1,819,348
-	-	-	-	221,628
-	-	-	-	119,060
-	-	-	-	37,348
-	-	-	-	20,600
-	-	-	-	2,217,984
-	-	-	-	17,351
-	-	-	-	35,608
-	-	-	-	55,987
-	-	-	-	94,970
-	-	-	-	10,212
-	-	-	-	49,255
-	-	-	-	47,360
-	-	-	-	2,598
208,248	-	208,248	(208,248)	-
-	-	-	-	27,553
-	-	-	-	2,321
-	-	-	-	8,077
-	-	-	-	61,329
-	-	-	-	4,771
-	-	-	-	11,466
-	-	-	-	19,205
-	34,003	34,003	-	139,453
-	-	-	-	49,624
-	-	-	-	5,280
-	-	-	-	42,627
-	-	-	-	19,839
-	-	-	-	46,181
-	-	-	-	17,541
-	-	-	-	30,971
208,248	34,003	242,251	(208,248)	799,579
<u>\$ 208,248</u>	<u>\$ 34,003</u>	<u>\$ 242,251</u>	<u>\$ (208,248)</u>	<u>\$ 3,017,563</u>

**FORT BEND COUNTY CHILD ADVOCATES, INC. AND
FORT BEND COUNTY CHILD ADVOCATES ENDOWMENT, INC.**

Statement of Cash Flows

For the Year Ended December 31, 2017 (with comparative total for 2016)

	<u>Agency</u>	<u>Endowment</u>	<u>2017 Total</u>	<u>2016 Total</u>
Cash Flows From Operating Activities:				
Change in Net Assets	\$ 301,186	\$ 365,557	\$ 666,743	\$ 9,306
Adjustments to reconcile change in net assets to net cash operating activities:				
Unrealized (gain)/loss on investments	-	(397,034)	(397,034)	(144,711)
Realized (gain)/loss on investments	-	(108,376)	(108,376)	(57,539)
Depreciation expense	96,714	-	96,714	94,970
Change in operating assets and liabilities				
Grants receivable	(274,277)	-	(274,277)	(152,133)
Promises to give	2,327	-	2,327	(37,662)
Prepaid expenses	(5,786)	-	(5,786)	(922)
Funds held by Endowment	-	-	-	47,966
Accounts payable	13,674	-	13,674	(785)
Accrued expenses	61	-	61	30,104
Deferred revenue	975	-	975	8,525
Fund held for Agency	-	-	-	(47,966)
Net Cash Provided (Used) By Operating Activities	<u>134,874</u>	<u>(139,853)</u>	<u>(4,979)</u>	<u>(250,847)</u>
Cash Flows From Investing Activities:				
Purchase of fixed assets	(70,934)	-	(70,934)	(29,947)
Interest and dividends reinvested	-	(65,096)	(65,096)	(60,852)
Purchases of investments	-	(590,645)	(590,645)	1,087,260
Proceeds from sales of investments	-	781,684	781,684	(1,091,553)
Net Cash Provided (Used) By Investing Activities	<u>(70,934)</u>	<u>125,943</u>	<u>55,009</u>	<u>(95,092)</u>
Net Change in Cash and Cash Equivalents	63,940	(13,910)	50,030	(345,939)
Beginning Cash and Cash Equivalents	<u>504,387</u>	<u>386,844</u>	<u>891,231</u>	<u>1,237,170</u>
Ending Cash and Cash Equivalents	<u>\$ 568,327</u>	<u>\$ 372,934</u>	<u>\$ 941,261</u>	<u>\$ 891,231</u>

The accompanying notes are an integral part of these financial statements

**FORT BEND COUNTY CHILD ADVOCATE, INC, AND
FORT BEND COUNTY CHILD ADVOCATES ENDOWMENT, INC.**
NOTES TO COMBINING FINANCIAL STATEMENTS
December 31, 2017

Note 1 - Summary of 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.

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.

**FORT BEND COUNTY CHILD ADVOCATES, INC, AND
FORT BEND COUNTY CHILD ADVOCATES ENDOWMENT, INC.**
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

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 \$53,233 and \$35,608 for the years ended December 31, 2017 and 2016, 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 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.

**FORT BEND COUNTY CHILD ADVOCATES, INC, AND
FORT BEND COUNTY CHILD ADVOCATES ENDOWMENT, INC.**
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

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, 2017 and 2016, the value of contributed services meeting the requirements for recognition in the financial statements was \$34,255 and \$34,966, 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.

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.

