

**CLAYTON DABNEY FOUNDATION
FOR KIDS WITH CANCER**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

December 31, 2016 and 2015

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	4
STATEMENTS OF ACTIVITIES	5
2016 STATEMENT OF FUNCTIONAL EXPENSES	7
2015 STATEMENT OF FUNCTIONAL EXPENSES	8
STATEMENTS OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10



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, 2016 and 2015, 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, 2016 and 2015, 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, Jagan & Huff, P.C.

Richardson, Texas
August 16, 2017

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

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash	\$ 548,942	\$ 215,561
Certificates of deposit	217,538	369,120
Contributions receivable	14,850	129,168
Miscellaneous receivable	524	15
Prepaid expenses	<u>3,828</u>	<u>26,061</u>
Total current assets	785,682	739,925
PROPERTY AND EQUIPMENT – at cost, less accumulated depreciation of \$47,145 and \$44,021 respectively	1,956	5,080
OTHER ASSETS	<u>1,749</u>	<u>1,749</u>
TOTAL ASSETS	<u>\$ 789,387</u>	<u>\$ 746,754</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 52,274	\$ 47,300
Grant payable	48,750	27,500
Deferred revenue	<u>51,500</u>	<u>105,872</u>
Total current liabilities	152,524	180,672
GRANT PAYABLE, NON-CURRENT	<u>41,000</u>	<u>68,500</u>
TOTAL LIABILITIES	193,524	249,172
NET ASSETS		
Unrestricted	584,080	430,974
Restricted	<u>11,783</u>	<u>66,608</u>
TOTAL NET ASSETS	<u>595,863</u>	<u>497,582</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 789,387</u>	<u>\$ 746,754</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,**

	2016	2015
UNRESTRICTED NET ASSETS		
Support and Revenues		
Special events		
Golf tournament - adults	\$ 165,435	\$ 161,929
Golf tournament donated goods and services	4,800	4,800
Less: Golf tournament cost of direct benefit to donors	(46,934)	(58,554)
Golf tournament – kids	55,288	53,085
Less: Golf tournament cost of direct benefit to donors	(24,728)	(27,090)
Tennis tournament	---	278,540
Less: Tennis tournament cost of direct benefit to donors	---	(177,604)
Fishing tournament	19,425	---
Less: Fishing tournament cost of direct benefit to donors	(9,660)	---
20 Year Celebration	118,873	---
20 Year Celebration donated goods and service	3,800	---
Less: 20 Year Celebration cost of direct benefit to donors	(58,112)	---
Ladies events	241,187	199,800
Ladies events donated goods and services	7,010	1,440
Less: Ladies events cost of direct benefit to donors	(50,385)	(76,393)
Young adult events	74,932	77,491
Less: Young adult events cost of direct benefit to donors	(45,854)	(59,612)
Other	163,136	146,250
Less: Other events cost of direct benefit to donors	(5,858)	(4,313)
Net revenue from special events	612,355	519,769
Contributions	253,043	226,992
Grants	190,282	299,617
Other donated goods and services	18,000	20,400
Interest and dividends	1,612	1,473
	462,937	548,482
Net assets released from restrictions	104,825	---
Total unrestricted support and revenues	1,180,117	1,068,251

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>2016</u>	<u>2015</u>
Expenses		
Program services	729,268	926,367
Supporting services		
Fund-raising	194,628	209,705
General and administrative	<u>103,115</u>	<u>93,235</u>
	<u>1,027,011</u>	<u>1,229,307</u>
 Increase (decrease) in unrestricted net assets	 153,106	 (161,056)
 TEMPORARILY RESTRICTED NET ASSETS		
Grant	50,000	60,000
Net assets released from restrictions	<u>(104,825)</u>	<u>(2,300)</u>
 Increase (decrease) in temporarily restricted net assets	 <u>(54,825)</u>	 <u>57,700</u>
 INCREASE (DECREASE) IN TOTAL NET ASSETS	 98,281	 (103,356)
 Net assets, beginning of year	 <u>497,582</u>	 <u>600,938</u>
 Net assets, end of year	 <u>\$ 595,863</u>	 <u>\$ 497,582</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, 2016

