

**CLAYTON DABNEY FOR KIDS WITH CANCER**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

December 31, 2018 and 2017

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Clayton Dabney for Kids with Cancer

We have audited the accompanying financial statements of Clayton Dabney for Kids with Cancer (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 for Kids with Cancer as of December 31, 2018 and 2017, 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.

*Farmen, Augue & Huff, P.C.*

Richardson, Texas  
August 20, 2019



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

**ASSETS**

	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 822,634	\$ 672,934
Certificates of deposit	218,631	218,409
Contributions receivable	47,746	33,415
Miscellaneous receivable	319	319
Prepaid expenses	<u>50,880</u>	<u>12,809</u>
Total current assets	1,140,210	937,886
<b>PROPERTY AND EQUIPMENT – at cost, less accumulated depreciation of \$14,723 and \$43,381 respectively</b>	 7,569	 720
<b>OTHER ASSETS</b>	<u>1,999</u>	<u>1,999</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,149,778</u>	<u>\$ 940,605</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	60,640	\$ 41,479
Grant payable	22,500	61,250
Deferred revenue	<u>198,400</u>	<u>116,882</u>
Total current liabilities	281,540	219,611
<b>GRANT PAYABLE, NON-CURRENT</b>	<u>---</u>	<u>13,500</u>
<b>TOTAL LIABILITIES</b>	281,540	233,111
<b>NET ASSETS</b>		
Without donor restrictions	848,157	675,237
With donor restrictions	<u>20,081</u>	<u>32,257</u>
<b>TOTAL NET ASSETS</b>	<u>868,238</u>	<u>707,494</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,149,778</u>	<u>\$ 940,605</u>

The accompanying notes are an integral part of these statements.

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

	<u>2018</u>	<u>2017</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Support and Revenues		
Special events		
Golf tournament - adults	\$ 156,545	\$ 185,634
Golf tournament donated goods and services	6,800	4,800
Less: Golf tournament cost of direct benefit to donors	(61,447)	(67,996)
Golf tournament - kids	67,193	38,991
Golf tournament - kids - donated goods and services	2,300	2,000
Less: Golf tournament cost of direct benefit to donors	(22,296)	(21,186)
Fishing tournament	38,920	21,675
Fishing tournament – donated goods and services	2,925	---
Less: Fishing tournament cost of direct benefit to donors	(26,805)	(13,954)
Tennis tournament	86,891	---
Less: Tennis tournament cost of direct benefit to donors	(46,977)	---
Ladies events	304,103	189,902
Ladies events donated goods and services	15,987	5,992
Less: Ladies events cost of direct benefit to donors	(97,387)	(67,170)
Young adult events	8,420	24,482
Young adult donated goods and services	---	1,100
Less: Young adult events cost of direct benefit to donors	(1,297)	(9,226)
Other	4,672	31,614
Less: Other events cost of direct benefit to donors	<u>(571)</u>	<u>(5,700)</u>
Net revenue from special events	437,976	320,958
Contributions	398,202	420,603
Grants	297,268	228,584
Other donated goods and services	22,000	18,000
Other income	29,750	-
Interest and dividends	<u>880</u>	<u>1,401</u>
	748,100	668,588
Total net assets released from restrictions	<u>114,676</u>	<u>39,526</u>
Total revenues and other support without donor restrictions	1,300,752	1,029,072

The accompanying notes are an integral part of these statements.

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

	<u>2018</u>	<u>2017</u>
Expenses		
Program services	856,257	649,991
Supporting services		
Fund-raising	166,606	186,460
General and administrative	<u>104,969</u>	<u>101,464</u>
	<u>1,127,832</u>	<u>937,915</u>
Increase in net assets without donor restrictions	172,920	91,157
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Grants	102,500	60,000
Net assets released from restrictions	<u>(114,676)</u>	<u>(39,526)</u>
Increase (decrease) in net assets with donor restrictions	<u>(12,176)</u>	<u>20,474</u>
INCREASE IN NET ASSETS	160,744	111,631
Net assets, beginning of year	<u>707,494</u>	<u>595,863</u>
Net assets, end of year	<u>\$ 868,238</u>	<u>\$ 707,494</u>

The accompanying notes are an integral part of these statements.

