

**CHILD ADVOCATES, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Child Advocates, Inc.  
Houston, Texas

We have audited the accompanying statements of financial position of Child Advocates, Inc. (a Texas non-profit corporation) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Child Advocates, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Advocates, Inc. as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles in the United States.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Child Advocates, Inc. as of December 31, 2011 and 2010. The accompanying schedule of Texas CASA, Inc. Grant Awards is presented for the purpose of complying with the provisions of the grants with Texas CASA, Inc. and is not a required part of the basic 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 generally accepted auditing standards in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Harper & Pearson Company, P.C.*

Houston, Texas  
June 5, 2012

**CHILD ADVOCATES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2011 AND 2010**

<b>ASSETS</b>	<b>2011</b>	<b>Restated 2010</b>
Cash and cash equivalents	\$ 414,485	\$ 508,287
Pledges and other receivables	1,681,413	1,149,315
Prepaid expenses	48,484	61,058
Property and equipment, at cost		
Furniture and equipment	458,254	454,276
Leasehold improvements	<u>5,746</u>	<u>5,746</u>
Property and equipment, gross	464,000	460,022
Accumulated depreciation	<u>(454,441)</u>	<u>(446,362)</u>
Property and equipment, net	9,559	13,660
Beneficial interest in Child Advocates Endowment, Inc.	<u>6,512,979</u>	<u>6,799,312</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 8,666,920</u></b>	<b><u>\$ 8,531,632</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	<u>\$ 205,424</u>	<u>\$ 174,409</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET ASSETS</b>		
Unrestricted - Child Advocates	<u>1,388,807</u>	<u>1,289,201</u>
Temporarily restricted - Child Advocates	559,710	268,710
Temporarily restricted - Child Advocates Endowment, Inc.	<u>2,360,633</u>	<u>2,647,466</u>
Total temporarily restricted net assets	<u>2,920,343</u>	<u>2,916,176</u>
Permanently restricted - Child Advocates Endowment, Inc.	<u>4,152,346</u>	<u>4,151,846</u>
<b>TOTAL NET ASSETS</b>	<b><u>8,461,496</u></b>	<b><u>8,357,223</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 8,666,920</u></b>	<b><u>\$ 8,531,632</u></b>

See accompanying notes.

**CHILD ADVOCATES, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011			2010 Restated				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES								
Contributions	\$ 737,297	\$ 794,134	\$ -	\$ 1,531,431	\$ 781,318	\$ 416,138	\$ -	\$ 1,197,456
Federal and state government grants	909,653	-	-	909,653	975,972	-	-	975,972
Special events and other revenue, net	1,664,133	-	-	1,664,133	1,411,205	-	-	1,411,205
Less direct donor benefits	(269,518)	-	-	(269,518)	(276,606)	-	-	(276,606)
Special events and other revenue, net	1,394,615	-	-	1,394,615	1,134,599	-	-	1,134,599
In-kind donations	308,552	-	-	308,552	1,238,828	-	-	1,238,828
Net change in beneficial interest in Child Advocates Endowment, Inc.	-	(52,353)	500	(51,853)	-	753,190	102,121	855,311
Interest and dividends	67	-	-	67	15	-	-	15
Assets released from restrictions	737,614	(737,614)	-	-	589,096	(589,096)	-	-
Total revenues	4,087,798	4,167	500	4,092,465	4,719,828	580,232	102,121	5,402,181
EXPENSES								
Community services	2,650,263	-	-	2,650,263	2,470,643	-	-	2,470,643
Professional education and training	673,893	-	-	673,893	1,613,637	-	-	1,613,637
Management and general	317,080	-	-	317,080	308,987	-	-	308,987
Fund raising	346,956	-	-	346,956	291,036	-	-	291,036
Total expenses	3,988,192	-	-	3,988,192	4,684,303	-	-	4,684,303
CHANGE IN NET ASSETS	99,606	4,167	500	104,273	35,525	580,232	102,121	717,878
NET ASSETS, Beginning of year, as previously reported	3,936,667	268,710	4,151,846	8,357,223	3,377,992	211,628	4,049,725	7,639,345
PRIOR PERIOD ADJUSTMENT	(2,647,466)	2,647,466	-	-	(2,124,316)	2,124,316	-	-
NET ASSETS, Beginning of year, as restated	1,289,201	2,916,176	4,151,846	8,357,223	1,253,676	2,335,944	4,049,725	7,639,345
NET ASSETS, End of year	\$ 1,388,807	\$ 2,920,343	\$ 4,152,346	\$ 8,461,496	\$ 1,289,201	\$ 2,916,176	\$ 4,151,846	\$ 8,357,223

See accompanying notes.

