

CHILDREN'S ADVOCACY CENTERS OF TEXAS, INC.

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
AND STATE COMPLIANCE SECTION

YEARS ENDED AUGUST 31, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Children's Advocacy Centers of Texas, Inc.
Austin, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Children's Advocacy Centers of Texas, Inc. (a non-profit corporation), which comprise the statements of financial position as of August 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audits. We conducted our audits 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 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Advocacy Centers of Texas, Inc. as of August 31, 2014 and 2013, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state and federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and State of Texas Single Audit Circular, 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 January __, 2015, on our consideration of Children's Advocacy Centers of Texas, Inc.'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 Children's Advocacy Centers of Texas, Inc.'s internal control over financial reporting and compliance.

Dindia, Chappell, Morrison & Co., P.C.

Austin, Texas
February 17, 2015

BASIC FINANCIAL STATEMENTS

CHILDREN'S ADVOCACY CENTERS OF TEXAS, INC.

STATEMENTS OF FINANCIAL POSITION

August 31, 2014 and 2013

	2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 329,865	\$ 387,930
Accounts receivable		
Grants and contracts	1,321,393	871,356
Other receivable	5,799	4,296
Inventory	16,886	9,468
Prepays and other	23,321	21,142
Total current assets	1,697,264	1,294,192
Investments		
Undesignated	600,000	-
Designated	1,087,811	1,082,520
Restricted	6,825,730	6,147,433
	8,513,541	7,229,953
Fixed assets		
Land	511,200	511,200
Buildings	1,298,963	1,298,963
Furniture and equipment	425,159	404,885
Less accumulated depreciation and amortization	(527,197)	(416,459)
Net fixed assets	1,708,125	1,798,589
Total assets	\$11,918,930	\$10,322,734
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable		
Trade	\$ 63,103	\$ 40,920
Local advocacy centers	1,117,602	615,656
Accrued expenses	3,590	87,438
Deferred revenue	100,325	121,860
Accrued vacation payable	59,956	59,898
Total current liabilities	1,344,576	925,772
Commitments - operating leases		
Total liabilities	1,344,576	925,772
Net assets		
Unrestricted net assets		
Available for general operations	327,899	240,186
Board designated	1,087,811	1,082,520
Investment in fixed assets	1,708,125	1,798,589
Total unrestricted net assets	3,123,835	3,121,295
Temporarily restricted net assets	2,450,519	1,275,667
Permanently restricted net assets	5,000,000	5,000,000
Total net assets	10,574,354	9,396,962
Total liabilities and net assets	\$11,918,930	\$10,322,734

See accompanying Notes to Basic Financial Statements.

CHILDREN'S ADVOCACY CENTERS OF TEXAS, INC.

STATEMENTS OF ACTIVITIES

Years Ended August 31, 2014 and 2013

	2014			
	Current Operating Funds			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES AND OTHER SUPPORT				
Grants and contracts	\$ -	\$ 11,426,221	\$ -	\$ 11,426,221
Membership dues	96,600	-	-	96,600
Contributions	172,103	-	-	172,103
Fund raising events	166,940	-	-	166,940
Program service fees	117,416	-	-	117,416
Other revenues	16,050	-	-	16,050
Investment income	5,302	822,816	-	828,118
Net assets released from donor restrictions	11,074,185	(11,074,185)	-	-
Total revenues and other support	11,648,596	1,174,852	-	12,823,448
EXPENSES				
Program services	11,034,291	-	-	11,034,291
Management and general	378,473	-	-	378,473
Fund raising	233,292	-	-	233,292
Total expenses	11,646,056	-	-	11,646,056
CHANGE IN NET ASSETS (decrease)	2,540	1,174,852	-	1,177,392
NET ASSETS				
Beginning of year	3,121,295	1,275,667	5,000,000	9,396,962
End of year	\$ 3,123,835	\$ 2,450,519	\$ 5,000,000	\$ 10,574,354

See accompanying Notes to Basic Financial Statements.

CHILDREN'S ADVOCACY CENTERS OF TEXAS, INC.

