

HOUSTON'S CHARITY FOR CHILDREN, INC.

AKA HOUSTON CHILDREN'S CHARITY

FINANCIAL STATEMENTS

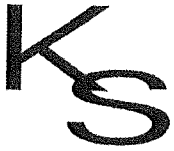
For the Years Ended September 30, 2016 and 2015

Ken Skrabanek, CPA
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HOUSTON CHILDREN'S CHARITY
FINANCIAL STATEMENTS
For the Years Ended September 30, 2016 and 2015

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Independent Auditor's Report

To the Board of Directors
Houston Children's Charity
Houston, Texas

Report on the Financial Statements

I have audited the accompanying statements of Houston Children's Charity (a nonprofit organization), which comprise the statements of financial position of September 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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



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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, I express no such opinion. An audit 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Houston Children's Charity as of September 30, 2016 and 2015, and its changes in net assets, functional expenses, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Ken Skrabanek, CPA
Crosby, Texas
January 6, 2017

HOUSTON CHILDREN'S CHARITY
STATEMENTS OF FINANCIAL POSITION
September 30, 2016 and 2015

	2016	2015
ASSETS		
Current Assets		
Cash and cash investments	\$ 728,069	\$ 761,457
Accounts receivable	248,240	326,100
TOTAL CURRENT ASSETS	976,309	1,087,557
Fixed Assets, at cost		
Property and equipment	33,387	33,387
Less-accumulated depreciation	33,387	33,887
NET FIXED ASSETS	-	-
TOTAL ASSETS	\$ 976,309	\$ 1,087,557
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 21,008	\$ 9,031
Payroll taxes payable	5,713	109
TOTAL CURRENT LIABILITIES	26,721	9,140
Net Assets		
Unrestricted	949,588	1,078,417
TOTAL NET ASSETS	949,588	1,078,417
TOTAL LIABILITIES AND NET ASSETS	\$ 976,309	\$ 1,087,557

The accompanying notes are an integral part of the financial statements.

HOUSTON CHILDREN'S CHARITY
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 For the Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUES		
Event revenues	\$ 1,341,187	\$ 1,502,437
Other cash and in-kind support	<u>2,067,246</u>	<u>2,070,782</u>
TOTAL UNRESTRICTED REVENUES	<u>3,408,433</u>	<u>3,573,219</u>
EXPENSES		
Program services	2,578,428	2,578,972
Management and general	262,050	252,496
Fund raising	<u>696,784</u>	<u>770,667</u>
TOTAL EXPENSES	<u>3,537,262</u>	<u>3,602,135</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>(128,829)</u>	<u>(28,916)</u>
CHANGE IN NET ASSETS	(128,829)	(28,916)
NET ASSETS AT BEGINNING OF YEAR	<u>1,078,417</u>	<u>1,107,333</u>
NET ASSETS AT END OF YEAR	\$ <u><u>949,588</u></u>	\$ <u><u>1,078,417</u></u>

The accompanying notes are an integral part of the financial statements.

HOUSTON CHILDREN'S CHARITY
 STATEMENTS OF FUNCTIONAL EXPENSES
 For the Years Ended September 30, 2016 and 2015

Year Ended September 30, 2016-

	<u>Program Services</u>	<u>Management & Administration</u>	<u>Fund Raising</u>
Salaries and benefits	\$ 156,362	\$ 156,409	\$ 156,362
Event expenses	-	-	516,903
Direct benefits to children	2,406,515	-	-
Officing	12,773	39,995	19,756
Marketing and promotion	986	17,697	1,972
Insurance and other	<u>1,792</u>	<u>47,949</u>	<u>1,791</u>
 Total	 \$ <u>2,578,428</u>	 \$ <u>262,050</u>	 \$ <u>696,784</u>

Year Ended September 30, 2015-

Salaries and benefits	\$ 149,452	\$ 149,497	\$ 149,452
Event expenses	-	-	587,255
Direct benefits to children	2,398,916	-	-
Officing	24,567	38,656	26,161
Marketing and promotion	1,762	15,332	3,524
Insurance and other	<u>4,275</u>	<u>49,011</u>	<u>4,275</u>
 Total	 \$ <u>2,578,972</u>	 \$ <u>252,496</u>	 \$ <u>770,667</u>

The accompanying notes are an integral
 part of the financial statements.