**CHILD ADVOCATES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	Community Services	Professional Education and Training	Management and General	Fund Raising	Total
Salaries	\$ 1,570,981	\$ 302,847	\$ 146,296	\$ 199,705	\$ 2,219,829
Employee Benefits	180,622	34,820	16,820	22,961	255,223
Payroll Taxes	124,740	24,047	11,616	15,857	176,260
Retirement	<u>62,363</u>	<u>11,910</u>	<u>5,739</u>	<u>7,988</u>	<u>88,000</u>
Total Salaries and Related Benefits	1,938,706	373,624	180,471	246,511	2,739,312
Accounting and Auditing	-	-	59,475	-	59,475
Awards and Gifts	1,175	-	-	-	1,175
Bad Debt Expense	-	-	3,111	-	3,111
Board Expenses	-	-	17,817	-	17,817
Community Awareness Project	-	58,048	-	-	58,048
Contract Services	8,364	11,001	4,159	4,943	28,467
Delivery Service	309	60	29	39	437
Depreciation	5,718	1,102	532	727	8,079
Development	-	-	-	19,836	19,836
Direct Mail	-	-	-	17,614	17,614
Dues and Subscriptions	7,392	1,425	688	940	10,445
General Operations	-	-	2,154	-	2,154
Human Resources	4,303	829	401	547	6,080
In-Kind Public Service Announcements\					
Volunteer Recruitment	-	120,532	-	21,270	141,802
In-Kind Christmas Gifts	166,750	-	-	-	166,750
Insurance	18,707	3,605	1,741	2,379	26,432
Local Travel	77,186	110	9,580	1,022	87,898
Maintenance and Repair	29,300	5,646	2,727	3,725	41,398
Miscellaneous	11,332	2,186	1,056	1,442	16,016
Newsletter	-	17,112	3,422	2,282	22,816
Occupancy	117,364	54,490	23,054	14,670	209,578
Office Supplies	10,737	2,069	999	1,365	15,170
Postage	15,185	2,927	1,414	1,931	21,457
Program Events	160,758	-	-	-	160,758
Special Needs	32,048	-	-	-	32,048
Staff Training	16,020	3,087	1,491	2,037	22,635
Strategic Planning	-	-	68	-	68
Telephone	28,909	5,571	2,691	3,676	40,847
Young Professionals	<u>-</u>	<u>10,469</u>	<u>-</u>	<u>-</u>	<u>10,469</u>
Total Expenses	<u>\$ 2,650,263</u>	<u>\$ 673,893</u>	<u>\$ 317,080</u>	<u>\$ 346,956</u>	<u>\$ 3,988,192</u>

See accompanying notes.

**CHILD ADVOCATES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Community Services	Professional Education and Training	Management and General	Fund Raising	Total
Salaries	\$ 1,466,043	\$ 293,034	\$ 146,465	\$ 183,070	\$ 2,088,612
Employee Benefits	153,592	30,700	15,344	19,180	218,816
Payroll Taxes	115,409	23,068	11,530	14,411	164,418
Retirement	<u>48,756</u>	<u>9,831</u>	<u>5,467</u>	<u>5,946</u>	<u>70,000</u>
Total Salaries and Related Benefits	1,783,800	356,633	178,806	222,607	2,541,846
Accounting and Auditing	-	-	60,989	-	60,989
Awards and Gifts	4,598	-	-	-	4,598
Bad Debt Expense	-	-	1,548	-	1,548
Board Expenses	-	-	8,898	-	8,898
Community Awareness Project	-	72,529	-	-	72,529
Contract Services	7,594	-	7,687	-	15,281
Delivery Service	455	91	46	57	649
Depreciation	7,139	1,427	716	891	10,173
Development	-	-	-	11,012	11,012
Direct Mail	-	-	-	14,484	14,484
Dues and Subscriptions	6,495	1,299	650	811	9,255
General Operations	-	-	1,897	-	1,897
Human Resources	17,076	3,414	1,712	2,131	24,333
In-Kind Public Service Announcements\					
Volunteer Recruitment	-	1,068,328	-	-	1,068,328
In-Kind Christmas Gifts	170,500	-	-	-	170,500
Insurance	18,761	3,751	1,880	2,341	26,733
Local Travel	72,025	208	8,767	2,337	83,337
Maintenance and Repair	20,679	4,134	2,073	2,581	29,467
Miscellaneous	7,100	1,419	703	886	10,108
Newsletter	-	15,682	3,136	2,091	20,909
Occupancy	117,967	54,771	23,172	14,746	210,656
Office Supplies	12,731	2,545	1,276	1,589	18,141
Postage	8,838	1,767	886	1,103	12,594
Program Events	140,526	-	-	-	140,526
Special Needs	33,014	-	-	6,210	39,224
Staff Training	14,354	2,870	1,439	1,791	20,454
Strategic Planning	-	-	-	-	-
Telephone	26,991	5,396	2,706	3,368	38,461
Young Professionals	<u>-</u>	<u>17,373</u>	<u>-</u>	<u>-</u>	<u>17,373</u>
Total Expenses	<u>\$ 2,470,643</u>	<u>\$ 1,613,637</u>	<u>\$ 308,987</u>	<u>\$ 291,036</u>	<u>\$ 4,684,303</u>