STATEMENTS OF ACTIVITIES - continued

Years Ended August 31, 2014 and 2013

	2013			
	Current Operating Funds		Permanently Restricted	Total
	Unrestricted	Temporarily Restricted		
REVENUES AND OTHER SUPPORT				
Grants and contracts	\$ -	\$ 8,949,332	\$ -	\$ 8,949,332
Membership dues	89,800	-	-	89,800
Contributions	183,140	-	-	183,140
Fund raising events	81,809	-	-	81,809
Program service fees	156,736	-	-	156,736
Other revenues	57,029	-	-	57,029
Investment income	844	758,380	-	759,224
Net assets released from donor restrictions	9,221,589	(9,221,589)	-	-
Total revenues and other support	9,790,947	486,123	-	10,277,070
EXPENSES				
Program services	8,903,362	-	-	8,903,362
Management and general	384,415	-	-	384,415
Fund raising	160,425	-	-	160,425
Total expenses	9,448,202	-	-	9,448,202
CHANGE IN NET ASSETS (decrease)	342,745	486,123	-	828,868
NET ASSETS				
Beginning of year	2,778,550	789,544	5,000,000	8,568,094
End of year	\$ 3,121,295	\$ 1,275,667	\$ 5,000,000	\$ 9,396,962

See accompanying Notes to Basic Financial Statements.

CHILDREN'S ADVOCACY CENTERS OF TEXAS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended August 31, 2014 and 2013

	2014			
	Program Services	Management & General	Fund Raising	Total
EXPENSES				
Salaries	\$ 793,758	\$ 225,256	\$ 53,632	\$ 1,072,646
Employee Benefits	83,101	23,569	5,612	112,282
Payroll taxes	57,406	16,291	3,879	77,576
Total personnel	934,265	265,116	63,123	1,262,504
Purchases of services - payments to local advocacy centers	9,105,207	-	-	9,105,207
Professional fees	387,849	52,171	113,600	553,620
Travel and site visits	122,655	2,490	1,216	126,361
Occupancy	66,988	18,966	4,512	90,466
Printing	69,019	2,913	10,562	82,494
Training and conferences	75,247	3,623	20,677	99,547
Depreciation	81,946	23,255	5,537	110,738
Case tracking system	46,595	-	-	46,595
Equipment and software	41,041	6,610	1,574	49,225
Other grant funded expenses	6,575	-	-	6,575
Supplies	17,323	1,895	2,449	21,667
Media outreach	53,935	-	500	54,435
Staff development	11,935	475	113	12,523
Postage and delivery	10,380	572	5,178	16,130
Other	3,331	387	4,251	7,969
Total expenses	\$ 11,034,291	\$ 378,473	\$ 233,292	11,646,056

See accompanying Notes to Basic Financial Statements.

CHILDREN'S ADVOCACY CENTERS OF TEXAS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES - continued

Years Ended August 31, 2014 and 2013

	2013			
	Program Services	Management & General	Fund Raising	Total
EXPENSES				
Salaries	\$ 720,110	\$ 218,449	\$ 38,504	\$ 977,063
Employee Benefits	77,192	23,416	4,127	104,735
Payroll taxes	55,054	16,701	2,944	74,699
Total personnel	852,356	258,566	45,575	1,156,497
Purchases of services - payments to local advocacy centers	7,195,493	-	-	7,195,493
Professional fees	324,237	32,384	81,159	437,780
Travel and site visits	118,812	14,588	2,728	136,128
Occupancy	67,345	20,429	3,601	91,376
Printing	59,806	12,826	10,879	83,511
Training and conferences	62,404	5,959	8,973	77,336
Depreciation	43,930	13,326	2,349	59,605
Case tracking system	51,249	-	-	51,249
Equipment and software	34,186	10,370	1,828	46,384
Other grant funded expenditures	34,324	-	-	34,324
Supplies	15,332	9,033	845	25,210
Media outreach	22,840	-	-	22,840
Staff development	11,690	3,340	387	15,417
Postage and delivery	5,297	2,030	260	7,587
Other	4,061	1,564	1,841	7,466
	4,061	1,564	1,841	7,466
	4,061	1,564	1,841	7,466
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	4,061	1,564	1,841	7,466
	4,061	1,564	1,841	7,466
	4,061	1,564	1,841	7,466
	4,061	1,564	1,841	7,466
	4,061	1,564		

CHILDREN'S ADVOCACY CENTERS OF TEXAS, INC.