	<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	\$ 534,902	\$ ---	\$ ---	\$ 534,902
Salaries, payroll taxes and benefits	163,368	100,612	60,517	324,497
Professional services	248	33,480	11,835	45,563
Clayton Wings expenses	---	1,995	---	1,995
Claytons Champions expenses	---	268	---	268
Insurance	---	---	11,937	11,937
Rent and office related	8,925	1,912	1,913	12,750
Printing and graphic design	541	541	120	1,202
Newsletter, annual report and other fund-raising expenses	---	11,774	---	11,774
Telephone	2,404	515	515	3,434
Merchant processing fees	---	9,648	1,224	10,872
Miscellaneous	---	---	2,596	2,596
Office and meeting	12,152	5,667	8,345	26,164
Depreciation	2,187	469	468	3,124
Postage	1,032	1,032	229	2,293
Travel and meals	1,709	1,709	3,416	6,834
Recognition	---	8,806	---	8,806
	<u>727,468</u>	<u>178,428</u>	<u>103,115</u>	<u>1,009,011</u>
<u>IN-KIND EXPENSES</u>				
Rent	<u>1,800</u>	<u>16,200</u>	<u>---</u>	<u>18,000</u>
	<u>\$ 729,268</u>	<u>\$ 194,628</u>	<u>\$ 103,115</u>	<u>\$ 1,027,011</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>				
Professional services	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
STATEMENTS OF CASH FLOWS
Years Ended December 31,**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 98,281	\$ (103,356)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	3,124	9,352
(Increase) decrease in:		
Pledges receivable	114,318	(121,224)
Prepaid expenses	22,233	(11,712)
Other receivable	(509)	---
Increase (decrease) in:		
Deferred revenue	(54,372)	22,612
Accounts payable and accrued liabilities	4,974	(34,537)
Pledges payable	<u>(6,250)</u>	<u>36,000</u>
Net cash provided (used) by operating activities	181,799	(202,865)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in certificates of deposit	<u>151,582</u>	<u>(976)</u>
Net cash provided (used) by investing activities	<u>151,582</u>	<u>(976)</u>
NET INCREASE (DECREASE) IN CASH	333,381	(203,841)
Cash at beginning of year	<u>215,561</u>	<u>419,402</u>
Cash at end of year	<u>\$ 548,942</u>	<u>\$ 215,561</u>

The accompanying notes are an integral part of these statements.

**CLAYTON DABNEY FOUNDATION
FOR KIDS WITH CANCER**
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

**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, 2016 and 2015, the Foundation had temporarily restricted net assets totaling \$11,783 and \$66,608, 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, 2016 and 2015.

**CLAYTON DABNEY FOUNDATION
FOR KIDS WITH CANCER**
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

**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, 2016 and 2015, 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 2013, 2014 and 2015 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, 2016 and 2015.

**CLAYTON DABNEY FOUNDATION
FOR KIDS WITH CANCER**
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

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, 2016 and 2015, the Foundation had approximately \$409,000 and \$204,000, 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 \$36,610 and \$28,640 for 2016 and 2015, 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, 2016 and 2015

NOTE D – COMMITMENTS - Continued

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

Years ending December 31,

2017	\$	14,187
2018		4,778
Thereafter		---
	\$	<u>18,965</u>

Rental expense of \$15,664 and \$17,588 under leases in 2016 and 2015, 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 and \$44,750 and \$51,000 at December 31, 2016 and 2015, respectively, in the accompanying statements of financial position. During 2016, the Foundation contributed less than the amount due on the pledge and suspended future contributions indefinitely.

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 \$45,000 at December 31, 2016 and 2015, respectively, in the accompanying statements of financial position. During 2016, the Foundation did not make a contribution on the pledge.

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

Years ending December 31,

2017	\$	48,750
2018		27,500
2019		13,500
Thereafter		---
	\$	<u>89,750</u>

**CLAYTON DABNEY FOUNDATION
FOR KIDS WITH CANCER**
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE E – PROPERTY AND EQUIPMENT

Property and Equipment at December 31, 2016 and 2015 consists of the following:

	<u>2016</u>		<u>2015</u>
Computers and software	\$ 29,044	\$	29,044
Website development	17,360		17,360
Telephone system	2,697		2,697
	<u>49,101</u>		<u>49,101</u>
Less accumulated depreciation	47,145		44,021
	<u>\$ 1,956</u>	\$	<u>5,080</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 15, 2017, which is the date the financial statements were available to be issued.