See accompanying notes.

**CHILD ADVOCATES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 104,273	\$ 717,878
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	8,079	10,173
Change in beneficial interest in Child Advocates Endowment, Inc.	51,853	(855,311)
Contribution from Child Advocates Endowment, Inc.	234,480	230,040
Change in operating assets and liabilities:		
Pledges and other receivables	(532,098)	(68,082)
Prepaid expenses	12,574	(47,684)
Accounts payable and accrued liabilities	<u>31,015</u>	<u>57,120</u>
Total adjustments	<u>(194,097)</u>	<u>(673,744)</u>
Net cash (used) provided by operating activities	<u>(89,824)</u>	<u>44,134</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(3,978)</u>	<u>(5,706)</u>
Net cash used by investing activities	<u>(3,978)</u>	<u>(5,706)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(93,802)	38,428
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>508,287</u>	<u>469,859</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 414,485</u>	<u>\$ 508,287</u>

NOTE A            BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Child Advocates, Inc. (the Organization), a Texas not-for-profit corporation, provides educational resources and information regarding mental health, physical health and well-being of children and family units in Harris County, Texas. The Organization mobilizes court appointed volunteers to break the vicious cycle of child abuse. The Organization speaks up for abused children who are lost in the system and guides them into safe environments where they can thrive. Trained volunteers serve as guardian ad litem and work in tandem with juvenile court judges, attorneys, case workers, parents, foster parents, teachers, physicians, and therapists to ensure that the best interests of the child are met.

The Organization serves the community in the following major areas:

Education and Training - Programs to educate and train volunteers and employees about the services provided by the Organization and how to provide them.

Community Services - Programs which provide child advocate services for the community through the court system, including diligent search, educational advocacy, family reunification, Life Book Project and volunteer services.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk - Financial instruments, which subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents, pledges and other receivables and the beneficial interest in the Endowment. The Organization places its cash and cash equivalents with high credit quality financial institutions in the United States. At times, deposits with these financial institutions may exceed insured limits; however, these amounts typically may be redeemed upon demand and, therefore, bear minimal risk. In monitoring this credit risk, the Organization periodically evaluates the stability of these financial institutions.

Generally, no collateral or other security is required to support receivables. An allowance for doubtful accounts is established and accounts written off as needed based upon factors surrounding the credit risk of specific contributors. At December 31, 2011 and 2010, all receivables are deemed to be collectible; therefore no allowance account has been established.

NOTE A      BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

Cash and Cash Equivalents - For the purposes of the statement of cash flows, cash and cash equivalents includes demand deposits and highly liquid debt investments with maturity dates of less than three months.

Property and Equipment - Property and equipment items in excess of \$500 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives of the assets ranging from three to thirty years. Leasehold improvements are amortized over the lives of the respective leases or the service lives of the improvements, whichever is shorter.

Financial Statement Presentation - Information regarding the financial position and activities of the Organization is reported in three categories as follows:

Unrestricted Net Assets - represent expendable funds available for operations which are not otherwise limited by donor restrictions.

Temporarily Restricted Net Assets - consist of contributed funds subject to donor imposed restrictions related to a specific purpose or requiring a specific passage of time before the funds can be spent.

Permanently Restricted Net Assets - are subject to irrevocable donor restrictions requiring the assets be maintained in perpetuity for the purpose of generating investment income to fund current operations. Permanently restricted net assets result from Child Advocates Endowment, Inc.

Contributions - Contributions are recorded when received or upon an unconditional promise to give from the donor. All contributions are considered to be available for unrestricted use unless restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support and an increase to the respective net asset class.

