

ESCAPE Family Resource Center

Financial Statements
and Independent Auditors' Report
for the years ended August 31, 2015 and 2014

ESCAPE Family Resource Center

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Independent Auditors' Report

To the Board of Trustees of
ESCAPE Family Resource Center:

We have audited the accompanying financial statements of ESCAPE Family Resource Center, which comprise the statements of financial position as of August 31, 2015 and 2014 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.

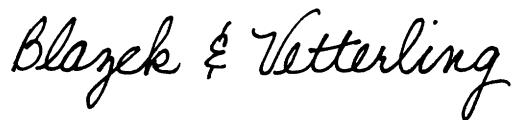
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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 ESCAPE Family Resource Center as of August 31, 2015 and 2014 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.



March 24, 2016

ESCAPE Family Resource Center

Statements of Financial Position as of August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 685,249	\$ 557,741
Program service fees receivable	48,623	25,105
Property closing receivable		28,415
Cash restricted for capital improvements	364,986	
Pledges receivable, net (<i>Note 2</i>)	644,876	827,840
Property and equipment, net (<i>Note 3</i>)	<u>3,338,995</u>	<u>3,039,844</u>
TOTAL ASSETS	<u>\$ 5,082,729</u>	<u>\$ 4,478,945</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 104,968	\$ 50,860
Deferred revenue	21,325	
Property taxes payable		37,880
Note payable (<i>Note 4</i>)	<u>2,466,313</u>	<u>2,400,000</u>
Total liabilities	<u>2,592,606</u>	<u>2,488,740</u>
Net assets:		
Unrestricted	498,267	709,670
Temporarily restricted (<i>Note 5</i>)	<u>1,991,856</u>	<u>1,280,535</u>
Total net assets	<u>2,490,123</u>	<u>1,990,205</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,082,729</u>	<u>\$ 4,478,945</u>

See accompanying notes to financial statements.

ESCAPE Family Resource Center

Statement of Activities for the year ended August 31, 2015

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 243,001	\$ 872,812	\$ 1,115,813
Special events revenue	531,576		531,576
Direct donor benefit costs of special events	(93,090)		(93,090)
Program service fees	155,069		155,069
Other income	<u>377</u>		<u>377</u>
Total revenue	836,933	872,812	1,709,745
Net assets released from restrictions:			
Program service expenditures	<u>161,491</u>	<u>(161,491)</u>	
Total	<u>998,424</u>	<u>711,321</u>	<u>1,709,745</u>
EXPENSES:			
Program services	795,826		795,826
Management and general	226,044		226,044
Fundraising	<u>187,957</u>		<u>187,957</u>
Total expenses	<u>1,209,827</u>		<u>1,209,827</u>
CHANGES IN NET ASSETS			
Net assets, beginning of year	<u>709,670</u>	<u>1,280,535</u>	<u>1,990,205</u>
Net assets, end of year	<u>\$ 498,267</u>	<u>\$ 1,991,856</u>	<u>\$ 2,490,123</u>

See accompanying notes to financial statements.

ESCAPE Family Resource Center

Statement of Activities for the year ended August 31, 2014

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 308,983	\$ 1,318,091	\$ 1,627,074
Special events revenue	735,164		735,164
Direct donor benefit costs of special events	(100,134)		(100,134)
Program service fees	212,083		212,083
Other income	<u>3,200</u>	<u></u>	<u>3,200</u>
Total revenue	1,159,296	1,318,091	2,477,387
Net assets released from restrictions:			
Program service expenditures	<u>112,446</u>	<u>(112,446)</u>	<u></u>
Total	<u>1,271,742</u>	<u>1,205,645</u>	<u>2,477,387</u>
EXPENSES:			
Program services	915,857		915,857
Management and general	226,564		226,564
Fundraising	<u>209,915</u>	<u></u>	<u>209,915</u>
Total expenses	<u>1,352,336</u>	<u></u>	<u>1,352,336</u>
CHANGES IN NET ASSETS	(80,594)	1,205,645	1,125,051
Net assets, beginning of year	<u>790,264</u>	<u>74,890</u>	<u>865,154</u>
Net assets, end of year	<u>\$ 709,670</u>	<u>\$ 1,280,535</u>	<u>\$ 1,990,205</u>

See accompanying notes to financial statements.

