

**CHILD ADVOCATES, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of Child Advocates, Inc. (a Texas non-profit corporation), which comprise the statements of financial position as of December 31, 2016 and 2015, 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; 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **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, 2016 and 2015, and the changes in its nets assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

## **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Harpa & Pearson Company, P.C.*

Houston, Texas  
April 25, 2017

**CHILD ADVOCATES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2016 AND 2015**

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>
Cash and cash equivalents	\$ 650,863	\$ 431,702
Pledges and other receivables	896,446	1,711,991
Prepaid expenses	32,346	35,365
Property and equipment, at cost		
Furniture and equipment	610,999	491,826
Leasehold improvements	<u>625,939</u>	<u>183,713</u>
Property and equipment, gross	1,236,938	675,539
Accumulated depreciation	<u>(287,832)</u>	<u>(281,311)</u>
Property and equipment, net	949,106	394,228
Beneficial interest in Child Advocates Endowment, Inc.	<u>7,758,174</u>	<u>7,917,846</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 10,286,935</u></b>	<b><u>\$ 10,491,132</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	<u>\$ 215,175</u>	<u>\$ 240,887</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET ASSETS</b>		
Unrestricted - Child Advocates	<u>1,721,882</u>	<u>1,448,003</u>
Temporarily restricted - Child Advocates	591,704	884,396
Temporarily restricted - Child Advocates Endowment, Inc.	<u>3,538,628</u>	<u>3,713,300</u>
Total temporarily restricted net assets	<u>4,130,332</u>	<u>4,597,696</u>
Permanently restricted - Child Advocates Endowment, Inc.	<u>4,219,546</u>	<u>4,204,546</u>
<b>TOTAL NET ASSETS</b>	<b><u>10,071,760</u></b>	<b><u>10,250,245</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 10,286,935</u></b>	<b><u>\$ 10,491,132</u></b>

See accompanying notes.

**CHILD ADVOCATES, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<b>2016</b>				<b>2015</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>REVENUES</b>								
Contributions	\$ 1,264,175	\$ 611,773	\$ -	\$ 1,875,948	\$ 1,158,419	\$ 981,260	\$ -	\$ 2,139,679
Federal and state government grants	1,137,258	-	-	1,137,258	1,008,436	-	-	1,008,436
Special events and other revenue	1,556,099	-	-	1,556,099	1,569,773	-	-	1,569,773
Less direct donor benefits	<u>(212,778)</u>	<u>-</u>	<u>-</u>	<u>(212,778)</u>	<u>(237,061)</u>	<u>-</u>	<u>-</u>	<u>(237,061)</u>
Special events and other revenue, net	1,343,321	-	-	1,343,321	1,332,712	-	-	1,332,712
In-kind donations	394,849	-	-	394,849	246,813	-	-	246,813
Net change in beneficial interest in Child Advocates Endowment, Inc.	-	142,008	15,000	157,008	-	(33,240)	200	(33,040)
Assets released from restrictions	<u>1,221,145</u>	<u>(1,221,145)</u>	<u>-</u>	<u>-</u>	<u>878,167</u>	<u>(878,167)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>5,360,748</u>	<u>(467,364)</u>	<u>15,000</u>	<u>4,908,384</u>	<u>4,624,547</u>	<u>69,853</u>	<u>200</u>	<u>4,694,600</u>
<b>EXPENSES</b>								
Community services	3,348,944	-	-	3,348,944	3,073,840	-	-	3,073,840
Professional education and training	740,426	-	-	740,426	723,176	-	-	723,176
Management and general	491,348	-	-	491,348	448,304	-	-	448,304
Fund raising	<u>506,151</u>	<u>-</u>	<u>-</u>	<u>506,151</u>	<u>482,257</u>	<u>-</u>	<u>-</u>	<u>482,257</u>
Total expenses	<u>5,086,869</u>	<u>-</u>	<u>-</u>	<u>5,086,869</u>	<u>4,727,577</u>	<u>-</u>	<u>-</u>	<u>4,727,577</u>
CHANGE IN NET ASSETS	273,879	(467,364)	15,000	(178,485)	(103,030)	69,853	200	(32,977)
NET ASSETS, Beginning of year	<u>1,448,003</u>	<u>4,597,696</u>	<u>4,204,546</u>	<u>10,250,245</u>	<u>1,551,033</u>	<u>4,527,843</u>	<u>4,204,346</u>	<u>10,283,222</u>
NET ASSETS, End of year	<u>\$ 1,721,882</u>	<u>\$ 4,130,332</u>	<u>\$ 4,219,546</u>	<u>\$ 10,071,760</u>	<u>\$ 1,448,003</u>	<u>\$ 4,597,696</u>	<u>\$ 4,204,546</u>	<u>\$ 10,250,245</u>

See accompanying notes.