STATEMENTS OF CASH FLOWS

Years Ended August 31, 2014 and 2013

	2014	2013
CASH FLOWS PROVIDED BY (USED BY) OPERATING ACTIVITIES		
Change in net assets (decrease)	1,177,392	\$ 828,868
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	110,738	59,605
Unrealized and realized (gain) loss on investments	(712,037)	(644,695)
(Increase) decrease in operating assets		
Grants and contracts receivable	(450,036)	126,556
Accounts receivable - other	(1,503)	6,908
Inventory	(7,418)	(9,468)
Prepays and other	(2,179)	(2,556)
Increase (decrease) in operating liabilities		
Accounts payable - trade	22,183	(20,550)
Accounts payable - local advocacy centers	501,947	(150,187)
Deferred revenue	(21,535)	4,415
Accrued expenses	(83,848)	85,519
Accrued vacation payable	58	26,726
	533,761	311,141
CASH FLOWS PROVIDED BY (USED BY) INVESTING ACTIVITIES		
Purchase of fixed assets	(20,274)	(264,230)
Proceeds from sale of investments	2,489,216	2,531,372
Reinvestment of proceeds and income from investments	(3,060,768)	(2,933,167)
	(591,826)	(666,026)
CASH FLOWS PROVIDED BY (USED BY) FINANCING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH	(58,065)	(354,885)
CASH		
Beginning of year	387,930	742,815
End of year	\$ 329,865	\$ 387,930
Supplemental Information		
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -

See accompanying Notes to Basic Financial Statements.

CHILDREN'S ADVOCACY CENTERS OF TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended August 31, 2014 and 2013

DESCRIPTION OF THE ORGANIZATION

The Children's Advocacy Centers of Texas, Inc. (the Organization) is a statewide association that promotes the efforts of the local children's advocacy centers by coordinating and providing training, technical assistance, resources and funding. Founded as a Texas non-profit corporation in 1994, the mission of the organization is to restore the lives of abused children by supporting children's advocacy centers in partnership with communities and agencies investigating and prosecuting child abuse. The sources of revenue for the Organization's services come primarily from government grants, which support the efforts of the Organization and its member children's advocacy centers.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Method of accounting: The financial statements have been prepared on the accrual basis method of accounting, which includes recognition of revenues and support and related accounts receivable as the revenue is earned. Expenses and related accounts payable are recognized as the cost is incurred. Revenues received before being earned are reported as deferred revenues. Expenses paid before being incurred are reported as prepaid expenses.

Net asset classes: The Organization reports the following net assets classes.

Permanently restricted net assets The part of the net assets of a not-for-profit organization resulting from contributions whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization are considered permanently restricted net assets. An example of a permanently restricted net asset would be the donation of funds (or other assets) to an organization in which the donor imposed a restriction that the funds not be expended, but that the organization would be permitted to use or expend part or all of the income (or other economic benefit) derived from the donation.

Temporarily restricted net assets Not-for-profit organizations receive contributions and other resources whose use is limited by stipulations that are more specific than the broad limits resulting from the nature and purpose of the organization and its programs. Resources (net assets) with such stipulations that either expire by passage of time or can be fulfilled by actions of the organization are reported as temporarily restricted net assets.

Unrestricted net assets Resources not included in the above categories are reported as unrestricted net assets. While these resources are reported as unrestricted, an organization manages them in compliance with its exempt purposes, board designations, legal requirements, and contractual obligations.

Financial Instruments and fair value measurements: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization discloses fair value measurements in accordance with the following hierarchy.

1. Market approach (Level 1) - uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources.
2. Cost approach (Level 2) - based on the amount that currently would be required to replace the service capacity of an asset (replacement cost).