ESCAPE Family Resource Center

Statements of Functional Expenses for the years ended August 31, 2015 and 2014

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2015 TOTAL
Salaries and related expenses	\$ 610,639	\$ 155,069	\$ 88,604	\$ 854,312
Professional fees	30,782	44,887	63,535	139,204
Occupancy	45,637	5,319	5,261	56,217
Curriculum and learning materials	41,063			41,063
Insurance	23,619	8,660	7,086	39,365
Supplies	3,616	1,408	20,152	25,176
Travel	21,054	1,214	525	22,793
Marketing and advertising	3,439		204	3,643
Scholarships	2,305			2,305
Other	<u>13,672</u>	<u>9,487</u>	<u>2,590</u>	<u>25,749</u>
Total expenses	<u>\$ 795,826</u>	<u>\$ 226,044</u>	<u>\$ 187,957</u>	1,209,827
Direct donor benefit costs of special events				<u>93,090</u>
Total				<u>\$ 1,302,917</u>

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2014 TOTAL
Salaries and related expenses	\$ 745,494	\$ 148,364	\$ 44,032	\$ 937,890
Professional fees	22,188	51,765	122,925	196,878
Occupancy	31,091	5,354	3,229	39,674
Curriculum and learning materials	50,132			50,132
Insurance	14,952	3,057	561	18,570
Supplies	3,568	776	37,816	42,160
Travel	25,454	829	70	26,353
Marketing and advertising	2,029	220	280	2,529
Scholarships	4,840			4,840
Other	<u>16,109</u>	<u>16,199</u>	<u>1,002</u>	<u>33,310</u>
Total expenses	<u>\$ 915,857</u>	<u>\$ 226,564</u>	<u>\$ 209,915</u>	1,352,336
Direct donor benefit costs of special events				<u>100,134</u>
Total				<u>\$ 1,452,470</u>

See accompanying notes to financial statements.

ESCAPE Family Resource Center

Statements of Cash Flows for the years ended August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 499,918	\$ 1,125,051
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Contributions for capital expansion	(742,312)	(1,131,650)
Depreciation	1,152	1,855
Provision for uncollectible accounts	30,000	
Changes in operating assets and liabilities:		
Program service fees and property closing receivables	4,897	(11,891)
Pledges receivable (operating only)	14,650	(40,417)
Accounts payable and accrued expenses	54,108	3,787
Deferred revenue	21,325	
Property taxes payable	<u>(37,880)</u>	<u>37,880</u>
Net cash used by operating activities	<u>(154,142)</u>	<u>(15,385)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Funding for escrow in property purchase		(28,415)
Net increase in cash held for capital improvements	(364,986)	
Purchases of property and equipment	<u>(300,303)</u>	<u>(3,037,033)</u>
Net cash used by investing activities	<u>(665,289)</u>	<u>(3,065,448)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	66,313	2,400,000
Proceeds from contributions for capital expansion	<u>880,626</u>	<u>384,710</u>
Net cash provided by financing activities	<u>946,939</u>	<u>2,784,710</u>
NET CHANGE IN CASH	127,508	(296,123)
Cash, beginning of year	<u>557,741</u>	<u>853,864</u>
Cash, end of year	<u>\$ 685,249</u>	<u>\$ 557,741</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$92,673	

See accompanying notes to financial statements.

ESCAPE Family Resource Center

Notes to Financial Statements for the years ended August 31, 2015 and 2014

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – ESCAPE Family Resource Center (ESCAPE) is a Texas nonprofit corporation located in Houston, Texas. ESCAPE educates families in crisis in the greater Houston area for the purpose of preventing child abuse. The agency provides child abuse prevention programs and parenting classes in Harris, Fort Bend, Liberty, and Chambers counties.