HOUSTON CHILDREN'S CHARITY
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (128,829)	\$ (28,916)
Adjustments to derive net cash provided by operating activities:		
(Increase) decrease in assets:		
Accounts receivable	77,860	(181,050)
Prepaid expenses	-	5,291
Increase (decrease) in liabilities:		
Accounts payable	11,977	(4,638)
Payroll taxes payable	<u>5,604</u>	<u>109</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>(33,388)</u>	<u>(209,204)</u>
NET INCREASE (DECREASE) IN CASH	(33,388)	(209,204)
CASH AND CASH INVESTMENTS, BEGINNING OF YEAR	<u>761,457</u>	<u>970,661</u>
CASH AND CASH INVESTMENTS, END OF YEAR	\$ <u><u>728,069</u></u>	\$ <u><u>761,457</u></u>

The accompanying notes are an integral part of the financial statements.

HOUSTON CHILDREN'S CHARITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

Note 1 - Nature of Activities

Houston Children's Charity (the "Charity") is a non-profit corporation that supports causes related to children. The Charity generally supports its activities through contributions from the public, either directly or through benefits and events sponsored by the Charity. Activities of the Charity are subject to oversight by a Board of Directors. Effective January 1, 2010 the Charity changed its fiscal year end to September 30.

Note 2 - Summary of Significant Accounting Policies

This summary of significant accounting policies of the Charity is presented to assist in understanding the Charity's financial statements. The financial statements and notes are the representation of the Charity's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The Charity prepares its financial statements in accordance with FASB ASC Topic 958 (formerly SFAS. No. 117). Generally, this requires that organizations such as the Charity report contributions received and net assets of the Charity according to their intended use, including unrestricted use, temporarily restricted use, or permanent restrictions.

Consistent with the provisions of Topic 958, the Charity reports gifts and pledges of cash and other assets as restricted support if they are received with donor restrictions that limit the use of those assets. When the applicable restriction expires (the time restriction ends or the purpose restriction is fulfilled), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the financial statements as net assets released from restrictions. At September 30, 2016 and 2015, all net assets of the Charity were considered unrestricted.

HOUSTON CHILDREN'S CHARITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

Income Taxes

The Charity is a not-for profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. At September 30, 2016, federal income tax returns of the Charity for fiscal years ending September 30, 2015, 2014, and 2013 remained subject to examination by the Internal Revenue Service.

Property and Equipment

Property and equipment consists of furniture, fixtures, and equipment. All assets are stated at cost. Depreciation is computed over lives of three to seven years. At September 30, 2016, all property and equipment of the Charity were fully depreciated.

Maintenance and repairs are charged to expense as incurred. Expenditures for major renewals and betterments are capitalized and depreciated. When property and equipment is retired, the asset cost and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations.

Cash Flow Disclosures

For purposes of the statement of cash flows, the Charity considers investments with an original maturity of three months or less to be cash equivalents. For the years ended September 30, 2016 and 2015 the Charity did not incur any interest or income taxes.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - In-Kind Contributions

The Charity receives two major types of in-kind contributions: (1) goods for use by program beneficiaries or by the Charity itself (collectively \$1,672,118 and \$1,896,707 for the years ended September 30, 2016 and 2015); and (2) assets to be auctioned by the Charity at its fund raising events. Items resold at auction at the Charity's events are reflected in the financial statements at the amount realized from sale at the auctions. The annual gala is held in either November or October of each year. Contributions reflected in item (1) are valued at estimated fair market values, which were determined by the donors or by estimates by the staff of the Charity.

HOUSTON CHILDREN'S CHARITY
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016 AND 2015

Note 4 - Fair Value of Financial Instruments

The Charity's financial instruments consist of cash and cash equivalents, accounts and pledges receivable, and accounts payable and accrued expenses. The recorded values of these financial instruments approximate their fair values based on their short-term nature.

Note 5 - Concentration of Credit Risk

The Charity maintains cash accounts, which, at times may exceed federally insured limits. The Charity has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management of the Charity believes that it is not exposed to any significant credit risk on its cash accounts.

Note 6 - Commitments and Contingencies

The Charity leases its corporate office space, and also leases warehouse space in which donated items are held pending distribution to its clients. For accounting purposes, these leases are considered to be operating leases. Total expenditures for rent for corporate and warehouse space amounted to \$67,065 and \$73,524 for the years ended September 30, 2016 and 2015. Minimum rentals under these lease agreements are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2017	\$ 65,332
2018	44,736
2019	44,736
2020	3,728

Note 7 - Date of Management's Review

Subsequent events were evaluated through January 6, 2017, which is the date the financial statements were available to be issued.