**CHILD ADVOCATES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Community Services	Professional Education and Training	Management and General	Fund Raising	Total
Salaries	\$ 1,904,954	\$ 365,762	\$ 218,637	\$ 295,739	\$ 2,785,092
Employee Benefits	295,882	56,811	33,959	45,935	432,587
Payroll Taxes	142,288	27,320	16,331	22,090	208,029
Retirement	<u>56,684</u>	<u>10,855</u>	<u>6,535</u>	<u>8,800</u>	<u>82,874</u>
Total Salaries and Related Benefits	2,399,808	460,748	275,462	372,564	3,508,582
Accounting and Auditing	-	-	67,299	-	67,299
Awards and Gifts	3,654	-	-	-	3,654
Bad Debt Expense	-	-	9,099	-	9,099
Board Expenses	-	-	14,359	-	14,359
Community Awareness	-	125,469	-	22,142	147,611
Community Awareness In-Kind Gift	-	19,320	-	-	19,320
Contract Services	4,140	-	4,230	-	8,370
Delivery Service	256	49	29	40	374
Depreciation	88,620	17,086	10,215	13,816	129,737
Development	-	-	-	18,131	18,131
Direct Mail	-	-	-	18,425	18,425
Dues and Subscriptions	5,833	1,120	670	905	8,528
General Operations	-	-	22,356	-	22,356
Human Resources	15,258	2,929	1,751	2,369	22,307
In-Kind Christmas Gifts	152,625	-	-	-	152,625
Insurance	22,651	4,350	2,600	3,516	33,117
Local Travel	101,676	450	9,698	1,285	113,109
Maintenance and Repair	29,839	5,730	3,425	4,632	43,626
Miscellaneous	1,092	210	125	170	1,597
Newsletter	-	18,767	3,753	2,502	25,022
Occupancy	229,910	66,245	58,452	35,070	389,677
Office Supplies	24,440	4,692	2,805	3,794	35,731
Postage	10,216	1,961	1,173	1,586	14,936
Program Events	175,152	-	-	-	175,152
Special Needs	50,254	-	-	-	50,254
Staff Training	4,497	863	516	698	6,574
Telephone	29,023	5,572	3,331	4,506	42,432
Young Professionals	<u>-</u>	<u>4,865</u>	<u>-</u>	<u>-</u>	<u>4,865</u>
Total Expenses	<u>\$ 3,348,944</u>	<u>\$ 740,426</u>	<u>\$ 491,348</u>	<u>\$ 506,151</u>	<u>\$ 5,086,869</u>

See accompanying notes.