**CLAYTON DABNEY FOR KIDS WITH CANCER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2018

	Program	Supporting Services		
	Services	Fund-raising	General and Administrative	Total
<u>EXPENSES</u>				
Family assistance and other direct program service expenses	\$ 562,809	\$ ---	\$ ---	\$ 562,809
Salaries, payroll taxes and benefits	256,507	70,674	66,435	393,616
Professional services	1,259	40,004	12,186	53,449
Clayton's Champions	---	---	---	---
Insurance	---	---	6,412	6,412
Rent and office related	8,286	2,247	2,247	12,780
Printing and graphic design	1,780	1,780	395	3,955
Newsletter, annual report and other fund-raising expense	---	155	---	155
Telephone	2,340	501	502	3,343
Merchant processing fees	---	9,780	1,087	10,867
Miscellaneous	---	---	516	516
Office and meeting	14,654	4,080	13,389	32,123
Depreciation	1,650	354	353	2,357
Postage	795	306	122	1,223
Travel and meals	3,977	1,326	1,325	6,628
Recognition	---	15,599	---	15,599
	<u>854,057</u>	<u>146,806</u>	<u>104,969</u>	<u>1,105,832</u>
<u>IN-KIND EXPENSES</u>				
Rent	<u>2,200</u>	<u>19,800</u>	<u>---</u>	<u>22,000</u>
	\$ <u>856,257</u>	\$ <u>166,606</u>	\$ <u>104,969</u>	\$ <u>1,127,832</u>

The accompanying notes are an integral part of these statements.

**CLAYTON DABNEY FOR KIDS WITH CANCER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2017

	Program Services	Supporting Services		Total
		Fund-raising	General and Administrative	
<u>EXPENSES</u>				
Family assistance and other direct program service expenses	\$ 462,577	\$ ---	\$ ---	\$ 462,577
Salaries, payroll taxes and benefits	160,692	102,019	66,968	329,679
Professional services	634	35,914	12,350	48,898
Clayton's Champions expenses	---	1,328	---	1,328
Insurance	---	---	7,341	7,341
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	2,006	2,006	4,013	8,025
Recognition	---	10,882	---	10,882
	<u>648,191</u>	<u>170,260</u>	<u>101,464</u>	<u>919,915</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>\$ 186,460</u>	<u>\$ 101,464</u>	<u>\$ 937,915</u>

The accompanying notes are an integral part of these statements.

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

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 160,744	\$ 111,631
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	2,357	1,236
(Increase) decrease in:		
Pledges receivable	(14,331)	(18,565)
Prepaid expenses	(38,071)	(8,981)
Other receivable	---	205
Other assets	---	(250)
Increase (decrease) in:		
Deferred revenue	19,161	65,382
Accounts payable and accrued liabilities	81,518	(10,795)
Pledges payable	<u>(52,250)</u>	<u>(15,000)</u>
Net cash provided by operating activities	159,128	124,863
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of software and equipment	(9,206)	---
Increase in certificates of deposit	<u>(222)</u>	<u>(871)</u>
Net cash used by investing activities	<u>(9,428)</u>	<u>(871)</u>
<b>NET INCREASE IN CASH</b>	149,700	123,992
Cash at beginning of year	<u>672,934</u>	<u>548,942</u>
Cash at end of year	<u><u>\$ 822,634</u></u>	<u><u>\$ 672,934</u></u>

The accompanying notes are an integral part of these statements.

**CLAYTON DABNEY FOR KIDS WITH CANCER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018 and 2017

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

Organization

Clayton Dabney for Kids with Cancer (“the Organization”) is a non-profit organization established in December 1995. In June 2018, the name of the Organization changed from Clayton Dabney Foundation for Kids with Cancer to Clayton Dabney for Kids with Cancer. The Organization’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 Organization 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 Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are classified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. At December 31, 2018 and 2017, the Organization had net assets with donor restrictions totaling \$20,081 and \$32,257, respectively, which have donor-imposed stipulations relating to support of the Houston related cases, website, computers, software, supplies and technology.

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 the program services and their supporting services.

**CLAYTON DABNEY FOR KIDS WITH CANCER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018 and 2017

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

Income Taxes

The Organization 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 Organization 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, 2018 and 2017, management believes all income is exempt from tax, and consequently, no income tax provision has been provided for in these financial statements. The Organization files a Form 990 Return of Organization Exempt from Income Tax. The Organization has evaluated its tax positions for all open years. Currently, tax years open and subject to examination by the Internal Revenue Service are the 2015, 2016 and 2017 tax years.

Property and Equipment

The Organization 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 Organization considers all highly liquid investments with maturities of three months or less to be cash equivalents. The Organization does not consider any of its assets to meet the definition of a cash equivalent at December 31, 2018 and 2017.

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.



**CLAYTON DABNEY FOR KIDS WITH CANCER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018 and 2017

**NOTE B - CONCENTRATIONS OF RISK**

Financial instruments that potentially subject the Organization 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 Organization placing its cash and a portion of its certificates of deposit with one financial institution. The Organization'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, 2018 and 2017, the Organization had approximately \$597,000 and \$628,000, respectively, at risk for cash in excess of the FDIC insurance.

