

**CHILDREN AT RISK, INC.**

Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2014 and 2013

# CHILDREN AT RISK, INC.

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**Independent Auditors' Report**

To the Board of Directors of  
CHILDREN AT RISK, INC.:

We have audited the accompanying financial statements of CHILDREN AT RISK, INC., which comprise the statements of financial position as of December 31, 2014 and 2013 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 CHILDREN AT RISK, INC. as of December 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.

*Blazek & Vetterling*

August 19, 2015

## CHILDREN AT RISK, INC.

Statements of Financial Position as of December 31, 2014 and 2013

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	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 583,079	\$ 785,593
Prepaid expenses and other receivables	42,381	36,095
Pledges receivable	345,535	70,596
Investments	14,012	11,825
Property and equipment, net ( <i>Note 2</i> )	75,925	47,434
Cash and investments held for endowment ( <i>Note 5</i> )	<u>150,630</u>	<u>106,875</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,211,562</u></b>	<b><u>\$ 1,058,418</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 127,234	\$ 23,466
Deferred lease expense ( <i>Note 4</i> )	<u>54,696</u>	<u>67,716</u>
Total liabilities	<u>181,930</u>	<u>91,182</u>
Commitments ( <i>Note 4</i> )		
Net assets:		
Unrestricted	125,122	99,763
Temporarily restricted ( <i>Note 3</i> )	753,880	760,598
Permanently restricted ( <i>Note 5</i> )	<u>150,630</u>	<u>106,875</u>
Total net assets	<u>1,029,632</u>	<u>967,236</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,211,562</u></b>	<b><u>\$ 1,058,418</u></b>

*See accompanying notes to financial statements.*

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## CHILDREN AT RISK, INC.

Statement of Activities for the year ended December 31, 2014

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	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<b>REVENUE:</b>				
Contributions	\$ 339,138	\$ 1,484,385	\$ 43,755	\$ 1,867,278
Special events	719,058			719,058
Direct donor benefits – special events	(204,908)			(204,908)
Contract and program fees	121,275			121,275
Other	<u>3,622</u>			<u>3,622</u>
Total revenue	978,185	1,484,385	43,755	2,506,325
Net assets released from restrictions:				
Expenditure for program purposes	<u>1,491,103</u>	<u>(1,491,103)</u>		
Total	<u>2,469,288</u>	<u>(6,718)</u>	<u>43,755</u>	<u>2,506,325</u>
<b>EXPENSES:</b>				
Research and advocacy for children	1,736,772			1,736,772
Management and general	245,961			245,961
Fundraising	<u>461,196</u>			<u>461,196</u>
Total expenses	<u>2,443,929</u>			<u>2,443,929</u>
<b>CHANGES IN NET ASSETS</b>	25,359	(6,718)	43,755	62,396
Net assets, beginning of year	<u>99,763</u>	<u>760,598</u>	<u>106,875</u>	<u>967,236</u>
Net assets, end of year	<u>\$ 125,122</u>	<u>\$ 753,880</u>	<u>\$ 150,630</u>	<u>\$ 1,029,632</u>

*See accompanying notes to financial statements.*

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## CHILDREN AT RISK, INC.

Statement of Activities for the year ended December 31, 2013

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	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Contributions	\$ 252,796	\$ 1,248,945	\$ 101,875	\$ 1,603,616
Special events	594,101			594,101
Direct donor benefits – special events	(202,707)			(202,707)
Contract and program fees	193,897			193,897
Other	<u>4,865</u>	<u>                    </u>	<u>                    </u>	<u>4,865</u>
Total revenue	842,952	1,248,945	101,875	2,193,772
Net assets released from restrictions:				
Donor redesignation of capital campaign	261,185	(261,185)		
Expenditure for program purposes	<u>1,081,847</u>	<u>(1,081,847)</u>	<u>                    </u>	<u>                    </u>
Total	<u>2,185,984</u>	<u>(94,087)</u>	<u>101,875</u>	<u>2,193,772</u>
EXPENSES:				
Research and advocacy for children	1,645,528			1,645,528
Management and general	165,904			165,904
Fundraising	<u>427,307</u>			<u>427,307</u>
Total expenses	<u>2,238,739</u>			<u>2,238,739</u>
CHANGES IN NET ASSETS	(52,755)	(94,087)	101,875	(44,967)
Net assets, beginning of year	<u>152,518</u>	<u>854,685</u>	<u>5,000</u>	<u>1,012,203</u>
Net assets, end of year	<u>\$ 99,763</u>	<u>\$ 760,598</u>	<u>\$ 106,875</u>	<u>\$ 967,236</u>

*See accompanying notes to financial statements.*

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## CHILDREN AT RISK, INC.

