

**Collaborative For Children**

Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2013 and 2012

# Collaborative For Children

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## Independent Auditors' Report

To the Board of Directors of  
Collaborative For Children:

### Report on the Financial Statements

We have audited the accompanying financial statements of Collaborative For Children, which comprise the statements of financial position as of December 31, 2013 and 2012 and the related statements of activities, of functional expenses, and of 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.

### *Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our 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 auditors' 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 Collaborative For Children as of December 31, 2013 and 2012 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.

## **Report Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2014 on our consideration of Collaborative For Children's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Collaborative For Children's internal control over financial reporting and compliance.

*Blazek & Vetterling*

May 30, 2014

## Collaborative For Children

Statements of Financial Position as of December 31, 2013 and 2012

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|   | <u>2013</u>             | <u>2012</u>             |
|---|-------------------------|-------------------------|
| ASSETS                                      |                         |                         |
| Cash and cash equivalents ( <i>Note 2</i> ) | \$ 506,489              | \$ 1,267,762            |
| Receivables:                                |                         |                         |
| Government agencies                         | 155,244                 | 217,188                 |
| United Way service contracts                | 73,370                  | 61,496                  |
| Other                                       | 29,306                  | 9,012                   |
| Pledges receivable ( <i>Note 3</i> )        | 610,947                 | 957,750                 |
| Certificate of deposit ( <i>Note 5</i> )    | 207,392                 | 207,387                 |
| Prepaid expenses and other assets           | 39,437                  | 38,188                  |
| Property, net ( <i>Note 4</i> )             | <u>72,384</u>           | <u>72,988</u>           |
| <br>TOTAL ASSETS                            | <br><u>\$ 1,694,569</u> | <br><u>\$ 2,831,771</u> |
| LIABILITIES AND NET ASSETS                  |                         |                         |
| Liabilities:                                |                         |                         |
| Accounts payable                            | \$ 70,426               | \$ 109,304              |
| Accrued payroll expenses                    | 175,396                 | 194,148                 |
| Note payable ( <i>Note 5</i> )              | 30,723                  | 40,898                  |
| Deferred facility rent ( <i>Note 9</i> )    | <u>111,644</u>          | <u>77,052</u>           |
| Total liabilities                           | <u>388,189</u>          | <u>421,402</u>          |
| Net assets:                                 |                         |                         |
| Unrestricted                                | 434,686                 | 504,278                 |
| Temporarily restricted ( <i>Note 6</i> )    | <u>871,694</u>          | <u>1,906,091</u>        |
| Total net assets                            | <u>1,306,380</u>        | <u>2,410,369</u>        |
| <br>TOTAL LIABILITIES AND NET ASSETS        | <br><u>\$ 1,694,569</u> | <br><u>\$ 2,831,771</u> |

*See accompanying notes to financial statements.*

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## Collaborative For Children

Statement of Activities for the year ended December 31, 2013

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|  | <u>UNRESTRICTED</u> | <u>TEMPORARILY<br/>RESTRICTED</u> | <u>TOTAL</u>        |
|--|---------------------|-----------------------------------|---------------------|
| REVENUE:                               |                     |                                   |                     |
| Contributions                          | \$ 473,821          | \$ 911,098                        | \$ 1,384,919        |
| Government grants <i>(Note 7)</i>      | 2,324,223           |                                   | 2,324,223           |
| United Way service contracts           | 945,325             |                                   | 945,325             |
| Special events                         | 369,289             |                                   | 369,289             |
| Cost of direct donor benefits          | (97,143)            |                                   | (97,143)            |
| Program service fees                   | 115,246             |                                   | 115,246             |
| Other income                           | <u>10,842</u>       |                                   | <u>10,842</u>       |
| Total revenue                          | 4,141,603           | 911,098                           | 5,052,701           |
| Net assets released from restrictions: |                     |                                   |                     |
| Expenditure for program purposes       | 1,260,495           | (1,260,495)                       |                     |
| Expiration of time restrictions        | <u>685,000</u>      | <u>(685,000)</u>                  |                     |
| Total                                  | <u>6,087,098</u>    | <u>(1,034,397)</u>                | <u>5,052,701</u>    |
| EXPENSES:                              |                     |                                   |                     |
| Program services:                      |                     |                                   |                     |
| Provider Engagement                    | 2,698,537           |                                   | 2,698,537           |
| Community Engagement                   | 1,123,404           |                                   | 1,123,404           |
| Family Engagement                      | <u>762,713</u>      |                                   | <u>762,713</u>      |
| Total program services                 | 4,584,654           |                                   | 4,584,654           |
| Management and general                 | 1,204,864           |                                   | 1,204,864           |
| Fundraising                            | <u>367,172</u>      |                                   | <u>367,172</u>      |
| Total expenses                         | <u>6,156,690</u>    |                                   | <u>6,156,690</u>    |
| CHANGES IN NET ASSETS                  | (69,592)            | (1,034,397)                       | (1,103,989)         |
| Net assets, beginning of year          | <u>504,278</u>      | <u>1,906,091</u>                  | <u>2,410,369</u>    |
| Net assets, end of year                | <u>\$ 434,686</u>   | <u>\$ 871,694</u>                 | <u>\$ 1,306,380</u> |