CHILDREN'S ADVOCACY CENTERS OF TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended August 31, 2014 and 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3. Income approach (Level 3) - uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Changes in fair value of financial instruments and unrealized gains or losses on financial instruments are reported in the statement of activities. Investment income and gains and losses on investments are reported as an increase or decrease in unrestricted net assets unless a donor or law temporarily or permanently restricts their use.

Receivables: Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances which may affect the ability of conference and training participants to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. At year end no allowance is considered necessary. The allowance for uncollectible accounts is considered an accounting estimate. The estimate may be adjusted as more current information becomes available and any adjustment could be significant.

Fixed assets: Fixed assets are capitalized at cost, if the cost exceeds \$5,000 and the estimated useful life of the asset is more than one year. Donations of fixed assets are recorded as support at their estimated fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as temporarily restricted support. In the absence of such stipulations, contributions of fixed assets are recorded as unrestricted support. Depreciation expense is computed over the estimated useful lives of the fixed assets (generally 3-30 years) using the straight-line method of computation. The Organization uses the direct expensing method to account for planned major maintenance activities.

Included in furniture and equipment is mobile forensic interview equipment totaling \$174,875, which had been purchased during 2013 and placed into service during 2014.

Concentration: The Organization's funding is concentrated in a few funding sources. A reduction or loss of funding from any of these sources could have a negative impact on the operations of the Organization.

Allocation of costs: The Organization allocates common costs between grants and other funding by a study of the Organization's activities at the start of each grant or contract. The resulting allocations are reviewed periodically, and the allocations revised, if necessary, to reflect changes in the activities of the Organization.

Federal income taxes: The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. 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. The Organization believes it is no longer subject to examination by the IRS for years prior to 2010.

Subsequent Events: Subsequent events were evaluated through February 17, 2015, which is the date the financial statements were available to be issued.

CHILDREN'S ADVOCACY CENTERS OF TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended August 31, 2014 and 2013

NOTE 2: CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Cash and short-term investments held in a bank money market account are reported as investments instead of cash because the Organization holds those funds in brokerage accounts.

NOTE 3: INVESTMENTS AND INVESTMENT INCOME

All investments have been valued using a market approach. Fair values for investments in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. There were no changes in valuation techniques during the current year.

The Board of Directors reviews and approves the Organization's fair value measurement policies and procedures annually. At least annually, the finance committee and the Board determine if the valuation techniques used in fair value measurements are still appropriate.

Fair value of assets measured on a recurring basis at August 31, 2014 reported in the financial statements are the following:

	Fair Value	In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>August 31, 2014</u>				
Equities securities				
Technology	\$ 511,939	\$ 511,939	\$ -	\$ -
Services	219,860	219,860	-	-
Basic materials	150,254	150,254	-	-
Financial	351,731	351,731	-	-
Healthcare	246,944	246,944	-	-
Industrial goods	489,978	489,978	-	-
Consumer goods	345,053	345,053	-	-
Other	121,455	121,455	-	-
Total equity	<u>2,437,213</u>	<u>2,437,213</u>	<u>-</u>	<u>-</u>
Fixed income				
Corporate Bonds	1,923,612	-	1,923,612	-
Municipal Bonds	103,475	-	103,475	-
Agency Securities	149,392	-	149,392	-
Mortgage Pools	14,941	-	14,941	-
Total fixed income	<u>2,191,420</u>	<u>-</u>	<u>2,191,420</u>	<u>-</u>
Mutual funds	-	-	-	-
Other assets - ETFs and Index Funds	<u>2,031,597</u>	<u>2,031,597</u>	<u>-</u>	<u>-</u>
Subtotal	6,660,230	<u>\$ 4,468,810</u>	<u>\$ 2,191,420</u>	<u>\$ -</u>
Cash and cash equivalents	172,853			
Certificates of deposit	<u>1,680,458</u>			
Total investments	<u><u>\$ 8,513,541</u></u>			

CHILDREN'S ADVOCACY CENTERS OF TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended August 31, 2014 and 2013

NOTE 3: INVESTMENTS AND INVESTMENT INCOME - continued

Fair value of assets measured on a recurring basis at August 31, 2013 reported in the financial statements are the following:

