

**CLAYTON DABNEY FOUNDATION  
FOR KIDS WITH CANCER**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

December 31, 2013 and 2012

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Clayton Dabney Foundation  
for Kids with Cancer

We have audited the accompanying financial statements of Clayton Dabney Foundation for Kids with Cancer (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, 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 Foundation for Kids with Cancer as of December 31, 2013 and 2012, 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.

*Faimer, Jugueta & Huff, P.C.*

Richardson, Texas  
August 5, 2014

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

**ASSETS**

	<u>2013</u>	<u>2012</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 547,621	\$ 278,331
Certificates of deposit	366,821	364,968
Pledges receivable	10,205	37,493
Miscellaneous receivable	15	15
Prepaid expenses	<u>4,764</u>	<u>1,500</u>
Total current assets	929,426	682,307
<b>PROPERTY AND EQUIPMENT – at cost, less accumulated depreciation of \$22,856 and \$12,633 respectively</b>	25,430	12,582
<b>OTHER ASSETS</b>	<u>1,749</u>	<u>1,749</u>
<b>TOTAL ASSETS</b>	<u>\$ 956,605</u>	<u>\$ 696,638</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 61,053	\$ 36,356
Grant payable	21,000	6,000
Deferred revenue	<u>134,735</u>	<u>---</u>
Total current liabilities	216,788	42,356
<b>GRANT PAYABLE, NON-CURRENT</b>	<u>60,000</u>	<u>6,000</u>
<b>TOTAL LIABILITIES</b>	276,788	48,356
<b>NET ASSETS</b>		
Unrestricted	679,817	642,282
Restricted	<u>---</u>	<u>6,000</u>
<b>TOTAL NET ASSETS</b>	<u>679,817</u>	<u>648,282</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 956,605</u>	<u>\$ 696,638</u>

The accompanying notes are an integral part of these statements.

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

	2013	2012
<b>UNRESTRICTED NET ASSETS</b>		
Support and Revenues		
Special events		
Golf tournament - adults	\$ 176,285	\$184,615
Golf tournament donated goods and services	11,050	5,300
Less: Golf tournament cost of direct benefit to donors	(68,987)	(78,394)
Golf tournament – kids	56,042	70,814
Golf tournament donated goods and services	---	---
Less: Golf tournament cost of direct benefit to donors	(24,188)	(27,899)
Tennis tournament	126,753	---
Less: Tennis tournament cost of direct benefit to donors	(71,646)	---
Ladies events	279,526	276,842
Ladies events donated goods and services	7,020	35,815
Less: Ladies events cost of direct benefit to donors	(86,852)	(134,688)
Other	130,731	112,297
Other donated goods and services	8,000	---
Less: Other events cost of direct benefit to donors	(62,834)	(49,405)
 Net revenue from special events	 480,900	 395,297
 Contributions	 229,840	 274,681
Grants	321,775	237,233
Other donated goods and services	16,971	8,035
Interest and dividends	2,079	2,560
	1,051,565	917,806
 Net assets released from restrictions	 6,000	 11,000
 Total unrestricted support and revenues	 1,057,565	 928,806
 Expenses		
Program services	744,604	619,992
Supporting services		
Fund-raising	183,823	127,240
General and administrative	91,603	58,091
	1,020,030	805,323
 Increase (decrease) in unrestricted net assets	 37,535	 123,483

The accompanying notes are an integral part of these statements.

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

	<u>2013</u>	<u>2012</u>
TEMPORARILY RESTRICTED NET ASSETS		
Grant	---	6,000
Net assets released from restrictions	<u>(6,000)</u>	<u>(11,000)</u>
Increase (decrease) in temporarily restricted net assets	<u>(6,000)</u>	<u>(5,000)</u>
INCREASE IN TOTAL NET ASSETS	31,535	118,483
Net assets, beginning of year	<u>648,282</u>	<u>529,799</u>
Net assets, end of year	<u>\$ 679,817</u>	<u>\$ 648,282</u>

The accompanying notes are an integral part of these statements.