*See accompanying notes to financial statements.*

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## Collaborative For Children

Statement of Activities for the year ended December 31, 2012

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|  | <u>UNRESTRICTED</u> | <u>TEMPORARILY<br/>RESTRICTED</u> | <u>TOTAL</u>        |
|--|---------------------|-----------------------------------|---------------------|
| REVENUE:                               |                     |                                   |                     |
| Contributions                          | \$ 865,468          | \$ 2,371,407                      | \$ 3,236,875        |
| Government grants <i>(Note 7)</i>      | 1,397,043           |                                   | 1,397,043           |
| United Way service contracts           | 822,781             |                                   | 822,781             |
| Special events                         | 415,838             |                                   | 415,838             |
| Cost of direct donor benefits          | (80,580)            |                                   | (80,580)            |
| Program service fees                   | 72,779              |                                   | 72,779              |
| Other income                           | <u>29,929</u>       |                                   | <u>29,929</u>       |
| Total revenue                          | 3,523,258           | 2,371,407                         | 5,894,665           |
| Net assets released from restrictions: |                     |                                   |                     |
| Expenditure for program purposes       | 1,820,224           | (1,820,224)                       |                     |
| Expiration of time restrictions        | <u>20,000</u>       | <u>(20,000)</u>                   |                     |
| Total                                  | <u>5,363,482</u>    | <u>531,183</u>                    | <u>5,894,665</u>    |
| EXPENSES:                              |                     |                                   |                     |
| Program services:                      |                     |                                   |                     |
| Provider Engagement                    | 1,880,339           |                                   | 1,880,339           |
| Community Engagement                   | 1,344,206           |                                   | 1,344,206           |
| Family Engagement                      | <u>702,417</u>      |                                   | <u>702,417</u>      |
| Total program services                 | 3,926,962           |                                   | 3,926,962           |
| Management and general                 | 1,109,535           |                                   | 1,109,535           |
| Fundraising                            | <u>314,227</u>      |                                   | <u>314,227</u>      |
| Total expenses                         | <u>5,350,724</u>    |                                   | <u>5,350,724</u>    |
| CHANGES IN NET ASSETS                  | 12,758              | 531,183                           | 543,941             |
| Net assets, beginning of year          | <u>491,520</u>      | <u>1,374,908</u>                  | <u>1,866,428</u>    |
| Net assets, end of year                | <u>\$ 504,278</u>   | <u>\$ 1,906,091</u>               | <u>\$ 2,410,369</u> |

*See accompanying notes to financial statements.*

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## Collaborative For Children

