

**HOUSTON'S CHARITY FOR CHILDREN, INC.**

**AKA HOUSTON CHILDREN'S CHARITY**

**FINANCIAL STATEMENTS**

**For the Years Ended September 30, 2019 and 2018**

**Ken Skrabanek, CPA  
P.O. Box 1246  
Crosby, Texas 77532**

**HOUSTON CHILDREN'S CHARITY  
FINANCIAL STATEMENTS  
For the Years Ended September 30, 2019 and 2018**

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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 as of September 30, 2019 and 2018, 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, 2019 and 2018, 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  
December 5, 2019

**HOUSTON CHILDREN'S CHARITY  
STATEMENTS OF FINANCIAL POSITION  
September 30, 2019 and 2018**

	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash investments	\$ 387,904	\$ 597,249
Certificates of deposit	1,014,490	-
Accounts receivable, net of allowance for doubtful accounts of \$20,837 in 2019	22,856	144,925
Prepaid expenses	6,396	-
<b>TOTAL CURRENT ASSETS</b>	<u>1,431,646</u>	<u>1,742,174</u>
<b>Fixed Assets, at cost</b>		
Property and equipment	34,892	33,387
Less-accumulated depreciation	33,387	33,887
<b>NET FIXED ASSETS</b>	<u>1,505</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,431,151</u>	<u>\$ 1,742,174</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable/accrued expenses	\$ 14,088	\$ 44,663
Payroll taxes payable	-	11,685
<b>TOTAL CURRENT LIABILITIES</b>	<u>14,088</u>	<u>56,348</u>
<b>Net Assets</b>		
Without donor restrictions	<u>1,419,063</u>	<u>1,685,826</u>
<b>TOTAL NET ASSETS</b>	<u>1,419,063</u>	<u>1,685,826</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,433,151</u>	<u>\$ 1,742,174</u>

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, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>REVENUES</b>		
Event revenues	\$ 1,883,478	\$ 1,894,114
Other cash and in-kind support	<u>2,981,644</u>	<u>3,317,615</u>
<b>TOTAL UNRESTRICTED REVENUES</b>	<u>4,865,122</u>	<u>5,211,729</u>
<b>EXPENSES</b>		
Program services	3,959,267	3,605,159
Management and general	375,955	359,399
Fund raising	<u>796,663</u>	<u>958,443</u>
<b>TOTAL EXPENSES</b>	<u>5,131,885</u>	<u>4,929,001</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>(266,763)</u>	<u>288,728</u>
<b>CHANGE IN NET ASSETS</b>	(266,763)	288,728
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,685,826</u>	<u>1,397,098</u>
<b>NET ASSETS AT END OF YEAR</b>	\$ <u><u>1,419,063</u></u>	\$ <u><u>1,685,826</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, 2019 and 2018

Year Ended September 30, 2019-

	<u>Program Services</u>	<u>Management &amp; Administration</u>	<u>Fund Raising</u>
Salaries and benefits	\$ 204,902	\$ 204,963	\$ 205,652
Event expenses	-	-	548,830
Direct benefits to children	3,722,329	-	-
Officing	21,215	55,468	28,063
Marketing and promotion	5,404	16,989	6,618
Insurance and other	<u>5,417</u>	<u>98,535</u>	<u>7,500</u>
 Total	 \$ <u>3,959,267</u>	 \$ <u>375,955</u>	 \$ <u>796,663</u>

Year Ended September 30, 2018-

	<u>Program Services</u>	<u>Management &amp; Administration</u>	<u>Fund Raising</u>
Salaries and benefits	\$ 210,196	\$ 210,259	\$ 212,696
Event expenses	-	-	676,493
Direct benefits to children	3,352,101	-	-
Officing	27,639	74,623	50,513
Marketing and promotion	10,661	22,879	12,006
Insurance and other	<u>4,562</u>	<u>51,638</u>	<u>6,735</u>
 Total	 \$ <u>3,605,159</u>	 \$ <u>359,399</u>	 \$ <u>958,443</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (266,763)	\$ 288,728
Adjustments to derive net cash provided by operating activities:		
Provision for doubtful accounts	20,837	-
(Increase) decrease in assets:		
Certificates of deposit	(14,490)	-
Accounts receivable	101,232	(45,776)
Prepaid expenses	(6,396)	-
Increase (decrease) in liabilities:		
Accounts payable/accrued expenses	(30,575)	31,713
Payroll taxes payable	(11,685)	7,694
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>(207,840)</u>	<u>282,359</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of certificates of deposit	(1,000,000)	-
Purchase of equipment	(1,505)	-
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<u>(1,001,505)</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(1,209,345)	282,359
<b>CASH AND CASH INVESTMENTS, BEGINNING OF YEAR</b>	<u>1,597,249</u>	<u>1,314,890</u>
<b>CASH AND CASH INVESTMENTS, END OF YEAR</b>	<u>\$ 387,904</u>	<u>\$ 1,597,249</u>

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



**HOUSTON CHILDREN'S CHARITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019 and 2018**

**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 with donor restrictions, or without donor 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), those net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the financial statements as net assets released from restrictions.

At September 30, 2019 and 2018, all net assets of the Charity were considered to be without donor restrictions.

**HOUSTON CHILDREN'S CHARITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019 and 2018**

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, 2019, federal income tax returns of the Charity for fiscal years ending September 30, 2019, 2018, and 2017, and 2016 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, 2019, substantially 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, 2019 and 2018 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 \$1,914,182 and \$2,060,101 for the years ended September 30, 2019 and 2018); 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 generally held in March 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, 2019 AND 2018**

**Note 4 - Fair Value of Financial Instruments**

The Charity's financial instruments consist of cash and cash equivalents, certificates of deposit, 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**

At September 30, 2019, the Charity maintained all of its cash accounts and certificates of deposit at one bank. The total of all cash accounts and certificates of deposit amounted to \$1,393,358. Such amount exceeded the FDIC insured limit of \$250,000.

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 \$85,000 and 81,636 for the years ended September 30, 2019 and 2018. Minimum rentals under these lease agreements are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2020	\$ 69,165
2021	71,489
2022	73,849
2023	53,139
2024	21,696
Thereafter	22,500

**Note 7 - Date of Management's Review**

Subsequent events were evaluated through December 5, 2019, which is the date the financial statements were available to be issued.