**CLAYTON DABNEY FOUNDATION  
FOR KIDS WITH CANCER**  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2013

	<u>Program Services</u>	<u>Fund-raising</u>	<u>General and Administrative</u>	<u>Total</u>
<u>EXPENSES</u>				
Family assistance and other direct program service expenses	\$ 571,232	\$ ---	\$ ---	\$ 571,232
Salaries, payroll taxes and benefits	128,975	64,041	51,703	244,719
Professional services	7,221	44,533	8,500	60,254
Clayton Wings expenses	---	6,898	---	6,898
Insurance	---	---	7,871	7,871
Rent and office related	5,268	2,093	2,093	9,454
Printing and graphic design	2,068	2,068	461	4,597
Newsletter, annual report and other fund-raising expenses	---	26,795	---	26,795
Telephone	2,616	560	561	3,737
Merchant processing fees	---	6,816	777	7,593
Miscellaneous	---	---	2,818	2,818
Office and meeting	12,168	12,453	9,820	34,441
Depreciation	7,156	1,533	1,534	10,223
Postage	750	750	166	1,666
Travel and meals	2,650	2,650	5,299	10,599
Recognition	---	5,679	---	5,679
	<u>740,104</u>	<u>176,869</u>	<u>91,603</u>	<u>1,008,576</u>
<u>IN-KIND EXPENSES</u>				
Professional services	---	6,954	---	6,954
Rent	4,500	---	---	4,500
	<u>4,500</u>	<u>---</u>	<u>---</u>	<u>4,500</u>
	<u>\$ 744,604</u>	<u>\$ 183,823</u>	<u>\$ 91,603</u>	<u>\$ 1,020,030</u>

The accompanying notes are an integral part of these statements.



**CLAYTON DABNEY FOUNDATION  
FOR KIDS WITH CANCER**  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2012

	<u>Program Services</u>	<u>Fund-raising</u>	<u>General and Administrative</u>	<u>Total</u>
<u>EXPENSES</u>				
Family assistance and other direct program service expenses	\$ 455,286	\$ ---	\$ ---	\$ 455,286
Salaries, payroll taxes and benefits	108,493	26,672	27,286	162,451
Contract labor	23,625	23,625	---	47,250
Professional services	6,637	47,376	8,642	62,655
Clayton Wings expenses	---	1,340	---	1,340
Insurance	---	---	6,076	6,076
Rent and office related	9,948	2,132	2,131	14,211
Printing and graphic design	575	575	127	1,277
Newsletter and other fund-raising expenses	---	12,436	---	12,436
Telephone	2,446	524	524	3,494
Merchant processing fees	---	---	1,110	1,110
Miscellaneous	---	---	4,393	4,393
Office and meeting	8,376	6,095	4,585	19,056
Depreciation	2,886	618	619	4,123
Postage	474	474	106	1,054
Travel and meals	1,246	---	2,492	3,738
Recognition	---	2,186	---	2,186
	<u>619,992</u>	<u>124,053</u>	<u>58,091</u>	<u>802,136</u>
<u>IN-KIND EXPENSES</u>				
Professional services	---	3,187	---	3,187
	<u>\$ 619,992</u>	<u>\$ 127,240</u>	<u>\$ 58,091</u>	<u>\$ 805,323</u>

The accompanying notes are an integral part of these statements.

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

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 31,535	\$ 118,483
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	10,223	4,123
(Increase) decrease in:		
Pledges receivable	27,288	(26,493)
Miscellaneous receivable	---	190
Prepaid expenses	(3,264)	(952)
Increase (decrease) in:		
Deferred revenue	134,735	(22,250)
Accounts payable and accrued liabilities	24,697	1,610
Pledges payable	<u>69,000</u>	<u>(6,000)</u>
Net cash provided by operating activities	294,214	68,711
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in certificates of deposit	(1,853)	(1,928)
Purchase of equipment	<u>(23,071)</u>	<u>(13,795)</u>
Net cash provided (used) by investing activities	<u>(24,924)</u>	<u>71,555</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	269,290	140,266
Cash at beginning of year	<u>278,331</u>	<u>138,065</u>
Cash at end of year	<u>\$ 547,621</u>	<u>\$ 278,331</u>

The accompanying notes are an integral part of these statements.

