

CLAYTON DABNEY FOR KIDS WITH CANCER

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

December 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Clayton Dabney for Kids with Cancer

We have audited the accompanying financial statements of Clayton Dabney for Kids with Cancer (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, 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 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

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 the 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 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 Clayton Dabney for Kids with Cancer as of December 31, 2019 and 2018, 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.

James, August & Huff, P.C.

Richardson, Texas

June 30, 2020

CLAYTON DABNEY FOR KIDS WITH CANCER
STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash	\$ 835,804	\$ 822,634
Certificates of deposit	223,480	218,631
Contributions receivable	36,455	47,746
Miscellaneous receivable	319	319
Prepaid expenses	<u>20,870</u>	<u>50,880</u>
Total current assets	1,116,928	1,140,210
PROPERTY AND EQUIPMENT – at cost, less accumulated depreciation of \$18,095 and \$14,723 respectively		
	6,360	7,569
OTHER ASSETS	<u>1,999</u>	<u>1,999</u>
TOTAL ASSETS	<u>\$ 1,125,287</u>	<u>\$ 1,149,778</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	86,521	60,640
Grant payable	13,586	22,500
Deferred revenue	<u>146,751</u>	<u>198,400</u>
Total current liabilities	246,858	281,540
GRANT PAYABLE, NON-CURRENT	<u>57,116</u>	<u>---</u>
TOTAL LIABILITIES	303,974	281,540
NET ASSETS		
Without donor restrictions	774,317	848,157
With donor restrictions	<u>46,996</u>	<u>20,081</u>
TOTAL NET ASSETS	<u>821,313</u>	<u>868,238</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,125,287</u>	<u>\$ 1,149,778</u>

The accompanying notes are an integral part of these statements.

CLAYTON DABNEY FOR KIDS WITH CANCER
STATEMENTS OF ACTIVITIES
Years Ended December 31,

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and Revenues		
Special events		
Golf tournament - adults	\$ 177,000	\$ 156,545
Golf tournament donated goods and services	10,309	6,800
Less: Golf tournament cost of direct benefit to donors	(60,943)	(61,447)
Golf tournament - kids	50,005	67,193
Golf tournament - kids - donated goods and services	2,000	2,300
Less: Golf tournament cost of direct benefit to donors	(20,206)	(22,296)
Fishing tournament	38,922	38,920
Fishing tournament – donated goods and services	8,374	2,925
Less: Fishing tournament cost of direct benefit to donors	(24,402)	(26,805)
Tennis tournament	63,800	86,891
Less: Tennis tournament cost of direct benefit to donors	(56,938)	(46,977)
Ladies events	330,807	304,103
Ladies events donated goods and services	13,001	15,987
Less: Ladies events cost of direct benefit to donors	(121,890)	(97,387)
Young adult events	---	8,420
Less: Young adult events cost of direct benefit to donors	---	(1,297)
Other	4,310	4,672
Less: Other events cost of direct benefit to donors	(1,695)	(571)
Net revenue from special events	412,454	437,976
Contributions	435,127	398,202
Grants	233,327	297,268
Other donated goods and services	22,000	22,000
Other income	12,183	29,750
Interest and dividends	6,352	880
	1,121,443	1,186,076
Total net assets released from restrictions	23,085	114,676
Total revenues and other support without donor restrictions	1,144,528	1,300,752

The accompanying notes are an integral part of these statements.

CLAYTON DABNEY FOR KIDS WITH CANCER
STATEMENTS OF ACTIVITIES (continued)
Years Ended December 31,

	<u>2019</u>	<u>2018</u>
Expenses		
Program services	957,695	856,257
Supporting services		
Fund-raising	165,056	166,606
General and administrative	<u>95,617</u>	<u>104,969</u>
	<u>1,218,368</u>	<u>1,127,832</u>
Increase in net assets without donor restrictions	(73,840)	172,920
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Grants	50,000	102,500
Net assets released from restrictions	<u>(23,085)</u>	<u>(114,676)</u>
Increase (decrease) in net assets with donor restrictions	<u>26,915</u>	<u>(12,176)</u>
INCREASE (DECREASE) IN NET ASSETS	(46,925)	160,744
Net assets, beginning of year	<u>868,238</u>	<u>707,494</u>
Net assets, end of year	<u>\$ 821,313</u>	<u>\$ 868,238</u>

The accompanying notes are an integral part of these statements.

