

**CLAYTON DABNEY FOUNDATION
FOR KIDS WITH CANCER**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

December 31, 2014 and 2013

CONTENTS

| | <u>Page</u> |
|---------------------------------------|-------------|
| INDEPENDENT AUDITORS' REPORT | 3 |
| FINANCIAL STATEMENTS | |
| STATEMENTS OF FINANCIAL POSITION | 4 |
| STATEMENTS OF ACTIVITIES | 5 |
| 2014 STATEMENT OF FUNCTIONAL EXPENSES | 7 |
| 2013 STATEMENT OF FUNCTIONAL EXPENSES | 8 |
| STATEMENTS OF CASH FLOWS | 9 |
| NOTES TO FINANCIAL STATEMENTS | 10 |

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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, 2014 and 2013, 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, 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.

Farmer, Fugua & Huff, P.C.

Richardson, Texas
August 28, 2015

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

ASSETS

| | <u>2014</u> | <u>2013</u> |
|--|-------------------|-------------------|
| CURRENT ASSETS | | |
| Cash | \$ 419,402 | \$ 547,621 |
| Certificates of deposit | 368,144 | 366,821 |
| Pledges receivable | 7,944 | 10,205 |
| Miscellaneous receivable | 15 | 15 |
| Prepaid expenses | <u>14,349</u> | <u>4,764</u> |
| Total current assets | 809,854 | 929,426 |
| PROPERTY AND EQUIPMENT – at cost, less accumulated depreciation of \$34,669 and \$22,856 respectively | | |
| | 14,432 | 25,430 |
| OTHER ASSETS | | |
| | <u>1,749</u> | <u>1,749</u> |
| TOTAL ASSETS | <u>\$ 826,035</u> | <u>\$ 956,605</u> |

LIABILITIES AND NET ASSETS

| | | |
|--|-------------------|-------------------|
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 81,837 | \$ 61,053 |
| Grant payable | 15,000 | 21,000 |
| Deferred revenue | <u>83,260</u> | <u>134,735</u> |
| Total current liabilities | 180,097 | 216,788 |
| GRANT PAYABLE, NON-CURRENT | <u>45,000</u> | <u>60,000</u> |
| TOTAL LIABILITIES | 225,097 | 276,788 |
| NET ASSETS | | |
| Unrestricted | 592,030 | 679,817 |
| Restricted | <u>8,908</u> | <u>---</u> |
| TOTAL NET ASSETS | <u>600,938</u> | <u>679,817</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 826,035</u> | <u>\$ 956,605</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,**

| | 2014 | 2013 |
|---|------------|------------|
| UNRESTRICTED NET ASSETS | | |
| Support and Revenues | | |
| Special events | | |
| Golf tournament - adults | \$ 171,730 | \$ 176,285 |
| Golf tournament donated goods and services | 2,850 | 11,050 |
| Less: Golf tournament cost of direct benefit to donors | (61,897) | (68,987) |
| Golf tournament – kids | 49,705 | 56,042 |
| Less: Golf tournament cost of direct benefit to donors | (25,948) | (24,188) |
| Tennis tournament | 285,499 | 126,753 |
| Less: Tennis tournament cost of direct benefit to donors | (141,085) | (71,646) |
| Ladies events | 282,670 | 279,526 |
| Ladies events donated goods and services | 2,000 | 7,020 |
| Less: Ladies events cost of direct benefit to donors | (71,490) | (86,852) |
| Young adult events | 68,476 | --- |
| Less: Young adult events cost of direct benefit to donors | (40,006) | --- |
| Other | 39,230 | 130,731 |
| Other donated goods and services | --- | 8,000 |
| Less: Other events cost of direct benefit to donors | (23,909) | (62,834) |
| Net revenue from special events | 537,825 | 480,900 |
| Contributions | 246,755 | 229,840 |
| Grants | 309,130 | 321,775 |
| Other donated goods and services | 22,106 | 16,971 |
| Interest and dividends | 1,817 | 2,079 |
| | 1,117,633 | 1,051,565 |
| Net assets released from restrictions | 1,092 | 6,000 |
| Total unrestricted support and revenues | 1,118,725 | 1,057,565 |
| Expenses | | |
| Program services | 879,659 | 744,604 |
| Supporting services | | |
| Fund-raising | 206,633 | 183,823 |
| General and administrative | 120,220 | 91,603 |
| | 1,206,512 | 1,020,030 |
| Increase (decrease) in unrestricted net assets | (87,787) | 37,535 |