**CLAYTON DABNEY FOUNDATION  
FOR KIDS WITH CANCER**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013 and 2012

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

Organization

Clayton Dabney Foundation for Kids with Cancer (“the Foundation”) is a non-profit organization established in December 1995. The Foundation’s mission is to anonymously provide needy families with children in the last stages of terminal cancer throughout the United States, assistance in creating “Everlasting Memories”. The Foundation 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 Foundation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are classified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. None of the Foundation’s net assets were temporarily restricted as December 31, 2013. At December 31, 2012, the Foundation had temporarily restricted net assets totaling \$6,000 that were released from restrictions during the year ending December 31, 2013.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. None of the Foundation’s net assets were permanently restricted at December 31, 2013 and 2012.

**CLAYTON DABNEY FOUNDATION  
FOR KIDS WITH CANCER**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013 and 2012

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

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 program services, general and administrative, and fund raising.

Income Taxes

The Foundation 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 Foundation 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, 2013 and 2012, management believes all income is exempt from tax, and consequently, no income tax provision has been provided for in these financial statements. The Foundation files a Form 990 Return of Organization Exempt from Income Tax. The Foundation has evaluated its tax positions for all open years. Currently, tax years open and subject to examination by the Internal Revenue Service are the 2010, 2011 and 2012 tax years.

Property and Equipment

The Foundation 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 Foundation considers all highly liquid investments with maturities of three months or less to be cash equivalents. The Foundation does not consider any of its assets to meet the definition of a cash equivalent at December 31, 2013 and 2012.

**CLAYTON DABNEY FOUNDATION  
FOR KIDS WITH CANCER**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013 and 2012

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

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.

**NOTE B - CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Foundation 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 Foundation placing its cash and a portion of its certificates of deposit with one financial institution. The Foundation'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, 2013 and 2012, the Foundation had approximately \$515,000 and \$42,000, respectively, at risk for cash in excess of the FDIC insurance.

**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 \$41,166 and \$49,150 for 2013 and 2012, 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 expenses.

**NOTE D – COMMITMENTS**

In December 1, 2008, the Foundation began leasing office space under a non-cancelable operating lease with a 40-month lease term. Monthly rentals escalate over the term of the lease. The lease was amended on October 28, 2011 and now expires on March 31, 2015.

**CLAYTON DABNEY FOUNDATION  
FOR KIDS WITH CANCER**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013 and 2012

**NOTE D – COMMITMENTS - Continued**

The Foundation also has a lease agreement for a copy machine which expires in 2014.

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

Years ending December 31,		
2014	\$	16,000
2015		4,000
Thereafter		---
	\$	<u>20,000</u>

Rental expense of \$18,454 and \$14,211 under these leases in 2013 and 2012, respectively, was recorded by the Foundation.

In 2010, the Foundation pledged to contribute \$24,000 through 2014 to a specific program provided by a children’s hospital in Houston, Texas. This grant payable has been recognized at its fair market value of \$6,000 and \$12,000 at December 31, 2013 and 2012, respectively, in the accompanying statements of financial position.

In 2013, the Foundation 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 has been recognized at its fair market value of \$75,000 at December 31, 2013 in the accompanying statement of financial position.

**NOTE E – PROPERTY AND EQUIPMENT**

Property and Equipment at December 31, 2013 and 2012 consists of the following:

	<u>2013</u>	<u>2012</u>
Computers and software	\$ 28,229	\$ 22,518
Website development	17,360	---
Telephone system	<u>2,698</u>	<u>2,698</u>
	48,287	25,216
Less accumulated depreciation	<u>22,857</u>	<u>12,634</u>
	<u>\$ 25,430</u>	<u>\$ 12,582</u>

**CLAYTON DABNEY FOUNDATION  
FOR KIDS WITH CANCER  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013 and 2012**

**NOTE F – DATE TO WHICH SUBSEQUENT EVENTS EVALUATED**

The Foundation has evaluated subsequent events for potential recognition or disclosure in the financial statements through August 5, 2014, which is the date the financial statements were available to be issued.