

ChildBuilders

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2016 and 2015

ChildBuilders

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position as of June 30, 2016 and 2015	2
Statement of Activities for the year ended June 30, 2016	3
Statement of Activities for the year ended June 30, 2015	4
Statement of Functional Expenses for the year ended June 30, 2016	5
Statement of Functional Expenses for the year ended June 30, 2015	6
Statements of Cash Flows for the years ended June 30, 2016 and 2015	7
Notes to Financial Statements for the years ended June 30, 2016 and 2015	8

Blazek & Vetterling

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors of
ChildBuilders:

We have audited the accompanying financial statements of ChildBuilders, which comprise the statements of financial position as of June 30, 2016 and 2015 and the related statements of activities, of functional expenses, and of 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 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 ChildBuilders as of June 30, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



September 13, 2016

ChildBuilders

Statements of Financial Position as of June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents <i>(Note 2)</i>	\$ 239,251	\$ 105,664
Pledges receivable <i>(Note 3)</i>	237,700	135,000
Prepaid expenses and other assets	23,149	16,683
Property and equipment, net <i>(Note 4)</i>	<u>20,605</u>	<u>23,775</u>
TOTAL ASSETS	<u>\$ 520,705</u>	<u>\$ 281,122</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 28,206	\$ 41,730
Note payable <i>(Note 5)</i>	<u>70,000</u>	<u>100,000</u>
Total liabilities	<u>98,206</u>	<u>141,730</u>
Net assets:		
Unrestricted	109,145	2,466
Temporarily restricted <i>(Note 6)</i>	<u>313,354</u>	<u>136,926</u>
Total net assets	<u>422,499</u>	<u>139,392</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 520,705</u>	<u>\$ 281,122</u>

See accompanying notes to financial statements.

ChildBuilders

Statement of Activities for the year ended June 30, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 159,441	\$ 562,526	\$ 721,967
Special events	142,987		142,987
Direct donor benefit costs	(28,819)		(28,819)
Program service fees	<u>33,137</u>	<u> </u>	<u>33,137</u>
Total revenue	306,746	562,526	869,272
Net assets released from restrictions:			
Satisfaction of program restrictions	306,098	(306,098)	
Expiration of time restrictions	<u>80,000</u>	<u>(80,000)</u>	<u> </u>
Total	<u>692,844</u>	<u>176,428</u>	<u>869,272</u>
EXPENSES:			
Program services	404,617		404,617
Management and general	107,955		107,955
Fundraising	<u>73,593</u>	<u> </u>	<u>73,593</u>
Total expenses	<u>586,165</u>	<u> </u>	<u>586,165</u>
CHANGES IN NET ASSETS	106,679	176,428	283,107
Net assets, beginning of year	<u>2,466</u>	<u>136,926</u>	<u>139,392</u>
Net assets, end of year	<u>\$ 109,145</u>	<u>\$ 313,354</u>	<u>\$ 422,499</u>

See accompanying notes to financial statements.

ChildBuilders

Statement of Activities for the year ended June 30, 2015

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 166,058	\$ 195,000	\$ 361,058
Special events	171,596		171,596
Direct donor benefit costs	(34,824)		(34,824)
Program service fees	<u>10,766</u>	<u> </u>	<u>10,766</u>
Total revenue	313,596	195,000	508,596
Net assets released from restrictions:			
Satisfaction of program restrictions	321,088	(321,088)	
Expiration of time restrictions	<u>83,750</u>	<u>(83,750)</u>	<u> </u>
Total	<u>718,434</u>	<u>(209,838)</u>	<u>508,596</u>
EXPENSES:			
Program services	537,898		537,898
Management and general	108,226		108,226
Fundraising	<u>94,335</u>	<u> </u>	<u>94,335</u>
Total expenses	<u>740,459</u>	<u> </u>	<u>740,459</u>
CHANGES IN NET ASSETS	(22,025)	(209,838)	(231,863)
Net assets, beginning of year	<u>24,491</u>	<u>346,764</u>	<u>371,255</u>
Net assets, end of year	<u>\$ 2,466</u>	<u>\$ 136,926</u>	<u>\$ 139,392</u>

See accompanying notes to financial statements.

ChildBuilders

Statement of Functional Expenses for the year ended June 30, 2016

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries and wages	\$ 211,043	\$ 35,481	\$ 35,262	\$ 281,786
Contract labor	60,717	1,326	13,175	75,218
Payroll taxes and benefits	44,441	8,705	3,172	56,318
Occupancy	23,769	7,923	7,923	39,615
Printing and publications	32,662	410	1,997	35,069
Professional fees		29,842		29,842
Equipment rental and maintenance	13,566	4,324	3,712	21,602
Interest		7,654		7,654
Telephone	4,130	1,327	1,318	6,775
Supplies	3,086	2,194	1,121	6,401
Conferences and meetings	3,083	1,001	1,869	5,953
Insurance	2,154	2,968		5,122
Postage and shipping	879	208	3,823	4,910
Depreciation		3,170		3,170
Travel	2,660	88	19	2,767
Stipends	334	48		382
Other	2,093	1,286	202	3,581
Total expenses	<u>\$ 404,617</u>	<u>\$ 107,955</u>	<u>\$ 73,593</u>	586,165
Direct donor benefit costs				<u>28,819</u>
Total				<u>\$ 614,984</u>

See accompanying notes to financial statements.