	Fair Value	In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>August 31, 2013</u>				
Equities securities				
Technology	\$ 468,800	\$ 468,800	\$ -	\$ -
Services	451,688	451,688	-	-
Basic materials	418,506	418,506	-	-
Financial	413,790	413,790	-	-
Healthcare	377,670	377,670	-	-
Industrial goods	328,086	328,086	-	-
Consumer goods	325,253	325,253	-	-
Other	356,277	356,277	-	-
Total equity	<u>3,140,070</u>	<u>3,140,070</u>	<u>-</u>	<u>-</u>
Fixed income				
Corporate bonds	568,909	-	568,909	-
Municipal bonds	546,212	-	546,212	-
Agency securities	246,943	-	246,943	-
Mortgage pools	18,797	-	18,797	-
Total fixed income	<u>1,380,861</u>	<u>-</u>	<u>1,380,861</u>	<u>-</u>
Mutual Funds	338,212	338,212		
Other assets - ETFs and Index Funds	831,095	831,095	-	-
Subtotal	5,690,238	<u>\$ 4,309,377</u>	<u>\$ 1,380,861</u>	<u>\$ -</u>
Cash and cash equivalents	558,952			
Certificates of deposit	980,763			
Total investments	<u>\$ 7,229,953</u>			

A summary of return on investments consists of the following for the years ended August 31, 2014 and 2013, respectively:

	2014	2013
Interest income	\$ 162,806	\$ 147,394
Net realized gain	590,583	181,389
Net unrealized gain (loss)	121,454	463,306
Investment fees	(46,736)	(32,876)
Income from investment accounts	828,107	759,213
Interest income on savings account	11	11
Total	\$ 828,118	\$ 759,224

NOTE 4: COMMITMENTS

The Organization is obligated on operating leases for office equipment rentals. These obligations are not reported in the accompanying financial statements. The future minimum obligations on the leases are: 2015-\$15,219; 2016-\$15,219; 2017-\$2,537; 2018-\$0-; and \$0- thereafter.

Rental payments under operating leases for the years ended 2014 and 2013 were \$18,366 and \$17,952, respectively.

CHILDREN'S ADVOCACY CENTERS OF TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended August 31, 2014 and 2013

NOTE 5: BOARD DESIGNATED NET ASSETS

The Organization's Board of Directors established reserve funds whereby certain funds were set aside for future use. There is no legal restriction by an outside funder to be treated as such. At August 31, 2014 and 2013, the designated Operating Reserve was \$879,506 and \$875,328 respectively. At August 31, 2014 and 2013 the Building Reserve was \$208,305 and \$207,192 respectively.

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

During the years ended 2014 and 2013 net assets of \$11,074,185 and \$9,221,589, respectively, were released from accompanying stipulations due to the Organization's action and are reported as transfers from temporarily restricted net assets to unrestricted net assets in the statement of activities.

At year end, the Organization had temporarily restricted net assets for the following purpose:

Funding Source	2014	2013	Nature of donor restrictions
Swalm Foundation	\$ 1,825,730	\$ 1,147,433	Endowment income restricted as to use -to provide grants to local Children's Advocacy Programs and to meet the Organization's current goals
RGK	99,668	99,546	Restricted as to use for trauma focused cognitive behavioral therapy program
Texas Bar	-	19,000	Restricted as to use for multi-session forensic interviewing training (printing and production costs)
Blue Cross Blue Shield	149,462	9,688	Restricted as to use for trauma focused cognitive behavioral therapy program
Meadows Foundation	262,091	-	Restricted as to use for trauma focused cognitive behavioral therapy program
Hogg	80,852	-	Restricted to use for payroll for mental health technicians
NCA	32,716	-	Restricted for use to provide oversight and administration of NCA pass-through funds which are awarded on a calendar year basis
Total	<u><u>\$ 2,450,519</u></u>	<u><u>\$ 1,275,667</u></u>	

NOTE 7: PERMANENTLY RESTRICTED NET ASSETS

The Endowment Fund of Children's Advocacy Centers of Texas consists of one individual fund established by a gift of \$5,000,000 in 2006. The endowment includes donor-restricted endowment funds only and related earnings. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization have interpreted the TUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. The Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by TUPMIFA.

