

**CLAYTON DABNEY FOUNDATION
FOR KIDS WITH CANCER**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

December 31, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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.

Jaime, Luque & Huff, P.C.

Richardson, Texas
August 16, 2016

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

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash	\$ 215,561	\$ 419,402
Certificates of deposit	369,120	368,144
Contributions receivable	129,168	7,944
Miscellaneous receivable	15	15
Prepaid expenses	<u>26,061</u>	<u>14,349</u>
Total current assets	739,925	809,854
PROPERTY AND EQUIPMENT – at cost, less accumulated depreciation of \$44,021 and \$34,669 respectively	5,080	14,432
OTHER ASSETS	<u>1,749</u>	<u>1,749</u>
TOTAL ASSETS	<u>\$ 746,754</u>	<u>\$ 826,035</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 47,300	\$ 81,837
Grant payable	27,500	15,000
Deferred revenue	<u>105,872</u>	<u>83,260</u>
Total current liabilities	180,672	180,097
GRANT PAYABLE, NON-CURRENT	<u>68,500</u>	<u>45,000</u>
TOTAL LIABILITIES	249,172	225,097
NET ASSETS		
Unrestricted	430,974	592,030
Restricted	<u>66,608</u>	<u>8,908</u>
TOTAL NET ASSETS	<u>497,582</u>	<u>600,938</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 746,754</u>	<u>\$ 826,035</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,**

	2015	2014
UNRESTRICTED NET ASSETS		
Support and Revenues		
Special events		
Golf tournament - adults	\$ 161,929	\$ 171,730
Golf tournament donated goods and services	4,800	2,850
Less: Golf tournament cost of direct benefit to donors	(58,554)	(61,897)
Golf tournament – kids	53,085	49,705
Less: Golf tournament cost of direct benefit to donors	(27,090)	(25,948)
Tennis tournament	278,540	285,499
Less: Tennis tournament cost of direct benefit to donors	(177,604)	(141,085)
Ladies events	199,800	282,670
Ladies events donated goods and services	1,440	2,000
Less: Ladies events cost of direct benefit to donors	(76,393)	(71,490)
Young adult events	77,491	68,476
Less: Young adult events cost of direct benefit to donors	(59,612)	(40,006)
Other	146,250	39,230
Other donated goods and services	---	---
Less: Other events cost of direct benefit to donors	(4,313)	(23,909)
 Net revenue from special events	 519,769	 537,825
 Contributions	 226,992	 246,755
Grants	299,617	309,130
Other donated goods and services	20,400	22,106
Interest and dividends	1,473	1,817
	1,068,251	1,117,633
 Net assets released from restrictions	 ---	 1,092
 Total unrestricted support and revenues	 1,068,251	 1,118,725
 Expenses		
Program services	926,367	879,659
Supporting services		
Fund-raising	209,705	206,633
General and administrative	93,235	120,220
	1,229,307	1,206,512
 Increase (decrease) in unrestricted net assets	 (161,056)	 (87,787)

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>2015</u>	<u>2014</u>
TEMPORARILY RESTRICTED NET ASSETS		
Grant	60,000	10,000
Net assets released from restrictions	<u>(2,300)</u>	<u>(1,092)</u>
Increase (decrease) in temporarily restricted net assets	<u>57,700</u>	<u>8,908</u>
INCREASE (DECREASE) IN TOTAL NET ASSETS	(103,356)	(78,879)
Net assets, beginning of year	<u>600,938</u>	<u>679,817</u>
Net assets, end of year	<u>\$ 497,582</u>	<u>\$ 600,938</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, 2015