**CHILD ADVOCATES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Community Services	Professional Education and Training	Management and General	Fund Raising	Total
Salaries	\$ 1,834,772	\$ 368,374	\$ 230,859	\$ 266,754	\$ 2,700,759
Employee Benefits	278,919	55,999	35,095	40,551	410,564
Payroll Taxes	139,943	28,097	17,608	20,346	205,994
Retirement	<u>54,898</u>	<u>11,043</u>	<u>7,080</u>	<u>8,002</u>	<u>81,023</u>
Total Salaries and Related Benefits	2,308,532	463,513	290,642	335,653	3,398,340
Accounting and Auditing	-	-	76,422	-	76,422
Awards and Gifts	755	-	-	-	755
Bad Debt Expense	-	-	2,412	-	2,412
Board Expenses	-	-	14,765	-	14,765
Community Awareness	-	95,292	-	16,816	112,108
Community Awareness In-Kind Gift	-	50,000	-	-	50,000
Contract Services	12,795	-	1,367	6,037	20,199
Delivery Service	362	72	46	53	533
Depreciation	19,307	3,876	2,431	2,807	28,421
Development	-	-	-	44,494	44,494
Direct Mail	-	-	-	38,223	38,223
Dues and Subscriptions	4,010	805	505	583	5,903
General Operations	-	-	4,823	-	4,823
Human Resources	1,981	398	249	288	2,916
In-Kind Christmas Gifts	159,375	-	-	-	159,375
Insurance	18,497	3,714	2,329	2,689	27,229
Local Travel	102,107	781	10,730	1,486	115,104
Maintenance and Repair	37,995	7,629	4,783	5,524	55,931
Miscellaneous	2,953	592	372	429	4,346
Newsletter	-	12,333	2,467	1,644	16,444
Occupancy	134,417	62,408	26,403	16,803	240,031
Office Supplies	8,882	1,784	1,118	1,292	13,076
Postage	9,968	2,001	1,255	1,449	14,673
Program Events	172,554	-	-	-	172,554
Special Needs	38,171	-	-	-	38,171
Staff Training	12,801	2,571	1,612	1,861	18,845
Telephone	28,378	5,698	3,573	4,126	41,775
Young Professionals	<u>-</u>	<u>9,709</u>	<u>-</u>	<u>-</u>	<u>9,709</u>
Total Expenses	<u>\$ 3,073,840</u>	<u>\$ 723,176</u>	<u>\$ 448,304</u>	<u>\$ 482,257</u>	<u>\$ 4,727,577</u>

See accompanying notes.



**CHILD ADVOCATES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (178,485)	\$ (32,977)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	129,737	28,421
Contributions restricted for Capacity Building Campaign	(215,220)	(624,600)
Change in beneficial interest in Child Advocates Endowment, Inc.	(157,008)	33,040
Contribution from Child Advocates Endowment, Inc.	316,680	315,840
Contribution of property and equipment	(222,904)	(37,438)
Change in operating assets and liabilities:		
Pledges and other receivables	535,920	512,630
Prepaid expenses	3,019	(9,289)
Accounts payable and accrued liabilities	<u>(25,712)</u>	<u>(55,518)</u>
 Total adjustments	 <u>364,512</u>	 <u>163,086</u>
 Net cash provided by operating activities	 <u>186,027</u>	 <u>130,109</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	<u>(461,711)</u>	<u>(311,191)</u>
 Net cash used by investing activities	 <u>(461,711)</u>	 <u>(311,191)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contributions restricted for Capacity Building Campaign	<u>494,845</u>	<u>183,100</u>
 Net cash provided by financing activities	 <u>494,845</u>	 <u>183,100</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 219,161	 2,018
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>431,702</u>	 <u>429,684</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 650,863</u>	 <u>\$ 431,702</u>

See accompanying notes.

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 (See Note B). 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.

Two donors accounted for 50% and 41% of pledge receivables at December 31, 2016 and 2015, respectively. 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, 2016, an allowance for doubtful accounts amounting to \$2,500 was established.

Investment Risk - Investments held by the Endowment for the benefit of the Organization are subject to various levels of risk associated with economic, operating, and political events beyond management's control. Due to the level of risk associated with investments and the level of uncertainty related to changes in the value of investments, it is possible that changes in risks in the near term could materially impact the value of the beneficial interest in the Endowment.

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 ten 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, 2016 or 2015.

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.

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

Donors provided Christmas gifts to the Organization to distribute to children, with estimated values of \$152,625 and \$159,375 in 2016 and 2015, 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 2016 and 2015 would have increased as disclosed in the following table, resulting in program expenses approximating 84% and 85% of total expenses in 2016 and 2015, respectively.

	2016	2015
Volunteer Hours (unaudited)	55,028	53,475
Value of Volunteer Hours (unaudited)	\$ 1,296,460	\$ 1,233,668

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 is expensed as incurred. Advertising expense for 2016 and 2015 totaled \$165,284 and \$147,337, respectively of which \$19,320 and \$50,000 were received as an in-kind gift in 2016 and 2015, respectively. During 2016 and 2015, advertising expenses incurred by the Organization were primarily related to volunteer recruitment and community awareness.

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.

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 2016 and 2015, there was no unrelated business income.

