

**CLAYTON DABNEY FOUNDATION
FOR KIDS WITH CANCER**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

December 31, 2017 and 2016

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	4
STATEMENTS OF ACTIVITIES	5
2017 STATEMENT OF FUNCTIONAL EXPENSES	7
2016 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, 2017 and 2016, 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, 2017 and 2016, 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, Suqua & Huff, P.C.

Richardson, Texas
July 25, 2018

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

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash	\$ 672,934	\$ 548,942
Certificates of deposit	218,409	217,538
Contributions receivable	33,415	14,850
Miscellaneous receivable	319	524
Prepaid expenses	<u>12,809</u>	<u>3,828</u>
Total current assets	937,886	785,682
 PROPERTY AND EQUIPMENT – at cost, less accumulated depreciation of \$48,381 and \$47,145 respectively		
	720	1,956
 OTHER ASSETS		
	<u>1,999</u>	<u>1,749</u>
 TOTAL ASSETS		
	<u>\$ 940,605</u>	<u>\$ 789,387</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 41,479	\$ 52,274
Grant payable	61,250	48,750
Deferred revenue	<u>116,882</u>	<u>51,500</u>
Total current liabilities	219,611	152,524
 GRANT PAYABLE, NON-CURRENT		
	<u>13,500</u>	<u>41,000</u>
 TOTAL LIABILITIES		
	233,111	193,524
 NET ASSETS		
Unrestricted	675,237	584,080
Restricted	<u>32,257</u>	<u>11,783</u>
 TOTAL NET ASSETS		
	<u>707,494</u>	<u>595,863</u>
 TOTAL LIABILITIES AND NET ASSETS		
	<u>\$ 940,605</u>	<u>\$ 789,387</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,**

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS		
Support and Revenues		
Special events		
Golf tournament - adults	\$ 185,634	\$ 165,435
Golf tournament donated goods and services	4,800	4,800
Less: Golf tournament cost of direct benefit to donors	(67,996)	(46,934)
Golf tournament - kids	38,991	55,288
Golf tournament - kids - donated goods and services	2,000	---
Less: Golf tournament cost of direct benefit to donors	(21,186)	(24,728)
Fishing tournament	21,675	19,425
Less: Fishing tournament cost of direct benefit to donors	(13,954)	(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	189,902	241,187
Ladies events donated goods and services	5,992	7,010
Less: Ladies events cost of direct benefit to donors	(67,170)	(50,385)
Young adult events	24,482	74,932
Young adult donated goods and services	1,100	---
Less: Young adult events cost of direct benefit to donors	(9,226)	(45,854)
Other	275,314	163,136
Less: Other events cost of direct benefit to donors	<u>(10,393)</u>	<u>(5,858)</u>
Net revenue from special events	559,965	612,355
Contributions	176,903	253,043
Grants	228,584	190,282
Other donated goods and services	18,000	18,000
Interest and dividends	<u>1,401</u>	<u>1,612</u>
	424,888	462,937
Net assets released from restrictions	<u>39,526</u>	<u>104,825</u>
Total unrestricted support and revenues	1,024,379	1,180,117

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>2017</u>	<u>2016</u>
Expenses		
Program services	649,991	729,268
Supporting services		
Fund-raising	181,767	194,628
General and administrative	<u>101,464</u>	<u>103,115</u>
	<u>933,222</u>	<u>1,027,011</u>
Increase in unrestricted net assets	91,157	153,106
TEMPORARILY RESTRICTED NET ASSETS		
Grant	60,000	50,000
Net assets released from restrictions	<u>(39,526)</u>	<u>(104,825)</u>
Increase (decrease) in temporarily restricted net assets	<u>20,474</u>	<u>(54,825)</u>
INCREASE IN TOTAL NET ASSETS	111,631	98,281
Net assets, beginning of year	<u>595,863</u>	<u>497,582</u>
Net assets, end of year	<u>\$ 707,494</u>	<u>\$ 595,863</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, 2017