Federal income tax status – ESCAPE is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §170(b)(1)(A)(vi). ESCAPE files annual federal information returns that are subject to routine examination; however, there are no examinations for any tax periods currently in progress. ESCAPE believes it is no longer subject to examinations of returns for tax years ended before August 31, 2012.

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

Property and equipment is reported at cost, if purchased, or at fair value at the date of gift, if donated. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

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.

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 support. Conditional contributions are recognized in the same manner when the conditions are substantially met. ESCAPE recognizes 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 classified as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, ESCAPE reports expirations of donor restrictions when the assets are placed in service.

Program service fees are recognized as revenue when the related services are provided. All program service fees receivable are current and collection is expected within 60 days.

Non-cash contributions – Donated materials 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. For the year ended August 31, 2014, ESCAPE capitalized \$18,300 in legal services and \$10,000 for furnishings related to the capital expansion.

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 – PLEDGES RECEIVABLE

Pledges receivable are as follows:

	<u>2015</u>	<u>2014</u>
Pledges receivable for Hamilton Street property	\$ 608,626	\$ 746,940
Pledges receivable for programs operations	66,250	80,900
Less: Allowance for uncollectible accounts	<u>(30,000)</u>	<u> </u>
Pledges receivable, net	<u>\$ 644,876</u>	<u>\$ 827,840</u>

Pledges receivable at August 31, 2015 are expected to be collected as follows:

2016	\$ 353,503
2017-2020	<u>321,373</u>
Total pledges receivable	<u>\$ 674,876</u>

Concentrations – At August 31, 2015 and 2014, 67% of pledges receivable were from seven donors and 59% of pledges receivable were from five donors, respectively. Contributions from three donors during the year ended August 31, 2015 comprised 30% of total revenue. Contributions from six donors comprised 28% of total revenue for the year ended August 31, 2014.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2015</u>	<u>2014</u>
Land and land improvements	\$ 1,396,000	\$ 1,396,000
Building	1,661,076	1,661,076
Furniture and office equipment	100,663	100,663
Construction in progress	<u>300,303</u>	<u> </u>
Total property and equipment, at cost	3,458,042	3,157,739
Accumulated depreciation	<u>(119,047)</u>	<u>(117,895)</u>
Property and equipment, net	<u>\$ 3,338,995</u>	<u>\$ 3,039,844</u>

The building was purchased in 2014 undergoing a renovation and was not in service during 2015 and 2014 and therefore, no depreciation has been recognized.

NOTE 4 – NOTE PAYABLE

ESCAPE entered into a loan agreement with a bank in the amount of \$3,200,000 for the purchase and renovation of property. Advances received during the years ended August 31, 2015 and 2014 totaled \$66,313 and \$2,400,000, respectively. Interest at a rate of prime plus 0.5% was due monthly through August 2015. At August 31, 2015, the interest rate was 3.75%. Interest incurred during the year ended August 31, 2015 of \$92,673 has been capitalized. The loan is collateralized by property.

Maturities of the note payable are as follows:

2016	\$ 128,000
2017	128,000
2018	128,000
2019	128,000
2020	128,000
2021	<u>1,826,313</u>
Total	<u>\$ 2,466,313</u>

Subsequent to year end, the terms of the loan were modified to limit the total dollars available for borrowing to \$3,140,796 and extending the advance period to December 31, 2016.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Capital improvements – Hamilton Street property	\$ 1,843,912	\$ 1,131,650
Educational programming	94,194	148,885
Use in future periods	<u>53,750</u>	<u> </u>
Total temporarily restricted net assets	<u>\$ 1,991,856</u>	<u>\$ 1,280,535</u>

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 24, 2016, which is the date that the financial statements were available for issuance. Subsequent to year end, ESCAPE entered into a construction agreement totaling approximately \$980,000 and took advances on the note payable of \$505,000 related to the renovation of facilities. No other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.