### Statements of Functional Expenses for the years ended December 31, 2014 and 2013

	RESEARCH AND ADVOCACY FOR CHILDREN	MANAGEMENT AND GENERAL	FUNDRAISING	2014 TOTAL
Salaries and benefits	\$ 1,080,208	\$ 121,065	\$ 306,872	\$ 1,508,145
Professional fees	159,525	58,439	47,045	265,009
Book production and printing	182,995			182,995
Rent	95,648	14,085	25,798	135,531
Travel	71,254		2,410	73,664
Supplies	39,049	13,423	6,590	59,062
Printing and copying	11,217	1,651	19,882	32,750
Marketing and promotion	20,051	2,952	6,810	29,813
Memberships and dues	16,362	3,442	809	20,613
Computer supplies and software	5,394		13,290	18,684
Telephone and other utilities	13,067	1,923	3,524	18,514
Depreciation	10,223	1,505	2,757	14,485
Bank service charges		14,338		14,338
Website design and maintenance	12,844	1,450		14,294
Postage and shipping	2,274	258	10,087	12,619
Insurance	5,798	2,859	1,564	10,221
Equipment rental and maintenance	1,725	254	465	2,444
Other	9,138	8,317	13,293	30,748
Total	<u>\$ 1,736,772</u>	<u>\$ 245,961</u>	<u>\$ 461,196</u>	<u>\$ 2,443,929</u>

	RESEARCH AND ADVOCACY FOR CHILDREN	MANAGEMENT AND GENERAL	FUNDRAISING	2013 TOTAL
Salaries and benefits	\$ 1,139,735	\$ 74,018	\$ 325,230	\$ 1,538,983
Professional fees	239,585	61,700	32,000	333,285
Book production and printing	45,329			45,329
Rent	62,034	3,294	22,412	87,740
Travel	29,380	209	1,422	31,011
Supplies	35,479	486	3,304	39,269
Marketing and promotion	25,140			25,140
Memberships and dues	13,066	694	4,721	18,481
Telephone and other utilities	10,657	566	3,850	15,073
Depreciation	10,042	533	3,629	14,204
Bank service charges		12,576		12,576
Equipment rental and maintenance	9,078	482	3,280	12,840
Other	26,003	11,346	27,459	64,808
Total	<u>\$ 1,645,528</u>	<u>\$ 165,904</u>	<u>\$ 427,307</u>	<u>\$ 2,238,739</u>

*See accompanying notes to financial statements.*

## CHILDREN AT RISK, INC.

### Statements of Cash Flows for the years ended December 31, 2014 and 2013

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	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 62,396	\$ (44,967)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	14,485	14,204
Net realized and unrealized gain on investments	(794)	(2,917)
Contributions restricted for endowment	(43,755)	(102,322)
Changes in operating assets and liabilities:		
Prepaid expenses and other receivables	(6,286)	(5,898)
Pledges receivable	(274,939)	131,204
Accounts payable and accrued expenses	103,768	(13,676)
Deferred lease expense	<u>(13,020)</u>	<u>(10,070)</u>
Net cash used by operating activities	<u>(158,145)</u>	<u>(34,442)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(1,393)	(797)
Purchases of property and equipment	(42,976)	(7,071)
Net change in cash restricted for capital assets		261,185
Net change in cash restricted for endowment	<u>(43,755)</u>	<u>(101,875)</u>
Net cash provided (used) by investing activities	<u>(88,124)</u>	<u>151,442</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contributions restricted for endowment	<u>43,755</u>	<u>101,875</u>
<b>NET CHANGE IN CASH</b>	<b>(202,514)</b>	<b>218,875</b>
Cash, beginning of year	<u>785,593</u>	<u>566,718</u>
Cash, end of year	<u>\$ 583,079</u>	<u>\$ 785,593</u>

*See accompanying notes to financial statements.*

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## CHILDREN AT RISK, INC.

Notes to Financial Statements for the years ended December 31, 2014 and 2013

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### NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization – CHILDREN AT RISK, INC. (Children at Risk) is a Texas nonprofit organization incorporated in October 1991. Children at Risk, through leadership and action, works to assure that children have the highest priority in our community. Its mission is to serve as a catalyst for change to improve the quality of life for children. Children at Risk, using the tools of strategic research, public policy analysis, education, collaboration and advocacy, works on a broad range of children's issues, including public education, human trafficking, health and nutrition, parenting and family well-being, juvenile justice and mental health. It has become a leading source of accurate information through its publication of statistics and indicators to measure the quality of life for children and to use that information to advocate for change.