### Statement of Functional Expenses for the year ended December 31, 2013

| <u>EXPENSES</u>   | <u>PROVIDER<br/>ENGAGEMENT</u> | <u>COMMUNITY<br/>ENGAGEMENT</u> | <u>FAMILY<br/>ENGAGEMENT</u> | <u>MANAGEMENT<br/>AND GENERAL</u> | <u>FUNDRAISING</u> | <u>TOTAL<br/>EXPENSES</u> |
|---|--------------------------------|---------------------------------|------------------------------|-----------------------------------|--------------------|---------------------------|
| Salaries, related taxes and benefits                            | \$ 1,154,038                   | \$ 311,754                      | \$ 528,272                   | \$ 864,186                        | \$ 254,051         | \$ 3,112,301              |
| Professional and contract services                              | 283,253                        | 396,313                         | 17,458                       | 179,561                           | 18,893             | 895,478                   |
| Equipment and incentive grants                                  | 744,550                        |                                 | 82,160                       |                                   | 13,838             | 840,548                   |
| Contributions to the Public Awareness Campaign                  |                                | 330,000                         |                              | 459                               |                    | 330,459                   |
| Occupancy   | 85,643                         | 24,967                          | 39,371                       | 67,804                            | 19,014             | 236,799                   |
| College tuition, continuing education, and awards to caregivers | 223,714                        | 2,680                           | 3,804                        | 446                               |                    | 230,644                   |
| Conferences, meetings, and workshops                            | 65,514                         | 2,000                           | 9,944                        | 7,713                             | 2,772              | 87,943                    |
| Computer technology expense                                     | 11,679                         | 29,622                          | 22,583                       | 11,292                            | 5,492              | 80,668                    |
| Travel  | 37,515                         | 3,899                           | 10,745                       | 1,877                             | 2,169              | 56,205                    |
| Office supplies   | 22,637                         | 3,949                           | 8,015                        | 9,535                             | 3,207              | 47,343                    |
| Staff development   | 22,016                         | 1,925                           | 2,146                        | 11,078                            | 2,479              | 39,644                    |
| Printing  | 9,497                          | 5,297                           | 12,434                       | 5,830                             | 2,309              | 35,367                    |
| Telephone   | 10,546                         | 2,208                           | 2,798                        | 5,104                             | 1,498              | 22,154                    |
| Depreciation  | 7,211                          | 2,169                           | 3,287                        | 6,398                             | 1,948              | 21,013                    |
| Postage and shipping  | 1,944                          | 297                             | 9,023                        | 930                               | 2,933              | 15,127                    |
| Internet service fees   | 5,706                          | 1,557                           | 2,568                        | 3,199                             | 1,290              | 14,320                    |
| Equipment rental and maintenance                                | 1,717                          | 473                             | 891                          | 1,408                             | 395                | 4,884                     |
| Interest expense  | 1,356                          | 385                             | 622                          | 1,091                             | 302                | 3,756                     |
| Other   | 10,001                         | 3,909                           | 6,592                        | 26,953                            | 34,582             | 82,037                    |
| Total expenses  | <u>\$ 2,698,537</u>            | <u>\$ 1,123,404</u>             | <u>\$ 762,713</u>            | <u>\$ 1,204,864</u>               | <u>\$ 367,172</u>  | 6,156,690                 |
| Cost of direct donor benefits                                   |                                |                                 |                              |                                   |                    | <u>97,143</u>             |
| Total   |                                |                                 |                              |                                   |                    | <u>\$ 6,253,833</u>       |

*See accompanying notes to financial statements.*



## Collaborative For Children

Statement of Functional Expenses for the year ended December 31, 2012

| <u>EXPENSES</u>   | <u>PROVIDER<br/>ENGAGEMENT</u> | <u>COMMUNITY<br/>ENGAGEMENT</u> | <u>FAMILY<br/>ENGAGEMENT</u> | <u>MANAGEMENT<br/>AND GENERAL</u> | <u>FUNDRAISING</u> | <u>TOTAL<br/>EXPENSES</u> |
|---|--------------------------------|---------------------------------|------------------------------|-----------------------------------|--------------------|---------------------------|
| Salaries, related taxes and benefits                            | \$ 1,071,753                   | \$ 373,208                      | \$ 535,861                   | \$ 878,113                        | \$ 219,075         | \$ 3,078,010              |
| Professional and contract services                              | 108,238                        | 856,351                         | 12,583                       | 49,450                            | 2,817              | 1,029,439                 |
| Equipment and incentive grants                                  | 300,547                        | 24,273                          | 27,475                       | 18                                |                    | 352,313                   |
| Occupancy   | 94,257                         | 36,340                          | 50,588                       | 88,018                            | 21,233             | 290,436                   |
| College tuition, continuing education, and awards to caregivers | 134,601                        |                                 | 5,483                        | 355                               |                    | 140,439                   |
| Conferences, meetings, and workshops                            | 44,345                         | 3,949                           | 9,529                        | 5,828                             | 494                | 64,145                    |
| Computer technology expense                                     | 3,385                          | 1,615                           | 16,098                       | 3,322                             | 5,016              | 29,436                    |
| Travel  | 60,401                         | 7,663                           | 14,354                       | 2,510                             | 1,402              | 86,330                    |
| Office supplies   | 13,378                         | 3,563                           | 8,378                        | 10,758                            | 3,813              | 39,890                    |
| Staff development   | 12,498                         | 1,666                           | 1,355                        | 9,222                             | 357                | 25,098                    |
| Printing  | 5,754                          | 1,684                           | 4,821                        | 9,840                             | 1,350              | 23,449                    |
| Telephone   | 8,565                          | 2,210                           | 3,038                        | 5,960                             | 1,208              | 20,981                    |
| Depreciation  | 7,047                          | 2,940                           | 3,491                        | 6,016                             | 1,823              | 21,317                    |
| Postage and shipping  | 6,075                          | 409                             | 3,525                        | 740                               | 1,533              | 12,282                    |
| Internet service fees   | 4,385                          | 1,575                           | 2,205                        | 4,727                             | 919                | 13,811                    |
| Equipment rental and maintenance                                | 1,227                          | 366                             | 387                          | 890                               | 226                | 3,096                     |
| Interest expense  | 1,633                          | 584                             | 828                          | 4,005                             | 343                | 7,393                     |
| Advertising   | 519                            | 21,803                          | 811                          | 8,853                             | 561                | 32,547                    |
| Other   | 1,731                          | 4,007                           | 1,607                        | 20,910                            | 52,057             | 80,312                    |
| Total expenses  | <u>\$ 1,880,339</u>            | <u>\$ 1,344,206</u>             | <u>\$ 702,417</u>            | <u>\$ 1,109,535</u>               | <u>\$ 314,227</u>  | 5,350,724                 |
| Cost of direct donor benefits                                   |                                |                                 |                              |                                   |                    | <u>80,580</u>             |
| Total   |                                |                                 |                              |                                   |                    | <u>\$ 5,431,304</u>       |

