

ESCAPE Family Resource Center

Financial Statements
and Independent Auditors' Report
for the years ended August 31, 2014 and 2013

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, 2014 and 2013 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, 2014 and 2013 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.

Blazek & Vetterling

February 26, 2015

ESCAPE Family Resource Center

Statements of Financial Position as of August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 557,741	\$ 853,864
Program service fees receivable	25,105	13,214
Property closing receivable	28,415	
Pledges receivable (<i>Note 2</i>)	827,840	40,483
Property, net (<i>Note 3</i>)	<u>3,039,844</u>	<u>4,666</u>
TOTAL ASSETS	<u>\$ 4,478,945</u>	<u>\$ 912,227</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 50,860	\$ 47,073
Property taxes payable	37,880	
Note payable (<i>Note 4</i>)	<u>2,400,000</u>	<u> </u>
Total liabilities	<u>2,488,740</u>	<u>47,073</u>
Net assets:		
Unrestricted	709,670	790,264
Temporarily restricted (<i>Note 5</i>)	<u>1,280,535</u>	<u>74,890</u>
Total net assets	<u>1,990,205</u>	<u>865,154</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,478,945</u>	<u>\$ 912,227</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
Interest income	3,200		3,200
Total revenue	<u>1,159,296</u>	<u>1,318,091</u>	<u>2,477,387</u>
Net assets released from restrictions:			
Program service expenditures	<u>112,446</u>	<u>(112,446)</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>209,915</u>
Total expenses	<u>1,352,336</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

Statement of Activities for the year ended August 31, 2013

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 255,498	\$ 158,160	\$ 413,658
Special events revenue	696,279		696,279
Direct donor benefit costs of special events	(115,028)		(115,028)
Program service fees	257,432		257,432
Interest income	<u>2,734</u>		<u>2,734</u>
Total revenue	1,096,915	158,160	1,255,075
Net assets released from restrictions:			
Expiration of time restrictions	20,000	(20,000)	
Program service expenditures	<u>175,169</u>	<u>(175,169)</u>	
Total	<u>1,292,084</u>	<u>(37,009)</u>	<u>1,255,075</u>
EXPENSES:			
Program services	991,819		991,819
Management and general	214,043		214,043
Fundraising	<u>128,173</u>		<u>128,173</u>
Total expenses	<u>1,334,035</u>		<u>1,334,035</u>
CHANGES IN NET ASSETS	(41,951)	(37,009)	(78,960)
Net assets, beginning of year	<u>832,215</u>	<u>111,899</u>	<u>944,114</u>
Net assets, end of year	<u>\$ 790,264</u>	<u>\$ 74,890</u>	<u>\$ 865,154</u>

See accompanying notes to financial statements.

ESCAPE Family Resource Center

Statements of Functional Expenses for the years ended August 31, 2014 and 2013

	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
Curriculum and learning materials	50,132			50,132
Supplies	3,568	776	37,816	42,160
Occupancy	31,091	5,354	3,229	39,674
Travel	25,454	829	70	26,353
Insurance	14,952	3,057	561	18,570
Scholarships	4,840			4,840
Marketing and advertising	2,029	220	280	2,529
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>

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2013 TOTAL
Salaries and related expenses	\$ 816,860	\$ 149,417	\$ 43,378	\$ 1,009,655
Professional fees		39,652	68,025	107,677
Curriculum and learning materials	54,706			54,706
Supplies	4,663	661	11,267	16,591
Occupancy	40,406	6,273	3,689	50,368
Travel	32,184	1,010		33,194
Insurance	13,784	3,122	664	17,570
Scholarships	9,575			9,575
Marketing and advertising	4,726			4,726
Other	<u>14,915</u>	<u>13,908</u>	<u>1,150</u>	<u>29,973</u>
Total expenses	<u>\$ 991,819</u>	<u>\$ 214,043</u>	<u>\$ 128,173</u>	1,334,035
Direct donor benefit costs of special events				<u>115,028</u>
Total				<u>\$ 1,449,063</u>

See accompanying notes to financial statements.

ESCAPE Family Resource Center

Statements of Cash Flows for the years ended August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 1,125,051	\$ (78,960)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Contributions for capital expansion	(1,131,650)	
Depreciation expense	1,855	13,298
Changes in operating assets and liabilities:		
Program service fees	(11,891)	3,255
Pledges receivable (operating only)	(40,417)	11,567
Accounts payable and accrued expenses	3,787	1,522
Property taxes payable	<u>37,880</u>	<u> </u>
Net cash used by operating activities	<u>(15,385)</u>	<u>(49,318)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Funding for escrow in property purchase	(28,415)	
Purchases of property	<u>(3,037,033)</u>	
Net cash used by investing activities	<u>(3,065,448)</u>	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	2,400,000	
Proceeds from contributions for capital expansion	<u>384,710</u>	
Net cash provided by financing activities	<u>2,784,710</u>	
NET CHANGE IN CASH	(296,123)	(49,318)
Cash, beginning of year	<u>853,864</u>	<u>903,182</u>
Cash, end of year	<u>\$ 557,741</u>	<u>\$ 853,864</u>

See accompanying notes to financial statements.

ESCAPE Family Resource Center

Notes to Financial Statements for the years ended August 31, 2014 and 2013

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, 2011.

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 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, plant, 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, 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 recognized \$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>2014</u>	<u>2013</u>
Pledges receivable for Hamilton Street property	\$ 746,940	
Pledges receivable for programs operations	<u>80,900</u>	<u>\$ 40,483</u>
Pledges receivable, net	<u>\$ 827,840</u>	<u>\$ 40,483</u>

Pledges receivable at August 31, 2014 are expected to be collected as follows:

2015	\$ 396,783
2016-2020	<u>431,057</u>
Total pledges receivable	<u>\$ 827,840</u>

At August 31, 2014 and 2013, 59% of pledges receivable were from six donors and 47% of pledges receivable were from five donors, respectively.

NOTE 3 – PROPERTY

Property consists of the following:

	<u>2014</u>	<u>2013</u>
Land and land improvements	\$ 1,396,000	
Buildings	1,661,076	\$ 20,043
Furniture and office equipment	<u>100,663</u>	<u>100,663</u>
Total property, plant, and equipment, at cost	3,157,739	120,706
Accumulated depreciation	<u>(117,895)</u>	<u>(116,040)</u>
Property, plant, and equipment, net	<u>\$ 3,039,844</u>	<u>\$ 4,666</u>

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 year ended August 31, 2014 totaled \$2,400,000.

Interest, at a rate of prime plus 0.5%, is due monthly through August 2015. After that time, monthly principal payments of \$10,667 plus monthly interest (approximately \$128,000 per year) will be paid through August 2021, at which time the note will be due in full. At August 31, 2014, the interest rate was 3.75%. The loan is collateralized by property.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Hamilton Street property	\$ 1,131,650	
Educational programming	<u>148,885</u>	<u>\$ 74,890</u>
Total temporarily restricted net assets	<u>\$ 1,280,535</u>	<u>\$ 74,890</u>

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 26, 2015, which is the date that the financial statements were available for issuance. Subsequent to year end, ESCAPE entered into service agreements totaling \$138,000 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.