	<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	\$ 729,838	\$ ---	\$ ---	\$ 729,838
Salaries, payroll taxes and benefits	157,178	97,555	59,730	314,463
Professional services	2,180	44,874	8,999	56,053
Clayton Wings expenses	---	2,458	---	2,458
Claytons Champions expenses	---	2,156	---	2,156
Insurance	---	---	8,812	8,812
Rent and office related	9,845	2,110	2,109	14,064
Printing and graphic design	1,670	1,670	371	3,711
Newsletter, annual report and other fund-raising expenses	---	14,726	---	14,726
Telephone	2,404	515	515	3,434
Merchant processing fees	---	13,083	1,654	14,737
Miscellaneous	---	1,224	2,812	4,036
Office and meeting	10,949	6,823	4,378	22,150
Depreciation	6,546	1,403	1,403	9,352
Postage	374	374	84	832
Travel and meals	1,183	1,183	2,368	4,734
Recognition	---	3,351	---	3,351
	<u>922,167</u>	<u>193,505</u>	<u>93,235</u>	<u>1,208,907</u>
<u>IN-KIND EXPENSES</u>				
Family assistance and other direct program service	2,400	---	---	2,400
Rent	1,800	16,200	---	18,000
	<u>926,367</u>	<u>209,705</u>	<u>93,235</u>	<u>1,229,307</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	<u>1,800</u>	<u>16,200</u>	<u>---</u>	<u>18,000</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
STATEMENTS OF CASH FLOWS
Years Ended December 31,**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (103,356)	\$ (78,879)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	9,352	11,813
(Increase) decrease in:		
Pledges receivable	(121,224)	2,261
Prepaid expenses	(11,712)	(9,585)
Increase (decrease) in:		
Deferred revenue	22,612	(51,475)
Accounts payable and accrued liabilities	(34,537)	20,784
Pledges payable	<u>36,000</u>	<u>(21,000)</u>
Net cash provided (used) by operating activities	(202,865)	(126,081)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in certificates of deposit	(976)	(1,323)
Purchase of equipment	<u>---</u>	<u>(815)</u>
Net cash provided (used) by investing activities	<u>(976)</u>	<u>(2,138)</u>
NET INCREASE (DECREASE) IN CASH	(203,841)	(128,219)
Cash at beginning of year	<u>419,402</u>	<u>547,621</u>
Cash at end of year	<u>\$ 215,561</u>	<u>\$ 419,402</u>

The accompanying notes are an integral part of these statements.

**CLAYTON DABNEY FOUNDATION
FOR KIDS WITH CANCER**
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

**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 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 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, 2015 and 2014, the Foundation had temporarily restricted net assets totaling \$66,608 and \$8,908, respectively, which have donor imposed stipulations relating to support of the Houston office and a crafts program at a Dallas hospital.

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, 2015 and 2014.

**CLAYTON DABNEY FOUNDATION
FOR KIDS WITH CANCER
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014**

**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, 2015 and 2014, 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 2012, 2013 and 2014 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, 2015 and 2014.

**CLAYTON DABNEY FOUNDATION
FOR KIDS WITH CANCER
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014**

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, 2015 and 2014, the Foundation had approximately \$204,000 and \$342,000, 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 \$28,640 and \$26,956 for 2015 and 2014, 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

The Foundation began leasing office space under a non-cancelable operating lease with a 37-month lease term. Monthly rentals escalate over the term of the lease. The lease was amended on March 31, 2015 and expires on April 30, 2018.

**CLAYTON DABNEY FOUNDATION
FOR KIDS WITH CANCER**
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE D – COMMITMENTS - Continued

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

Years ending December 31,

2016	\$	13,739
2017		14,187
2018		4,779
Thereafter		---
	\$	<u>32,705</u>

Rental expense of \$17,588 and \$18,454 under leases in 2015 and 2014, respectively, was recorded by the Foundation.

In 2015, the Foundation pledged to contribute \$64,500 through 2019 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 \$51,000 at December 31, 2015 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 \$45,000 and \$60,000 at December 31, 2015 and 2014, respectively, in the accompanying statements of financial position.

The approximate future commitments under these pledges payable are as follows:

Years ending December 31,

2016	\$	27,500
2017		27,500
2018		27,500
2019		13,500
Thereafter		---
	\$	<u>96,000</u>

**CLAYTON DABNEY FOUNDATION
FOR KIDS WITH CANCER
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014**

NOTE E – PROPERTY AND EQUIPMENT

Property and Equipment at December 31, 2015 and 2014 consists of the following:

	<u>2015</u>		<u>2014</u>
Computers and software	\$ 29,044	\$	29,044
Website development	17,360		17,360
Telephone system	<u>2,697</u>		<u>2,697</u>
	49,101		49,101
Less accumulated depreciation	<u>44,021</u>		<u>34,669</u>
	<u>\$ 5,080</u>	\$	<u>14,432</u>

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 16, 2016, which is the date the financial statements were available to be issued.