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>2014</u> | <u>2013</u> |
|--|-------------------|-------------------|
| TEMPORARILY RESTRICTED NET ASSETS | | |
| Grant | 10,000 | --- |
| Net assets released from restrictions | <u>(1,092)</u> | <u>(6,000)</u> |
| Increase (decrease) in temporarily restricted net assets | <u>8,908</u> | <u>(6,000)</u> |
| INCREASE (DECREASE) IN TOTAL NET ASSETS | (78,879) | 31,535 |
| Net assets, beginning of year | <u>679,817</u> | <u>648,282</u> |
| Net assets, end of year | <u>\$ 600,938</u> | <u>\$ 679,817</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, 2014**

| | <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 | \$ 680,115 | \$ --- | \$ --- | \$ 680,115 |
| Salaries, payroll taxes and benefits | 147,369 | 89,606 | 86,832 | 323,807 |
| Professional services | 11,173 | 35,296 | 8,506 | 54,975 |
| Clayton Wings expenses | --- | 3,266 | --- | 3,266 |
| Claytons Champions expenses | --- | 2,421 | --- | 2,421 |
| Insurance | --- | --- | 6,512 | 6,512 |
| Rent and office related | 10,296 | 2,206 | 2,207 | 14,709 |
| Printing and graphic design | 1,959 | 1,959 | 435 | 4,353 |
| Newsletter, annual report and other fund-raising expenses | --- | 15,663 | --- | 15,663 |
| Telephone | 2,289 | 491 | 490 | 3,270 |
| Merchant processing fees | --- | 11,012 | 1,238 | 12,250 |
| Miscellaneous | --- | --- | 3,000 | 3,000 |
| Office and meeting | 13,351 | 8,935 | 3,896 | 26,182 |
| Depreciation | 8,269 | 1,772 | 1,772 | 11,813 |
| Postage | 419 | 419 | 95 | 933 |
| Travel and meals | 2,619 | 2,619 | 5,237 | 10,475 |
| Recognition | --- | 10,662 | --- | 10,662 |
| | <u>877,859</u> | <u>186,327</u> | <u>120,220</u> | <u>1,184,406</u> |
| <u>IN-KIND EXPENSES</u> | | | | |
| Professional services | --- | 4,106 | --- | 4,106 |
| Rent | 1,800 | 16,200 | --- | 18,000 |
| | <u>1,800</u> | <u>20,306</u> | <u>---</u> | <u>22,106</u> |
| | <u>\$ 879,659</u> | <u>\$ 206,633</u> | <u>\$ 120,220</u> | <u>\$ 1,206,512</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
STATEMENTS OF CASH FLOWS
Years Ended December 31,**

| | <u>2014</u> | <u>2013</u> |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase (decrease) in net assets | \$ (78,879) | \$ 31,535 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 11,813 | 10,223 |
| (Increase) decrease in: | | |
| Pledges receivable | 2,261 | 27,288 |
| Miscellaneous receivable | --- | --- |
| Prepaid expenses | (9,585) | (3,264) |
| Increase (decrease) in: | | |
| Deferred revenue | (51,475) | 134,735 |
| Accounts payable and accrued liabilities | 20,784 | 24,697 |
| Pledges payable | <u>(21,000)</u> | <u>69,000</u> |
| Net cash provided (used) by operating activities | (126,081) | 294,214 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Increase in certificates of deposit | (1,323) | (1,853) |
| Purchase of equipment | <u>(815)</u> | <u>(23,071)</u> |
| Net cash provided (used) by investing activities | <u>(2,138)</u> | <u>(24,924)</u> |
| NET INCREASE (DECREASE) IN CASH | (128,219) | 269,290 |
| Cash at beginning of year | <u>547,621</u> | <u>278,331</u> |
| Cash at end of year | <u>\$ 419,402</u> | <u>\$ 547,621</u> |

The accompanying notes are an integral part of these statements.

**CLAYTON DABNEY FOUNDATION
FOR KIDS WITH CANCER
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

**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. At December 31, 2014, the Foundation had temporarily restricted net assets totaling \$8,908. None of the Foundation’s net assets were temporarily restricted as 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, 2014 and 2013.

**CLAYTON DABNEY FOUNDATION
FOR KIDS WITH CANCER**
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

**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, 2014 and 2013, 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 2011, 2012 and 2013 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, 2014 and 2013.

**CLAYTON DABNEY FOUNDATION
FOR KIDS WITH CANCER
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

**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, 2014 and 2013, the Foundation had approximately \$342,000 and \$515,000, 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 \$26,956 and \$41,166 for 2014 and 2013, 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, 2014 and 2013**

NOTE D – COMMITMENTS - Continued

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

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

Years ending December 31,

| | |
|------------|----------|
| 2015 | \$ 3,696 |
| Thereafter | --- |
| | \$ 3,696 |

Rental expense of \$15,838 and \$18,454 under these leases in 2014 and 2013, 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 \$-0- and \$6,000 at December 31, 2014 and 2013, respectively, in the accompanying statements of financial position. Subsequent to December 31, 2014, the Foundation entered into an agreement for an additional pledge of \$64,500 payable over a five-year period beginning in 2015.

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 \$60,000 and \$75,000 at December 31, 2014 and 2013, respectively, in the accompanying statements of financial position.

NOTE E – PROPERTY AND EQUIPMENT

Property and Equipment at December 31, 2014 and 2013 consists of the following:

| | <u>2014</u> | <u>2013</u> |
|-------------------------------|-------------|-------------|
| Computers and software | \$ 29,044 | \$ 28,229 |
| Website development | 17,360 | 17,360 |
| Telephone system | 2,698 | 2,698 |
| | 49,102 | 48,287 |
| Less accumulated depreciation | 34,670 | 22,857 |
| | \$ 14,432 | \$ 25,430 |

**CLAYTON DABNEY FOUNDATION
FOR KIDS WITH CANCER
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

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 28, 2015, which is the date the financial statements were available to be issued.