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, 2016, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year 2013 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.

**CHILD ADVOCATES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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 \$316,680 and \$315,840 to the Organization during 2016 and 2015, respectively. At December 31, 2016 and 2015, 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:

	2016	2015
Beginning balance	\$ 3,713,300	\$ 4,062,380
Investment return	222,613	47,972
Contribution to Child Advocates, Inc.	(316,680)	(315,840)
Management and general expenses	(80,605)	(81,212)
Ending balance	\$ 3,538,628	\$ 3,713,300

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:

	2016	2015
Beginning balance	\$ 4,204,546	\$ 4,204,346
Contributions	15,000	200
Ending balance	\$ 4,219,546	\$ 4,204,546

**CHILD ADVOCATES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

NOTE C PLEDGES AND OTHER RECEIVABLES

Pledges and other receivables consist of the following:

	2016	2015
Pledges receivable in less than 1 year	\$ 315,294	\$ 545,829
Pledges receivable in one to five years	24,250	181,500
Receivable from Child Advocates Endowment, Inc.	386,700	798,020
Government grants receivable	172,702	186,642
Less allowance for doubtful accounts	(2,500)	-
	\$ 896,446	\$ 1,711,991

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

NOTE D CAPACITY BUILDING CAMPAIGN

The Organization began its Capacity Building Campaign in 2015 to fund the relocation of its office, acquisition of leasehold improvements, furniture and equipment, increased occupancy costs, and increased capacity. The campaign cumulatively has raised \$839,820 as of December 31, 2016 of which \$186,875 is included in pledges receivables.

NOTE E TEMPORARILY RESTRICTED NET ASSETS

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

	2016	2015
Future periods	\$ 151,918	\$ 287,579
Capacity Building Campaign	425,886	578,417
Special events to be held in the future	13,900	18,400
	\$ 591,704	\$ 884,396

NOTE F 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 \$82,874 and \$81,023 during 2016 and 2015, respectively.

**CHILD ADVOCATES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

NOTE G OPERATING LEASE

The Organization leases office space under an operating lease. In 2016, operations were relocated to a new office space with the same lessor. The Organization reached an agreement with the lessor to pay the previous lease rate while operating at the new location until the commencement date of the new lease in May 2016. The new lease term runs through April 2026. Total rent expense amounted to \$370,085 and \$222,489 for 2016 and 2015, respectively. Future annual payments are as follows:

2017	\$	412,655
2018		420,799
2019		428,944
2020		437,088
2021		445,227
Thereafter		<u>2,022,548</u>
	\$	<u>4,167,261</u>

NOTE H 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.

NOTE I SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING AND INVESTING ACTIVITIES

	2016	2015
Cost of fully depreciated property and equipment retired	\$ 123,216	\$ 21,247

NOTE J SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 25, 2017, the date the financial statements were available to be issued.

During April 2017, the Organization entered into a line of credit agreement with a financial institution to borrow up to a maximum amount of \$200,000 with interest due monthly at 1% above the greater of the bank's prime rate or the adjusted one month LIBOR rate. The line of credit is due on September 30, 2017 and is secured by essentially all assets of the Organization.

No other subsequent events occurred, which require adjustment or disclosure to the financial statements at December 31, 2016.

**CHILD ADVOCATES, INC.**  
**SUPPLEMENTARY SCHEDULE OF TEXAS CASA, INC. GRANT AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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Grantor/Program Title	Grant Number	Program or Award Amount	Receipts	Disbursements	Accrued or (Deferred) Revenue
Texas CASA, Inc./CVC/OAG 15-16	CVC-16-35	\$ 669,154	\$ 447,888	\$ 447,888	\$ -
Texas CASA, Inc./CVC/OAG 16-17	CVC-17-35	592,095	98,681	197,361	98,680
Texas CASA, Inc./VOCA 15-16	13576-16	413,630	284,819	284,819	-
Texas CASA, Inc./VOCA 16-17	13576-17	<u>397,523</u>	<u>33,127</u>	<u>99,698</u>	<u>66,571</u>
		<u>\$ 2,072,402</u>	<u>\$ 864,515</u>	<u>\$ 1,029,766</u>	<u>\$ 165,251</u>