CHILDREN'S ADVOCACY CENTERS OF TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended August 31, 2014 and 2013

NOTE 7: PERMANENTLY RESTRICTED NET ASSETS - continued

In accordance with TUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Investment Objectives

The Organization has adopted two investment objectives: 1) the primary objective is to provide a continuing and dependable cash payout, stable and preferably growing in real terms, after giving effect to inflation. Consistent with this objective, the goal will be to achieve a 4% (a premium over the inflation rate) on the Fund's assets over a trailing five-year period, and 2) to appreciate the total value of the Endowment portfolio over time, exclusive of growth derived from donations. The overall investment direction is to maximize the return, consistent with the notion of safety achieved through high quality investment selection and diversification. Emphasis is placed upon total return in order to satisfy the Endowment's spending policy. The importance of maintaining an investment posture that provides an opportunity for growth is recognized, however, as a way to ensure growth of income and protect against the corrosive effect of inflation. Asset mix is the primary determinant of the Endowment's portfolio performance. The asset mix may be changed from time to time based on economic and security market outlook as well as income requirements. The overall risk level of the assets, in terms of potential for price fluctuation, should not be extreme. The primary means for achieving such a risk profile are the following: 1) a balanced diversification between equity and fixed income investments, 2) careful control of the risk level within each asset class, through avoidance of over-concentration and by not taking extreme positions against the market averages, and 3) a degree of emphasis on stable growth, rather than capital gains.

Spending Policy and How the Investment Objectives Related to the Spending Policy

The Organization's spending policy allows income for current obligations in addition to growth of the endowment's investment corpus necessary to meet the projected increasing needs of the future. The Endowment may distribute annually up to 3.5% of a trailing five-year average of the total market value, with the understanding that this spending rate plus the trailing average of inflation (Consumer Price Index) will not normally exceed the total return from the investments. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net asset classifications by type at year end were the following.

	<u>2014</u>	<u>2013</u>
Donor-restricted endowment funds		
Permanently restricted	\$ 5,000,000	\$ 5,000,000
Temporarily restricted	1,825,730	1,147,433
	<u>\$ 6,825,730</u>	<u>\$ 6,147,433</u>

CHILDREN'S ADVOCACY CENTERS OF TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended August 31, 2014 and 2013

NOTE 7: PERMANENTLY RESTRICTED NET ASSETS - continued

The Organization had the following endowment net asset related activities.

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment, beginning of year	\$ -	\$ 1,147,433	\$ 5,000,000	\$ 6,147,433
Interest & Dividends	-	153,916	-	153,916
Brokerage fees	-	(46,736)	-	(46,736)
Withdrawal	-	(144,519)	-	(144,519)
Realized & unrealized gain	-	715,636	-	715,636
Endowment, end of year	\$ -	\$ 1,825,730	\$ 5,000,000	\$ 6,825,730

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment, beginning of year	\$ -	\$ 601,775	\$ 5,000,000	\$ 5,601,775
Interest & Dividends	-	139,322	-	139,322
Brokerage fees	-	(32,877)	-	(32,877)
Withdrawal	-	(212,722)	-	(212,722)
Realized & unrealized gain	-	651,935	-	651,935
Endowment, end of year	\$ -	\$ 1,147,433	\$ 5,000,000	\$ 6,147,433

NOTE 8: EMPLOYEE BENEFIT PLAN

The Organization has a 401(k) salary deferral plan covering substantially all employees. Under the plan, the Organization matches one-half of each eligible employee's salary deferral, up to 3 percent. Plan expenses incurred by the Organization during 2014 and 2013 were \$19,190 and \$19,458, respectively.

NOTE 9: OFF BALANCE SHEET CREDIT RISK AND CONCENTRATION

Financial instruments that are exposed to concentrations of credit risk consist of cash, investments and accounts receivable. Cash and investments are in high quality institutions and companies with high credit ratings. Investments are based on quoted market prices. Accounts receivable and notes receivable are carried at estimated net realizable values.