CLAYTON DABNEY FOR KIDS WITH CANCER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	Program Services	Supporting Services		Total
		Fund-raising	General and Administrative	
<u>EXPENSES</u>				
Family assistance and other direct program service expenses	\$ 690,753	\$ ---	\$ ---	\$ 690,753
Salaries, payroll taxes and benefits	234,540	68,762	63,893	367,195
Professional services	1,365	42,662	12,555	56,582
Insurance	---	---	5,785	5,785
Rent and office related	10,068	2,629	2,629	15,326
Printing and graphic design	1,503	1,503	335	3,341
Newsletter, annual report and other fund-raising expense	---	371	---	371
Telephone	2,794	599	599	3,992
Merchant processing fees	---	9,050	1,006	10,056
Miscellaneous	---	---	239	239
Office and meeting	11,906	3,485	7,645	23,036
Depreciation	2,360	506	506	3,372
Postage	166	1,081	416	1,663
Travel and meals	40	2,376	9	2,425
Recognition	---	12,232	---	12,232
	955,495	145,256	95,617	1,196,368
<u>IN-KIND EXPENSES</u>				
Rent	2,200	19,800	---	22,000
	\$ 957,695	\$ 165,056	\$ 95,617	\$ 1,218,368

The accompanying notes are an integral part of these statements.

CLAYTON DABNEY FOR KIDS WITH CANCER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	Program Services	Supporting Services		Total
		Fund-raising	General and Administrative	
<u>EXPENSES</u>				
Family assistance and other direct program service expenses	\$ 562,809	\$ ---	\$ ---	\$ 562,809
Salaries, payroll taxes and benefits	256,507	70,674	66,435	393,616
Professional services	1,259	40,004	12,186	53,449
Insurance	---	---	6,412	6,412
Rent and office related	8,286	2,247	2,247	12,780
Printing and graphic design	1,780	1,780	395	3,955
Newsletter, annual report and other fund-raising expense	---	155	---	155
Telephone	2,340	501	502	3,343
Merchant processing fees	---	9,780	1,087	10,867
Miscellaneous	---	---	516	516
Office and meeting	14,654	4,080	13,389	32,123
Depreciation	1,650	354	353	2,357
Postage	795	306	122	1,223
Travel and meals	3,977	1,326	1,325	6,628
Recognition	---	15,599	---	15,599
	854,057	146,806	104,969	1,105,832
<u>IN-KIND EXPENSES</u>				
Rent	2,200	19,800	---	22,000
	\$ 856,257	\$ 166,606	\$ 104,969	\$ 1,127,832

The accompanying notes are an integral part of these statements.

CLAYTON DABNEY FOR KIDS WITH CANCER
STATEMENTS OF CASH FLOWS
Years Ended December 31,

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (46,925)	\$ 160,744
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	3,372	2,357
(Increase) decrease in:		
Contributions receivable	11,291	(14,331)
Prepaid expenses	30,010	(38,071)
Increase (decrease) in:		
Deferred revenue	(51,649)	19,161
Accounts payable and accrued liabilities	25,881	81,518
Grants payable	<u>48,202</u>	<u>(52,250)</u>
Net cash provided by operating activities	20,182	159,128
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of software and equipment	(2,163)	(9,206)
Increase in certificates of deposit	<u>(4,849)</u>	<u>(222)</u>
Net cash used for investing activities	<u>(7,012)</u>	<u>(9,428)</u>
NET INCREASE IN CASH AND RESTRICTED CASH	13,170	149,700
Cash and Restricted Cash at beginning of year	<u>822,634</u>	<u>672,934</u>
Cash and Restricted Cash at end of year	<u>\$ 835,804</u>	<u>\$ 822,634</u>
Supplemental Disclosure:		
Interest paid during the period	\$ <u>---</u>	\$ <u>---</u>
Taxes paid during the period	\$ <u>---</u>	\$ <u>---</u>
Supplemental Cash Flow Information:		
Noncash Activity:		
Donated Goods and Services for Fundraising	\$ <u>33,684</u>	\$ <u>28,012</u>
Donated Office Space	\$ <u>22,000</u>	\$ <u>22,000</u>

The accompanying notes are an integral part of these statements.