ChildBuilders

Statement of Functional Expenses for the year ended June 30, 2015

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Salaries and wages	\$ 255,216	\$ 27,296	\$ 41,997	\$ 324,509
Contract labor	114,798	2,680	13,131	130,609
Payroll taxes and benefits	55,969	10,666	9,401	76,036
Occupancy	60,698	11,640	10,811	83,149
Printing and publications	13,035	398	7,696	21,129
Professional fees		32,213		32,213
Equipment rental and maintenance	13,291	4,929	3,739	21,959
Interest		4,306		4,306
Telephone	5,334	1,633	1,613	8,580
Supplies	3,500	1,179	1,627	6,306
Conferences and meetings	3,637	1,500	1,788	6,925
Insurance	2,348	2,504		4,852
Postage and shipping	745	296	1,919	2,960
Depreciation		3,170		3,170
Travel	3,026	768	223	4,017
Stipends	3,350			3,350
Other	<u>2,951</u>	<u>3,048</u>	<u>390</u>	<u>6,389</u>
Total expenses	<u>\$ 537,898</u>	<u>\$ 108,226</u>	<u>\$ 94,335</u>	740,459
Direct donor benefit costs				<u>34,824</u>
Total				<u>\$ 775,283</u>

See accompanying notes to financial statements.

ChildBuilders

Statements of Cash Flows for the years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 283,107	\$ (231,863)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	3,170	3,170
Changes in operating assets and liabilities:		
Pledges receivable	(102,700)	(23,730)
Prepaid expenses and other assets	(6,466)	(9,238)
Accounts payable and accrued expenses	<u>(13,524)</u>	<u>7,257</u>
Net cash provided (used) by operating activities	<u>163,587</u>	<u>(254,404)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable		100,000
Payments on note payable	<u>(30,000)</u>	<u> </u>
Net cash provided (used) by financing activities	<u>(30,000)</u>	<u>100,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	133,587	(154,404)
Cash and cash equivalents, beginning of year	<u>105,664</u>	<u>260,068</u>
Cash and cash equivalents, end of year	<u>\$ 239,251</u>	<u>\$ 105,664</u>
 <i>Supplemental disclosure of cash flow information:</i>		
Interest paid on note payable	\$7,654	\$4,306

See accompanying notes to financial statements.

ChildBuilders

Notes to Financial Statements for the years ended June 30, 2016 and 2015

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – ChildBuilders is a Texas nonprofit corporation that believes every child deserves an emotionally healthy life and is committed to making a positive impact on children and their families in our community. ChildBuilders provides prevention, early intervention, and education to build awareness and support for children and families in the Houston area.

Federal income tax status – ChildBuilders is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Cash equivalents include highly liquid financial instruments with a maturity of three months or less at the date of purchase.

Pledges receivable due within one year are reported at net realizable value. Amounts due in more than one year are discounted, if material, to estimate the present value of future cash flows.

Property and equipment are reported at cost if purchased or at fair value at the date of gift if donated. ChildBuilders capitalizes items with a value of \$1,000 or more and a useful life of more than 1 year. Depreciation is calculated using the straight-line method over estimated useful lives of 3 to 5 years.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit the use of the donated assets are classified as restricted support. Conditional contributions are recognized when the conditions are substantially met.

In-kind contributions – Donated assets and materials are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Program service fees are recognized when the related services are provided.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts

of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent accounting pronouncement – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The ASU is effective for fiscal years beginning after December 15, 2019. Childbuilders plans to adopt this ASU for the fiscal year ending June 30, 2021. Management has not yet determined the impact adoption of this ASU will have on the financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2016</u>	<u>2015</u>
Demand deposits	\$ 67,453	\$ 78,748
Money market mutual funds	<u>171,798</u>	<u>26,916</u>
Total cash and cash equivalents	<u>\$ 239,251</u>	<u>\$ 105,664</u>

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable at June 30, 2016 are due as follows:

Receivable in less than one year	\$ 152,700
Receivable in one to five years	<u>85,000</u>
Total pledges receivable	<u>\$ 237,700</u>

Pledges receivable due from one donor represent 82% of total pledges at June 30, 2016. Pledges receivable due from two donors represent 88% of total pledges at June 30, 2015. In 2016, 58% of contributions are from two donors and in 2015, 20% of contributions are from one donor.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2016</u>	<u>2015</u>
Office furniture and equipment	\$ 61,820	\$ 63,686
Accumulated depreciation	<u>(41,215)</u>	<u>(39,911)</u>
Property and equipment, net	<u>\$ 20,605</u>	<u>\$ 23,775</u>

NOTE 5 – NOTE PAYABLE

Note payable represents the outstanding balance on a \$250,000 unsecured line of credit with a bank that bears interest at prime plus 3.0% (6.25% at June 30, 2016).

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Stay strong stay safe program	\$ 192,239	
Time restricted	85,000	\$ 15,000
Personal safety education curriculum	22,500	20,000
Prevention of mental health issues in children		100,000
Other	<u>13,615</u>	<u>1,926</u>
Total temporarily restricted net assets	<u>\$ 313,354</u>	<u>\$ 136,926</u>

NOTE 7 – IN-KIND CONTRIBUTIONS

A substantial number of volunteers, including the Board of Directors, have made significant contributions of their time to develop ChildBuilders’ programs and conduct its affairs. These services do not meet the criteria for recognition under generally accepted accounting principles and, therefore, are not reported in the accompanying financial statements.

NOTE 8 – LEASE COMMITMENTS

ChildBuilders leases office space and office equipment under noncancellable operating lease agreements. Future minimum lease payments are due as follows:

2017	\$ 45,388
2018	46,593
2019	<u>15,665</u>
Total	<u>\$ 107,646</u>

Lease expense totaled \$44,553 and \$88,332 for the years ended June 30, 2016 and 2015, respectively.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 13, 2016, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.