	<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	\$ 462,577	\$ ---	\$ ---	\$ 462,577
Salaries, payroll taxes and benefits	160,692	102,019	58,644	321,357
Professional services	634	35,914	12,350	48,898
Clayton Wings expenses	---	---	---	---
Clayton's Champions expenses	---	1,328	---	1,328
Insurance	---	---	15,665	15,665
Rent and office related	10,767	2,307	2,307	15,381
Printing and graphic design	1,819	1,819	404	4,042
Newsletter, annual report and other fund-raising expenses	---	662	---	662
Telephone	2,498	535	535	3,568
Merchant processing fees	---	7,700	959	8,659
Miscellaneous	---	---	2,275	2,275
Office and meeting	5,973	4,543	4,045	14,561
Depreciation	865	185	186	1,236
Postage	360	360	81	801
Travel and meals	2,004	2,006	4,013	8,023
Recognition	---	6,189	---	6,189
	<u>648,191</u>	<u>165,567</u>	<u>101,464</u>	<u>915,222</u>
<u>IN-KIND EXPENSES</u>				
Rent	<u>1,800</u>	<u>16,200</u>	<u>---</u>	<u>18,000</u>
	<u>\$ 649,991</u>	<u>\$ 181,767</u>	<u>\$ 101,464</u>	<u>\$ 933,222</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
Clayton's 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
STATEMENTS OF CASH FLOWS
Years Ended December 31,**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 111,631	\$ 98,281
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,236	3,124
(Increase) decrease in:		
Pledges receivable	(18,565)	114,318
Prepaid expenses	(8,981)	22,233
Other receivable	205	(509)
Other assets	(250)	---
Increase (decrease) in:		
Deferred revenue	65,382	(54,372)
Accounts payable and accrued liabilities	(10,795)	4,974
Pledges payable	<u>(15,000)</u>	<u>(6,250)</u>
Net cash provided (used) by operating activities	124,863	181,799
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in certificates of deposit	<u>(871)</u>	<u>151,582</u>
Net cash provided (used) by investing activities	<u>(871)</u>	<u>151,582</u>
NET INCREASE (DECREASE) IN CASH	123,992	333,381
Cash at beginning of year	<u>548,942</u>	<u>215,561</u>
Cash at end of year	<u>\$ 672,934</u>	<u>\$ 548,942</u>

The accompanying notes are an integral part of these statements.

**CLAYTON DABNEY FOUNDATION
FOR KIDS WITH CANCER**
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

**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, 2017 and 2016, the Foundation had temporarily restricted net assets totaling \$32,257 and \$11,783, 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, 2017 and 2016.

**CLAYTON DABNEY FOUNDATION
FOR KIDS WITH CANCER**
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

**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, 2017 and 2016, 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 2014, 2015 and 2016 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, 2017 and 2016.

**CLAYTON DABNEY FOUNDATION
FOR KIDS WITH CANCER**
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

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, 2017 and 2016, the Foundation had approximately \$628,000 and \$409,000, 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 \$31,182 and \$36,610 for 2017 and 2016, 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. Subsequent to year end, the lease was amended to extend the lease term through June 30, 2021.

**CLAYTON DABNEY FOUNDATION
FOR KIDS WITH CANCER**
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE D – COMMITMENTS - Continued

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

Years ending December 31,

2018	\$	16,928
2019		18,447
2020		18,891
2021		9,557
Thereafter		---
	\$	<u>63,823</u>

Rental expense of \$17,671 and \$15,664 under leases in 2017 and 2016, 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 \$44,750 and \$44,750 at December 31, 2017 and 2016, respectively, in the accompanying statements of financial position. During 2017, did not make a contribution on the pledge and during 2018, the Foundation is renegotiating future contributions.

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 \$30,000 and \$45,000 at December 31, 2017 and 2016, respectively, in the accompanying statements of financial position. During 2017, the Foundation made a \$15,000 contribution on the pledge.

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

Years ending December 31,

2018	\$	61,250
2019		13,500
Thereafter		---
	\$	<u>74,750</u>

**CLAYTON DABNEY FOUNDATION
FOR KIDS WITH CANCER
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016**

NOTE E – PROPERTY AND EQUIPMENT

Property and Equipment at December 31, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</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>48,381</u>	<u>47,145</u>
	<u>\$ 720</u>	<u>\$ 1,956</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 July 25, 2018, which is the date the financial statements were available to be issued.