CLAYTON DABNEY FOR KIDS WITH CANCER
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES**

Organization

Clayton Dabney for Kids with Cancer (“the Organization”) is a non-profit organization established in December 1995. In June 2018, the name of the Organization changed from Clayton Dabney Foundation for Kids with Cancer to Clayton Dabney for Kids with Cancer. The Organization’s mission is to provide needy families, with children in the last stages of terminal cancer, assistance in creating everlasting memories by providing last wishes, gifts, special events, family travel and financial assistance with household expenses. This assistance is arranged through the parents and is anonymous to the child. The Organization is supported primarily by donor contributions, grants and fund-raising events, which are held in the Dallas/Fort Worth, Texas and Houston, Texas areas.

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are classified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. At December 31, 2019 and 2018, the Organization had net assets with donor restrictions totaling \$46,996 and \$20,081, respectively, which have donor-imposed stipulations relating to support of cases, website, computers, software, supplies and technology.

Functional Allocation of Expenses

The costs of providing the various program services and related supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated between the program services and their supporting services.

CLAYTON DABNEY FOR KIDS WITH CANCER
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES – Continued**

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. As such, the Organization is not taxed on income derived from its exempt functions but is subject to tax on unrelated business income. For the years ended December 31, 2019 and 2018, management believes all income is exempt from tax, and consequently, no income tax provision has been provided for in these financial statements. The Organization files a Form 990 Return of Organization Exempt from Income Tax. The Organization has evaluated its tax positions for all open years. Currently, tax years open and subject to examination by the Internal Revenue Service are the 2016, 2017 and 2018 tax years.

Property and Equipment

The Organization capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair market value. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets ranging from three to five years.

Statement of Cash Flows

For the purpose of the statements of cash flows, the Organization considers all highly liquid investments with maturities of three months or less to be cash equivalents. The Organization does not consider any of its assets to meet the definition of a cash equivalent at December 31, 2019 and 2018.

Management's Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

CLAYTON DABNEY FOR KIDS WITH CANCER
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Change in Accounting Principle

During 2019, the Association adopted the provisions of Accounting Standards Update 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which modifies the presentation of restricted cash and restricted cash equivalents in the statement of cash flows. The change in accounting under ASC 2016-18 eliminates the diversity in practice of how transfers to or from restricted cash and restricted cash equivalents are classified by requiring entities to show the changes in cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows.

NOTE B - CONCENTRATIONS OF RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash, including certificates of deposit. Concentration of credit risk with respect to cash primarily results from the Organization placing its cash and a portion of its certificates of deposit with one financial institution. The Organization's exposure to loss should this financial institution fail would be limited to any amount in excess of the amount insured by the Federal Deposit Insurance Corporation. At December 31, 2019 and 2018, the Organization had approximately \$559,000 and \$597,000, respectively, at risk for cash in excess of the FDIC insurance.

A material portion of the contributions is dependent on one single donor. The loss of the donor could have a materially adverse effect on the Organization. During the year ended 2019 and 2018 the donation from this single donor accounted for approximately 65% and 67% of contributions respectively. The donation is from a third-party event held by a company of a board member which minimizes the risk.

Concentrations from grants exist from three grants received in 2019 and two grants received in 2018. These grants are approximately 35% and 24%, respectively, of grants received for the year ended 2019 and 2018. To minimize the risk the Organization actively seeks new grants each year.

NOTE C - DONATED GOODS AND SERVICES

Contributions of goods are recognized at their market value when received. Contributions of services are recognized if the services received create or enhance non-financial assets and/or require specialized skills, are provided by individuals possessing these skills and would typically need to be purchased if not provided by donation. In-kind gifts valued at \$33,684 and \$28,012 for 2019 and 2018, respectively, were donated and used in operations during those years and are included in the statements of activities and are described further in the statements of functional

CLAYTON DABNEY FOR KIDS WITH CANCER
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE C - DONATED GOODS AND SERVICES – Continued

expenses. Donated rent for the Houston office was \$22,000 for 2019 and 2018, and is included in the statements of activities and is described further in the statements of functional expenses.

NOTE D – COMMITMENTS

The Organization leases office space under a non-cancelable operating lease through June 30, 2021. Monthly rentals escalate over the term of the lease. The lease was amended during 2018 and extended through June 30, 2021.