A material portion of the contributions is dependent on one single donor. The loss of the donor could have a materially adverse effect on the Organization. During the year ended 2018 and 2017 the donation from single donor accounted for approximately 60% and 58% of contributions respectively. The donation is from a third-party event held by a company of a board member which minimizes the risk.

Concentrations from grants exist from two grants that were received during the year ended 2018 and 2017. These grants are approximately 24% and 28%, respectively, of grants received for the year ended 2018 and 2017. To minimize the risk the Organization actively seeks new grants each year.

**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 \$28,012 and \$31,182 for 2018 and 2017, 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. Donated rent for the Houston office was \$22,000 and \$18,000 for 2018 and 2017, respectively, and is included in the statements of activities and is described further in the statements of functional expenses.

**NOTE D – COMMITMENTS**

The Organization 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 during 2018 and extended through June 30, 2021.

**CLAYTON DABNEY FOR KIDS WITH CANCER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018 and 2017

**NOTE D – COMMITMENTS – Continued**

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

Years ending December 31,

2019	\$ 18,447
2020	18,891
2021	9,557
2022	---
2023	---
Thereafter	---
	<u>\$ 56,007</u>

Rental expense of \$18,061 and \$17,671 under leases in 2018 and 2017, respectively, was recorded by the Organization.

In 2015, the Organization pledged to contribute \$64,500 through 2019 to a specific program provided by a children's hospital in Houston, Texas. This grant payable was recognized at its fair market value of \$44,750 at December 31, 2017, in the accompanying statements of financial position. During 2018, the Organization renegotiating future contributions. They contributed \$7,500 in 2018 and pledged to contribute \$7,500 during 2019. The remaining balance of \$29,750 was written off to other income at December 31, 2018.

In 2013, the Organization 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 \$15,000 and \$30,000 at December 31, 2018 and 2017, respectively, in the accompanying statements of financial position. During 2018, the Organization contributed \$15,000 toward the pledge.

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

Years ending December 31,

2019	\$ 22,500
Thereafter	---
	<u>\$ 22,500</u>

**CLAYTON DABNEY FOR KIDS WITH CANCER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018 and 2017

**NOTE E – PROPERTY AND EQUIPMENT**

Property and Equipment at December 31, 2018 and 2017 consists of the following:

	2018	2017
Computers and software	\$ 17,316	\$ 29,044
Website development	4,976	17,360
Telephone system	---	2,697
	<u>22,292</u>	<u>49,101</u>
Less accumulated depreciation	<u>14,723</u>	<u>48,381</u>
	<u>\$ 7,569</u>	<u>\$ 720</u>

**NOTE F – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization’s financial assets as of the balance sheet date, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	2018	2017
Financial assets at year-end	\$ 1,089,011	\$ 924,758
Less those unavailable for general expenditures within one year due to:		
Donor restricted –gift boxes and other recognition	---	8,908
Donor restricted – cases	---	7,875
Donor restricted – computers	6,890	---
Donor restricted – Houston cases	13,191	15,474
Grant payable	<u>22,500</u>	<u>74,750</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,046,430</u>	<u>\$ 817,751</u>

As a part of the Organization’s liquidity management, it invests cash in money market accounts and certificates of deposit.

**NOTE G – CHANGE IN ACCOUNTING PRINCIPLE**

During 2018, the Organization adopted ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which decreases the number of net asset classes from three to two. The new classes are net assets with donor restrictions and nets assets without donor restrictions.

**CLAYTON DABNEY FOR KIDS WITH CANCER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018 and 2017

**NOTE G – CHANGE IN ACCOUNTING PRINCIPLE – Continued**

In addition, the new standard requires reporting of the underwater amounts of donor-restricted endowment funds in net assets with donor restrictions and enhances disclosures about underwater endowments, continues to allow preparers to choose between the direct method and indirect method for presenting operating cash flows, eliminating the requirement for those who use the direct method to perform reconciliation with the indirect method, requires a not-for-profit to provide in the notes qualitative information on how it manages its liquid available resources and liquidity risks, requires communication of the availability of a not-for-profit's financial assets at the balance sheet date to meet cash needs for general expenditures within one year on the face of the financial statement and/or in the notes and requires reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature.

ASU No. 2016-14 has been adopted by the Organization on a retrospective basis.

**NOTE H – RELATED PARTY PAYABLE**

The Organization received a \$5,000 contribution through the Communities Organization of Texas that was designated as a donation to the Legacy Fund, a related party. This amount has been included in accounts payable and will be paid to the Legacy Fund in the subsequent year.

**NOTE I – CHANGE IN PRESENTATION**

The Organization reclassified certain 2017 items in order to conform to the presentation in 2018. There was no effect on the change in net assets or net assets.

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

The Organization has evaluated subsequent events for potential recognition or disclosure in the financial statements through August 20, 2019, which is the date the financial statements were available to be issued.