**FORT BEND COUNTY CHILD ADVOCATES, INC, AND
FORT BEND COUNTY CHILD ADVOCATES ENDOWMENT, INC.**
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

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 1 - 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.
- 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, 2017 and 2016 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, 2017 and 2016, the Organization had approximately \$326,337 and \$291,000, 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 \$4,400,969 and \$4,035,412 at December 31, 2017 and 2016, 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 \$3,900,969 and \$3,535,412 at December 31, 2017 and 2016, 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.

**FORT BEND COUNTY CHILD ADVOCATES, INC, AND
 FORT BEND COUNTY CHILD ADVOCATES ENDOWMENT, INC.
 NOTES TO THE FINANCIAL STATEMENTS (continued)**

Note 3 - Grants Receivable

As of December 31, 2017 and 2016, grants receivable consist of the following:

	<u>2017</u>	<u>2016</u>
Federal Financial Assistance		
Criminal Justice Division-CAC VOCA	\$ 50,492	\$ 41,371
VOCA	38,644	13,764
Fort Bend County CDBG	4,474	5,426
City of Missouri City CDBG	8,619	1,993
City of Sugar Land CDBG	793	2,938
	<u>103,022</u>	<u>65,492</u>
Other governmental financial assistance		
Texas CASA	31,318	26,533
CAC's of Texas, Inc.	42,659	16,757
OVAG	3,480	-
	<u>77,457</u>	<u>43,290</u>
Total Federal and other governmental financial assistance	<u>\$ 180,479</u>	<u>\$ 108,782</u>
Other Private Grants		
Henderson-Wessendorf Foundation	150,000	70,000
Houston Endowment	-	70,000
Rockefeller Philanthropy Advisors	-	30,000
George Foundation	110,000	-
Episcopal Health	100,000	-
Other	40,230	27,650
Total Other Private Grants	<u>400,230</u>	<u>197,650</u>
Total grants receivable	<u>\$ 580,709</u>	<u>\$ 306,432</u>

All grants receivable are due within one year.

Note 4 - Property and Equipment

Property and equipment consist of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 116,118	\$ 116,118
Buildings and Improvements	2,909,941	2,850,814
Furniture and Equipment	<u>350,168</u>	<u>338,361</u>
Total Property and Equipment	3,376,227	3,305,293
Less Accumulated Depreciation	<u>(1,101,980)</u>	<u>(1,005,266)</u>
Property and Equipment, Net	<u>\$ 2,274,247</u>	<u>\$ 2,300,027</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$96,714 and \$94,970, respectively.

**FORT BEND COUNTY CHILD ADVOCATES, INC, AND
FORT BEND COUNTY CHILD ADVOCATES ENDOWMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)**

Note 5 - Long-Term Investments

Investments for the years ended December 31, 2017 and 2016 are stated at fair value and consist primarily of fixed income securities, mutual funds and corporate equities, as follows:

	2017		
	Cost	Quoted Prices in Active Markets for Identical Assets (Level 1)	Unrealized Appreciation
Cash held for long-term investment	\$ 372,934	\$ 372,934	\$ -
Equity funds and other assets	3,359,027	4,028,035	669,008
Totals	<u>\$ 3,731,961</u>	<u>\$ 4,400,969</u>	<u>\$ 669,008</u>

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

Investment return is summarized as follows:

	2017	2016
Interest and dividend income	\$ 65,096	\$ 60,852
Net realized/unrealized gain/(loss)	505,410	202,250
Total Unrestricted investment income	<u>\$ 570,506</u>	<u>\$ 263,102</u>

**FORT BEND COUNTY CHILD ADVOCATES, INC, AND
 FORT BEND COUNTY CHILD ADVOCATES ENDOWMENT, INC.
 NOTES TO THE FINANCIAL STATEMENTS (continued)**

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
2018	\$ 11,222
2019	11,222
2020	4,176
Thereafter	-
	<u>\$ 26,620</u>

Total lease expense for the years ended December 31, 2017 and 2016 was \$12,776 and \$12,260, respectively.

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 \$9,927 and \$10,400 for the years ended December 31, 2017 and 2016, respectively, and are recalculated at the end of each twelve-month agreement.

Total reimbursements from partnering agencies and licensing agreements were \$119,121 and \$124,228 for the years ended December 31, 2017 and 2016, respectively.

Note 8 - Temporarily Restricted Net Assets

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

	2017	2016
CAC Program	\$ 143,318	\$ 44,218
CASA Program	124,500	141,500
Operations	<u>213,000</u>	<u>36,000</u>
Total	<u>\$ 480,818</u>	<u>\$ 221,718</u>

**FORT BEND COUNTY CHILD ADVOCATES, INC, AND
FORT BEND COUNTY CHILD ADVOCATES ENDOWMENT, INC.**
NOTES TO THE FINANCIAL STATEMENTS (continued)

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 \$9,136 and \$9,965 for the years ended December 31, 2017 and 2016, respectively.