Federal income tax status – Children at Risk 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). Children at Risk files annual federal information returns that are subject to routine examination; however, there are no examinations for any tax periods currently in progress. Children at Risk believes it is no longer subject to examinations of returns for tax years ended before December 31, 2011.

Cash concentration – Bank deposits exceed the federally insured limit per depositor per institution.

Pledges receivable that are expected to be collected 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. Pledges receivable at December 31, 2014 are expected to be collected within one year.

Property and equipment is reported at cost, if purchased, or at fair value at the date of gift, if donated. Expenditures greater than \$500 are capitalized. Depreciation is recognized on a straight-line basis over estimated useful lives of 5 to 7 years.

Investments consist of domestic equity mutual funds totaling \$19,175 and are reported at fair value. Mutual funds are valued at the reported net asset value of shares held.

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.
- *Permanently restricted net assets* include contributions that donors have restricted in perpetuity. Investment return may be expended to support the activities of Children at Risk.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted contributions. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Non-cash contributions – Donated materials, facilities, and services 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.

Contract and program fees are recognized as 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.

## NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	<u>2014</u>	<u>2013</u>
Office furniture and equipment	\$ 87,215	\$ 77,445
Website	32,500	
Leasehold improvements	<u>31,441</u>	<u>31,441</u>
Total property	151,156	108,886
Accumulated depreciation	<u>(75,231)</u>	<u>(61,452)</u>
Property and equipment, net	<u>\$ 75,925</u>	<u>\$ 47,434</u>

## NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Positive Parenting Program	\$ 347,319	\$ 39,239
Human trafficking initiatives	144,040	48,454
Health and nutrition initiatives	113,327	64,900
Public education initiatives	71,159	346,700
Center for Parenting and Family Well-Being	40,000	227,233
Juvenile justice initiatives	17,035	
Other	<u>21,000</u>	<u>34,072</u>
Total temporarily restricted net assets	<u>\$ 753,880</u>	<u>\$ 760,598</u>

## NOTE 4 – COMMITMENTS

Children at Risk has a \$200,000 line of credit with a bank that expires in April 2016. Advances on the line bear interest at 5.25%. There were no amounts outstanding under the line of credit at December 31, 2014.

Children at Risk leases office space under noncancelable operating lease agreements. Under the terms of the agreement, Children at Risk received deferred rental payments which are being amortized over the life of the lease and have been recorded as deferred lease expense. Future minimum lease payments are payable as follows:

2015	\$ 124,083
2016	127,031
2017	<u>118,923</u>
Total	<u>\$ 370,037</u>

Lease expense for office space was approximately \$140,000 in 2014 and \$88,000 in 2013.

#### NOTE 5 – ENDOWMENT FUNDS

Children at Risk’s endowment net assets include donor-restricted endowment funds. The Board of Directors of Children at Risk has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Children at Risk classifies the original value of gifts donated to the permanent endowment as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Children at Risk in a manner consistent with the standard of prudence prescribed by TUPMIFA. Children at Risk’s management and Board of Directors are in the process of adopting investment and spending policies.

Endowment net asset composition at December 31, 2014 is as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment funds	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 150,630</u>	<u>\$ 150,630</u>

Endowment net asset composition at December 31, 2013 is as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment funds	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 106,875</u>	<u>\$ 106,875</u>

Changes in net assets of the endowment funds are as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Endowment net assets, December 31, 2012	\$ 0	\$ 0	\$ 5,000	\$ 5,000
Contributions	<u>          </u>	<u>          </u>	<u>101,875</u>	<u>101,875</u>
Endowment net assets, December 31, 2013	0	0	106,875	106,875
Contributions	<u>          </u>	<u>          </u>	<u>43,755</u>	<u>43,755</u>
Endowment net assets, December 31, 2014	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 150,630</u>	<u>\$ 150,630</u>

**NOTE 6 – CONCENTRATIONS AND RELATED PARTY TRANSACTION**

In 2014, approximately 32% of total contributions were from two donors and 58% of pledges receivable were from one donor. In 2013, approximately 16% of total contributions were from one donor and 92% of pledges receivable were from two donors.

Catered meals for special events were purchased from a Board member’s catering company for 2014 and 2013 special events. The cost of these meals was approximately \$46,000 in 2014 and \$28,000 in 2013.

**NOTE 7 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 19, 2015, 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.

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