The approximate future minimum rent commitments under operating leases are as follows:

Years ending December 31,

2020	\$ 18,891
2021	9,557
Thereafter	---
	\$ 28,448

Rental expense of \$17,525 and \$18,061 under leases in 2019 and 2018, respectively, was recorded by the Organization.

In 2015, the Organization pledged to contribute \$64,500 through 2019 to a specific program provided by a children’s hospital in Houston, Texas. During 2018, the Organization renegotiating future contributions and \$29,750 was written off to other income. The Organization contributed \$7,500 in 2018 and 2019. This pledge has no further commitments.

In 2013, the Organization pledged to contribute \$75,000 beginning in 2014 through 2018 to a specific program provided by a children’s hospital in Dallas, Texas. This grant payable was recognized at its fair market value of \$15,000 at December 31, 2018. During 2019, the Organization contributed \$15,000 toward the pledge. This pledge has no further commitments.

In 2019, the Organization pledge to contribute \$75,000 beginning 2020 through 2024 at \$15,000 each year to a specific program in Dallas, Texas. The grant payable was recognized at the present value of \$70,702 at December 31, 2019, in the accompanying statements of financial position. The grant payable was recognized in 2019 when the pledge was approved. An expense for the payable is recognized in 2019 in the statement of activities as a component of program services expense.

CLAYTON DABNEY FOR KIDS WITH CANCER
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE D – COMMITMENTS – Continued

The approximate future commitments under the grant payable are as follows:
Years ending December 31,

	Present value of Grant Payable	Program expense amortization	Total Grant
2020	\$ 13,586	\$ 1,414	\$ 15,000
2021	13,858	1,142	15,000
2022	14,135	865	15,000
2023	14,417	583	15,000
2024	14,706	294	15000
	\$ 70,702	\$ 4,298	\$ 75,000

NOTE E – CASH AND RESTRICTED CASH

Cash as of December 31, 2019 and 2018 consists of the following:

	2019	2018
Cash	\$ 835,804	\$ 822,634
Restricted Cash	---	---
	\$ 835,804	\$ 822,634

NOTE F – PROPERTY AND EQUIPMENT

Property and Equipment at December 31, 2019 and 2018 consists of the following:

	2019	2018
Computers and software	\$ 19,479	\$ 17,316
Website development	4,976	4,976
	24,455	22,292
Less accumulated depreciation	18,095	14,723
	\$ 6,360	\$ 7,569

CLAYTON DABNEY FOR KIDS WITH CANCER
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2018

NOTE G – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of the balance sheet date, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2019</u>	<u>2018</u>
Financial assets at year-end	\$ 1,095,739	\$ 1,089,011
Less those unavailable for general expenditures within one year due to:		
Donor restricted – Shelby County, TN cases	10,000	---
Donor restricted – Fort Worth, TX cases	10,000	---
Donor restricted – computers	---	6,890
Donor restricted – Houston cases	21,996	13,191
Grant payable	13,586	22,500
Financial assets available to meet cash needs for general expenditure within one year	\$ 1,040,157	\$ 1,046,430

As a part of the Organization’s liquidity management, it invests cash in money market accounts and certificates of deposit.

NOTE H – RELATED PARTY PAYABLE

The Organization received a \$5,000 contribution in 2018 through the Communities Organization of Texas that was designated as a donation to the Legacy Fund, a related party. This amount has been included in accounts payable for 2018 and 2019 and will be paid to the Legacy Fund in the subsequent year.

NOTE I – DATE TO WHICH SUBSEQUENT EVENTS EVALUATED

The Organization has evaluated subsequent events for potential recognition or disclosure in the financial statements through June 30, 2020, which is the date the financial statements were available to be issued.

NOTE J – SUBSEQUENT EVENT – CORONAVIRUS PANDEMIC

During 2020, a strain of coronavirus (“COVID-19”) was reported worldwide, resulting in decreased economic activity and concerns about the pandemic, which would adversely affect the broader global economy. The Organization is taking all necessary steps to keep employees in a safe environment and are constantly monitoring the impact of COVID – 19. At this point, the extent to which COVID – 19 may impact the global economy and our mission is uncertain, but pandemics or other significant public health events could have a material adverse effect on the Organization and its activities.