Cash balances with a financial institution in excess of Federal Deposit Insurance Corporation (FDIC) insurance coverage are considered an off-balance-sheet credit risk. As of August 31, 2014 and 2013, cash balances in excess of federally insured deposits were approximately \$97,405 for 2014 and \$147,623 for 2013. The Organization does not require collateral for any of its excess deposits. The Organization considers its funds to be in high quality financial institutions and constantly monitors its financial position with the financial institutions. The Organization does not anticipate any nonperformance.

CHILDREN'S ADVOCACY CENTERS OF TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended August 31, 2014 and 2013

NOTE 9: OFF BALANCE SHEET CREDIT RISK AND CONCENTRATION - continued

The Organization invests in cash, debt and equity securities for its endowment fund. These investments are exposed to various risks, such as fluctuations in market value and credit risk. Minimizing these risks is achieved through high quality investment selection and diversification. In compliance with the Organization's Investment Policy Statement, the investments are diversified to provide reasonable assurance that investment in a single security, a class of securities, or an industry will not have an excessive impact on the endowment fund's balance. As of August 31, 2014 and 2013, the Organization had no significant concentrations of credit risk relating to its endowment fund.

The State of Texas' Office of the Attorney General accounted for approximately 78% of the Organization's revenue for the years ended August 31, 2014 and 2013, and 81% and 84% of accounts receivable at August 31, 2014 and 2013, respectively. Realization of accounts receivable is dependent on various individual economic conditions. The Organization performs ongoing credit evaluations of the financial condition of the grantors and individuals and, generally, requires no collateral from them.

NOTE 10: CONTRIBUTED SERVICES

The value of contributed services meeting the requirements for recognition in the financial statements amounted to \$-0- and \$22,840 during the years ended August 31, 2014 and 2013, respectively. The contributions were of advertising space that benefited the organization's mission as a whole and are recorded as program services expense.

FEDERAL & STATE COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Children's Advocacy Centers of Texas, Inc.
Austin, Texas

We have audited, in accordance with the 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, the financial statements of Children's Advocacy Centers of Texas, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 17, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Children's Advocacy Centers of Texas, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Children's Advocacy Centers of Texas, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance

As part of obtaining reasonable assurance about whether Children's Advocacy Centers of Texas, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gindler, Chappell, Morrison & Co. P.C.

Austin, Texas
February 17, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE AND OTHER MATTERS REQUIRED BY OMB CIRCULAR A-
133 AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR**

To the Board of Directors of
Children's Advocacy Centers of Texas, Inc.
Austin, Texas

Report on Compliance for Each Major Federal Program

We have audited Children's Advocacy Centers of Texas, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the State of Texas Single Audit Circular that could have a direct and material effect on each of its major state and federal programs for the year ended August 31, 2014. Children's Advocacy Centers of Texas, Inc.'s major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Children's Advocacy Centers of Texas, Inc.'s major programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Texas Single Audit Circular. Those standards, OMB Circular A-133, and the State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Children's Advocacy Centers of Texas, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Children's Advocacy Centers of Texas, Inc.'s compliance.

Opinion on Each Major Program

In our opinion, Children's Advocacy Centers of Texas, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended August 31, 2014.

Report on Internal Control Over Compliance and Other Matters

Management of Children's Advocacy Centers of Texas, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Children's Advocacy Centers of Texas, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Children's Advocacy Centers of Texas, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

Kindler, Chappell, Morrison & Co., P.C.

Austin, Texas
February 17, 2015

CHILDREN'S ADVOCACY CENTERS OF TEXAS, INC.

SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS

Year ended August 31, 2014

State/Federal Grantor/ Pass through Grantor/ Program Title/ Title of Project	Term	Award #	Federal CFDA Number	Federal Expenditures
Federal:				
Department of Health and Human Services				
<u>Passed through</u>				
Texas Criminal Justice				
Texas Center for Judiciary				
	October 1, 2012 - September 30, 2013	CJA-13-04	93.643	\$ 23,120
	October 1, 2012 - September 30, 2013	CJA-13-05	93.643	35,594
	October 1, 2012 - September 30, 2013	CJA-13-06	93.643	9,400
	October 1, 2013 - September 30, 2014	CJA-14-01	93.643	96,336
	October 1, 2013 - September 30, 2014	CJA-14-02	93.643	30,000
	October 1, 2013 - September 30, 2014	CJA-14-11	93.643	54,683
	August 1, 2014 - November 30, 2014	CJA-14-12A	93.643	128
				249,261
Total Department of Health and Human Services				
Department of Justice				
<u>Passed through</u>				
Southern Regional CAC				
Via Memorandum of Understanding (SRCAC)				
Victims of Child Abuse Act				
	August 1, 2013 - July 15, 2014	N/A	16.758	7,500
	August 1, 2013 - July 15, 2014	N/A	16.758	2,475
				9,975
Total Department of Justice				
Total Federal Awards				\$ 259,926
State:				
Office of the Governor of Texas				
<u>Direct funding</u>				
Criminal Justice Division (CJD)				
	Texas Administrative Code, Title 1, Part 1, Ch 3	JA-13-20-177	16.540	147,151
	Texas Administrative Code, Title 1, Part 1, Ch 3	2748401	16.575	58,414
				205,565
Total Office of the Governor				
Office of the Attorney General of Texas				
<u>Direct funding</u>				
Grants Administration Division - OAG Program (OAG)				
	Texas Family Code and Genl Appropriations Act	1445576	none	9,999,003
Grants Administration Division - OVAG Program (OVAG)				
	Texas Administration Code, Title 1, Ch 60, A-F	1334697	none	200,000
				10,019,003
Total Office of the Attorney General of Texas				
Total State Awards				\$10,404,568
Total Federal and State Awards				\$10,663,804

CHILDREN'S ADVOCACY CENTERS OF TEXAS, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS

Year ended August 31, 2014

Note 1. Basis of Presentation

The accompanying schedule of expenditures of state and federal awards includes the state grant activity of Children's Advocacy Centers of Texas, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas Single Audit Circular.

Note 2. Subrecipients

Of the federal and state expenditures presented in the schedule, Children's Advocacy Centers of Texas, Inc. provided federal and state awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Office of the Attorney General Texas Family Code and General Appropriations Act #1230382	N/A	\$7,195,493
Office of the Governor of Texas Victims of Crime Act Formula Grant Program	16.575	\$58,414

Note 3. Other Disclosures

During the current year, insurance policies in effect covered \$2,000,000 each for property insurance and commercial general liability insurance and \$1,000,000 each for professional liability, automobile liability, worker's compensation, employer's liability, crime and directors and officers insurance. The total cost of insurance was \$12,830 of which \$815 was paid from federal sources and \$10,372 was paid from state sources.

There were no loans or loan guarantees, including interest subsidies, outstanding at year end.

CHILDREN'S ADVOCACY CENTERS OF TEXAS, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended August 31, 2014

NONE

CHILDREN'S ADVOCACY CENTERS OF TEXAS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended August 31, 2014

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Children's Advocacy Centers of Texas, Inc.
2. No instances of noncompliance material to the financial statements of Children's Advocacy Centers of Texas, Inc., which would be required to be reported in accordance with the *Government Auditing Standards* or *State of Texas Single Audit Circular*, were disclosed during the audit.
3. The auditor's report on compliance for the major state and federal award programs for Children's Advocacy Centers of Texas, Inc. expresses an unqualified opinion on all major state and federal programs.
4. No instances of noncompliance in internal control over major programs or material noncompliance with provisions of laws, regulations, contracts, or grant agreements related to a major program of Children's Advocacy Centers of Texas, Inc. and required to be reported in accordance with the *Government Auditing Standards* or *State of Texas Single Audit Circular* were disclosed during the audit.
5. The program tested as a major program included:
 - a. Office of the Attorney General contract #1445576
6. The threshold used for distinguishing between Type A and Type B programs was \$312,137.
7. Children's Advocacy Centers of Texas, Inc. qualified as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

FINDINGS AND QUESTIONED COSTS - MAJOR STATE AWARD PROGRAMS AUDIT

NONE