The Endowment gifted the Agency a portion of its investment income totaling \$201,771 and \$208,248 for the years ended December 31, 2017 and 2016, respectively.

The Agency transferred \$665,051 in prior years 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.

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 \$42,965 and \$37,348 for the years ended December 31, 2017 and 2016, 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 forty-four percent (44%) and thirty-five percent (35%) of the Organization's support for the years ended December 31, 2017 and 2016, respectively. These sources also make up sixteen percent (16%) and ten percent (10%) of the Organization's grants and promises to give receivables for the years ended December 31, 2017 and 2016, 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 fifteen percent (15%) and sixteen percent (16%) of its operating revenues for the years ended December 31, 2017 and 2016, 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.

**FORT BEND COUNTY CHILD ADVOCATES, INC, AND
 FORT BEND COUNTY CHILD ADVOCATES ENDOWMENT, INC.
 NOTES TO THE FINANCIAL STATEMENTS (continued)**

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.

Note 13 - Endowment Funds

As of December 31, 2017 and 2016, the Board of Trustees had designated \$3,735,918 and \$3,370,361, 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, 2017 and 2016 were as follows:

	2017	2016
Board-designated endowment net assets, beginning of year	\$ 3,370,361	\$ 3,315,494
Investment income	65,096	60,852
Net appreciation	505,410	202,250
Amounts appropriated for expenditure	(204,949)	(208,235)
Board-designated endowment net assets, end of year	\$ 3,735,918	\$ 3,370,361

FORT BEND COUNTY CHILD ADVOCATES, INC, AND
FORT BEND COUNTY CHILD ADVOCATES ENDOWMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 14 - Promises To Give

Promises to give consist of the following:

	<u>2017</u>	<u>2016</u>
Voices for Children	\$ 635,115	\$ 646,462
Other	13,700	4,680
Total Promises to give	<u>\$ 648,815</u>	<u>\$ 651,142</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>2017</u>	<u>2016</u>
Amounts due in:		
Less than one year	\$ 237,720	\$ 250,678
One to five years	411,095	400,464
Total	<u>\$ 648,815</u>	<u>\$ 651,142</u>

Note 15 - Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 22, 2018, the date the financial statements were available to be issued. No change to the financial statements for the year ended December 31, 2017 is deemed necessary as a result of this evaluation.

SUPPLEMENTAL INFORMATION



**Fort Bend County Child Advocates, Inc. and
Fort Bend County Child Advocates Endowment, Inc.**
Schedule of Texas Casa, Inc. - VOCA Funds
As of December 31, 2017 (with comparative totals for 2016)

<u>Grantor/Program Title</u>	<u>Grant Period</u>	<u>Grant Number</u>	<u>Award Amount</u>	<u>2017 Current Year Expenditures</u>	<u>2016 Prior Year Expenditures</u>
VOCA - CASA	10/01/2017-09/30/2018	13647-18	\$ 142,991	\$ 38,644	\$ -
	10/01/2016 - 09/30/2017	13647-17	93,335	-	21,281
	09/01/2015 - 09/30/2016	13647-16	92,209	-	69,445
Total Expenditures for VOCA - CASA Grant Funds				<u>\$ 38,644</u>	<u>\$ 90,726</u>

See Independent Auditor's Report.

**Fort Bend County Child Advocates, Inc. and
Fort Bend County Child Advocates Endowment, Inc.**
*Schedule of Texas Casa CVC/OAG Grant Awards
As of December 31, 2017 (with comparative totals for 2016)*

<u>Grantor/Program Title</u>	<u>Grant Period</u>	<u>Grant Number</u>	<u>Award Amount</u>	<u>2017 Current Year Expenditures</u>	<u>2016 Prior Year Expenditures</u>
CVC/OAG FUND	09/01/2017 - 08/31/2018	CVC-18-54	\$ 153,354	\$ 46,618	\$ -
	09/01/2016 - 08/31/2017	CVC-17-54	136,665	90,442	46,223
	09/01/2015 - 08/31/2016	CVC-16-54	50,000	-	50,000
	09/01/2015 - 08/31/2016	CVC-16-54	98,261	-	55,708
Total Expenditures for CVC/OAG Grant Funds				<u>\$ 137,060</u>	<u>\$ 151,931</u>

See Independent Auditor's Report.