Unconditional promises to give that are expected to be collected within one year are recorded at their realizable value as pledges receivable. Pledges receivable that are to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included as contribution revenue. Conditional promises to give are not recorded until such time as the conditions are substantially met. There were no conditional promises to give at December 31, 2011 or 2010.

NOTE A      BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
 (CONTINUED)

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donors provided Christmas gifts to children in the amounts of \$166,750 and \$170,500 in 2011 and 2010, respectively. In-kind expenses in the same amounts are recorded as community services expense.

Volunteer Services - Many individuals served as trained court-appointed volunteer advocates. The hours spent by these volunteers do not meet the criteria to be recognized in the Organization's statement of activities. If the estimated value of these services had been recorded, contributions revenue and program expenses during 2011 and 2010 would have increased as disclosed in the following table, resulting in program expenses approximating 88% and 90% in 2011 and 2010, respectively, (unaudited) of total expenses each year.

	<u>2011</u>	<u>2010</u>
Volunteer hours (unaudited)	<u>63,490</u>	<u>65,507</u>
Value of volunteer hours (unaudited)	<u>\$ 1,356,146</u>	<u>\$ 1,365,819</u>

Donated Services - The Organization recognizes as revenues and expenses donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services consist primarily of counseling and public relations services.

Advertising Expense - Advertising expense is recorded as incurred. Advertising expense for 2011 and 2010 totaled \$197,956 and \$1,139,728, respectively, including donated advertising amounting to \$141,802 and \$1,068,328 in 2011 and 2010, respectively. During 2011 and 2010, advertising incurred by the Organization and in-kind public service announcements on behalf of the Organization were primarily related to volunteer recruitment.

Functional Expenses - The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Functional expenses which cannot readily be related to a specific program or supporting service are allocated among the various programs and supporting services benefited based upon salaries, hours worked, square footage, number of program staff or other appropriate allocation method.

NOTE A      BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

Federal Income Tax - The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c) (3). However, the Organization is subject to taxes on unrelated business income. During 2011 and 2010, there was no unrelated business income.

GAAP requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The Organization believes that all significant tax positions utilized by the Organization will more likely than not be sustained upon examination. As of December 31, 2011, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year 2008 forward (with limited exceptions). Tax penalties and interest, if any, would be accrued as incurred and would be classified as management and general expense in the statements of activities.

Restatement of Net Assets - The 2010 financial statements have been restated to properly reflect as temporarily restricted net assets the beneficial interest in the unrestricted net assets of Child Advocates Endowment, Inc. (the Endowment). (See Note B.) In addition, certain changes have been made to the 2010 statement of cash flows to conform to the 2011 presentation.

There was no impact on total change in net assets or on total net assets as a result of this restatement. Rather, temporarily restricted net assets increased and unrestricted net assets decreased at both December 31, 2010 and 2009.

The net increase in temporarily restricted net assets and reduction of unrestricted net assets is as follows:

Unrestricted net assets of Endowment, December 31, 2009	\$ 2,124,316
Net change in beneficial interest in Endowment during 2010	753,190
Contribution from Endowment released from restrictions during 2010	<u>(230,040)</u>
Cumulative effect of restatement at December 31, 2010	<u>\$ 2,647,466</u>

Subsequent Events - The Organization has evaluated subsequent events through June 5, 2012, the date the financial statements were available to be issued. No subsequent events occurred, which require adjustment or disclosure to the financial statements at December 31, 2011.

**NOTE B            BENEFICIAL INTEREST IN CHILD ADVOCATES ENDOWMENT, INC.**

During 1992, Child Advocates Endowment, Inc. (the Endowment) was formed primarily for the benefit of and to provide financial support to the Organization. The Endowment has a separate board of directors and the Organization does not exercise control over the Endowment, therefore consolidated financial statements are not required. The Organization records its beneficial interest in the Endowment equal to the book value of the net assets of the Endowment. The assets of the Endowment are comprised primarily of cash and marketable securities which are reported at fair value.

The Endowment has a distribution policy whereby it awards to the Organization 4% of the lesser of 1) a rolling 24-month average of the total investment portfolio, or 2) the value of the investment portfolio at December 31.