*See accompanying notes to financial statements.*

## Collaborative For Children

Statements of Cash Flows for the years ended December 31, 2013 and 2012

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|  | <u>2013</u>       | <u>2012</u>         |
|--|-------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                   |                     |
| Changes in net assets  | \$ (1,103,989)    | \$ 543,941          |
| Adjustments to reconcile changes in net assets to net cash used by operating activities: |                   |                     |
| Depreciation   | 21,013            | 21,317              |
| Changes in operating assets and liabilities:   |                   |                     |
| Receivables  | 29,776            | (198,872)           |
| Pledges receivable   | 346,803           | (790,250)           |
| Prepaid expenses and other assets  | (1,249)           | (27,190)            |
| Accounts payable   | (38,878)          | (166,975)           |
| Accrued payroll expenses   | (18,752)          | (4,409)             |
| Deferred revenue – unearned service contracts  |                   | (100,676)           |
| Deferred facility rent   | <u>34,592</u>     | <u>77,052</u>       |
| Net cash used by operating activities  | <u>(730,684)</u>  | <u>(646,062)</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                   |                     |
| Purchases of property  | (20,409)          | (36,119)            |
| Net change in certificate of deposit   | <u>(5)</u>        | <u>(91)</u>         |
| Net cash used by investing activities  | <u>(20,414)</u>   | <u>(36,210)</u>     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                   |                     |
| Proceeds from line of credit   |                   | 250,000             |
| Repayments of line of credit   |                   | (250,000)           |
| Payments on note payable   | <u>(10,175)</u>   | <u>(9,282)</u>      |
| Net cash used by financing activities  | <u>(10,175)</u>   | <u>(9,282)</u>      |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>   | <b>(761,273)</b>  | <b>(691,554)</b>    |
| Cash and cash equivalents, beginning of year   | <u>1,267,762</u>  | <u>1,959,316</u>    |
| Cash and cash equivalents, end of year   | <u>\$ 506,489</u> | <u>\$ 1,267,762</u> |

*See accompanying notes to financial statements.*

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## Collaborative For Children

Notes to Financial Statements for the years ended December 31, 2013 and 2012

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Collaborative For Children (CFC) has served the Houston community for more than 25 years. CFC works with parents, educators, and local leaders to make sure its region's children have the learning opportunities they need to succeed – in school and throughout their lives. CFC works to fulfill its mission of improving the quality of early education in Greater Houston by focusing its programs and services on the following goal areas:

- **Provider Engagement** programs support and develop child care and early education professionals through one-on-one consulting, training and mentoring for teachers and directors in early care and education centers, scholarships for professional development conferences, and wage enhancement programs to reward teachers for obtaining higher educational credentials.
- **Community Engagement** programs provide partnerships to promote healthy child development and strengthen policy and regulations impacting young children. Early childhood education is promoted as a high priority public policy issue in our region with adequate support necessary to deliver quality programs for parents, children, and teachers.
- **Family Engagement** programs provide families with information, resources and support to launch their children toward academic and life success by providing parent education, printed parenting tips, resource materials, and referrals for early education, after-school programs and children with special needs.

Federal income tax status – CFC is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(2). CFC files annual federal information returns that are subject to routine examination; however, there are no examinations for any tax periods currently in progress. CFC believes it is no longer subject to examinations of returns for tax years ended before December 31, 2010.