Unrestricted activity of the Endowment is reported as temporarily restricted in the statement of activities of the Organization until amounts are appropriated for expenditure by the Endowment. The Endowment contributed \$234,480 and \$230,040 to the Organization during 2011 and 2010, respectively. At December 31, 2011 and 2010, these amounts to be distributed are included in net change in beneficial interest in Child Advocates Endowment, Inc. and released from restrictions on the statement of activities. Any undistributed amounts are recorded as a receivable. (See Note C)

The activity of temporarily restricted net assets of the Endowment is as follows for the years ended December 31:

	<u>2011</u>	<u>2010</u>
Beginning balance	\$ 2,647,466	\$ 2,124,316
Investment return	12,066	818,577
Contribution to Child Advocates, Inc.	(234,480)	(230,040)
Management and general expenses	<u>(64,419)</u>	<u>(65,387)</u>
Ending balance	<u>\$ 2,360,633</u>	<u>\$ 2,647,466</u>

Certain contributions to the Endowment are permanently restricted. The income earned on these contributions can be used for unrestricted operating purposes of the Endowment and for contributions to the Organization. The activity of permanently restricted net assets of the Endowment is as follows for the years ended December 31:

	<u>2011</u>	<u>2010</u>
Beginning Balance	\$ 4,151,846	\$ 4,049,725
Contributions	<u>500</u>	<u>102,121</u>
Ending Balance	<u>\$ 4,152,346</u>	<u>\$ 4,151,846</u>

**NOTE C            PLEDGES AND OTHER RECEIVABLES**

Pledges and other receivables consist of the following:

	<u>2011</u>	<u>2010</u>
Pledges receivable in less than 1 year	\$ 294,032	\$ 157,139
Pledges receivable in one to five years	200,250	1,250
Receivable from Child Advocates Endowment, Inc.	1,069,191	834,711
Government grants receivable	<u>117,940</u>	<u>156,215</u>
	<u>\$ 1,681,413</u>	<u>\$ 1,149,315</u>

The receivable from Child Advocates Endowment, Inc. is due upon demand.

**NOTE D            TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets, excluding the Endowment, are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Future periods	\$ 492,710	\$ 158,388
Permanent foster care study	-	20,000
Permanent foster care pilot program	42,000	-
Advocacy University	-	60,000
Miscellaneous	-	3,822
Special events to be held in the future	<u>25,000</u>	<u>26,500</u>
	<u>\$ 559,710</u>	<u>\$ 268,710</u>

**NOTE E            EMPLOYEE BENEFIT PLAN**

The Organization has a defined contribution employee benefit plan which includes substantially all employees. Contributions to the plan by the Organization are discretionary. Contributions to the plan amounted to \$88,000 and \$70,000 during 2011 and 2010, respectively.

**NOTE F            OPERATING LEASE**

The Organization leases office space under an operating lease. Total rent expense amounted to \$209,578 and \$210,656 for 2011 and 2010, respectively. Future annual payments are as follows:

2012	\$ 216,554
2013	217,926
2014	217,926
2015	230,033
2016	<u>78,696</u>
	<u>\$ 961,135</u>

**NOTE G            CONTINGENCIES**

Amounts received from government and other grants require the fulfillment of certain conditions as set forth in the grant contracts. The Organization intends to fulfill the conditions of all grants, recognizing that failure to fulfill the conditions could result in the return of the funds to grantors. Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, could become a liability of the Organization. In management's opinion, disallowed claims, if any, would not have a material adverse effect on the Organization's financial position or results of operations.

During the normal course of business, the Organization is potentially subject to claims arising from providing its services for the community. During 2009, the Organization was named in a lawsuit with several codefendants. While a majority of the claims in the lawsuit have been dismissed, several claims remain outstanding. Management believes all of the claims in the lawsuit are without merit and the likelihood of an unfavorable outcome is remote.

**CHILD ADVOCATES, INC.**  
**SUPPLEMENTARY SCHEDULE OF TEXAS CASA, INC. GRANT AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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<u>Grantor/Program Title</u>	<u>Grant Number</u>	<u>Program or Award Amount</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Accrued or (Deferred) Revenue</u>
Texas CASA, Inc./CVC/OAG 10-11	CVC-11-34	\$ 597,815	\$ 497,481	\$ 396,730	\$ -
Texas CASA, Inc./CVC/OAG 11-12	CVC-12-34	350,000	58,346	116,692	58,346
Texas CASA, Inc./VOCA 10-11	13576-11	273,228	227,623	183,406	-
Texas CASA, Inc./VOCA 11-12	13576-12	<u>295,183</u>	<u>49,208</u>	<u>98,417</u>	<u>49,209</u>
		<u>\$ 1,516,226</u>	<u>\$ 832,658</u>	<u>\$ 795,245</u>	<u>\$ 107,555</u>

See independent auditor's report.