Cash equivalents include highly liquid financial instruments with original maturities of three months or less.

Pledges receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted to the present value of their estimated future cash flows, if material.

Certificate of deposit is a non-negotiable timed bank deposit valued at face value plus accrued interest.

Property is reported at cost if purchased or at fair value at the date of gift if donated. Depreciation is provided using the straight-line method over estimated useful lives of 5 years. Additions and improvements that have a cost of more than \$500 are capitalized.

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Donated materials and services – Donated materials are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Government grants, service contracts, and program service fees are recognized when the related services are provided. Amounts received but unearned are included in the statement of financial position as deferred revenue.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Reclassifications – Certain reclassifications have been made to the prior year financial statements to conform with the current presentation.

## NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

|                                 | <u>2013</u>       | <u>2012</u>         |
|---------------------------------|-------------------|---------------------|
| Demand deposits                 | \$ 471,401        | \$ 1,240,500        |
| Money market mutual funds       | <u>35,088</u>     | <u>27,262</u>       |
| Total cash and cash equivalents | <u>\$ 506,489</u> | <u>\$ 1,267,762</u> |

Bank deposits exceed the federally insured limit per depositor per institution. CFC has entered into a collateral agreement with one of its depository institutions to collateralize deposits in excess of the federally insured limit with U. S. Government debt securities with a fair value of approximately \$3,440,000 at December 31, 2013.

## NOTE 3 – PLEDGES RECEIVABLE AND CONTRIBUTIONS

At December 31, 2013, pledges receivable are due to be collected as follows:

|                          |                   |
|--------------------------|-------------------|
| 2014                     | \$ 575,947        |
| 2015                     | <u>35,000</u>     |
| Total pledges receivable | <u>\$ 610,947</u> |

*Concentrations* – At December 31, 2013, 82% of the pledges receivable is due from one donor. In 2013, four donors contributed 86% of total contributions. In 2012, four donors contributed 91% of total contributions.

## NOTE 4 – PROPERTY

Property consists of the following:

|                          | <u>2013</u>      | <u>2012</u>      |
|--------------------------|------------------|------------------|
| Furniture and equipment  | \$ 183,804       | \$ 165,339       |
| Leasehold improvements   | <u>4,375</u>     | <u>2,430</u>     |
| Total property, at cost  | 188,179          | 167,769          |
| Accumulated depreciation | <u>(115,795)</u> | <u>(94,781)</u>  |
| Property, net            | <u>\$ 72,384</u> | <u>\$ 72,988</u> |

The cost of property used in operations but not reported on the statement of financial position, because title is held by the federal grantor, was approximately \$54,000 and \$31,000 at December 31, 2013 and 2012, respectively.

**NOTE 5 – NOTE PAYABLE**

CFC has a note payable collateralized by telephone equipment and software to be repaid with monthly principal and interest payments of \$1,440 through June 2016.

CFC has a \$500,000 revolving line of credit with a bank that is collateralized by a certificate of deposit with a face value of \$207,000, and by other assets. The line expires on September 30, 2014. Draws on the line bear interest at 3.5% above the bank’s prime lending rate. There were no draws on the line of credit during the year ended December 31, 2013.

**NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

|   | <u>2013</u>       | <u>2012</u>         |
|---|-------------------|---------------------|
| Use in future periods                   | \$ 570,000        | \$ 350,000          |
| College Bound from Birth                | 205,182           | 744,229             |
| Parent and teacher education            | 43,870            | 11,082              |
| Children with special needs             | 21,732            | 30,000              |
| Early Childhood Education               | 19,663            | 90,600              |
| Mental health                           | 11,247            | 640,866             |
| Fund development and strategic planning |                   | 31,250              |
| Other                                   |                   | <u>8,064</u>        |
| Total temporarily restricted net assets | <u>\$ 871,694</u> | <u>\$ 1,906,091</u> |

**NOTE 7 – GOVERNMENT GRANTS**

CFC is a party to contracts with federal, state, and local governmental agencies. Should these contracts not be renewed, a replacement for this source of support may not be forthcoming and related expenses would not be incurred. Sources of government grants are as follows:

|   | <u>2013</u>         | <u>2012</u>         |
|---|---------------------|---------------------|
| U. S. Department of Health and Human Services       |                     |                     |
| funds passed through Houston-Galveston Area Council | \$ 2,161,432        | \$ 1,397,043        |
| State of Texas                                      | 110,022             |                     |
| School districts                                    | <u>52,769</u>       |                     |
| Total   | <u>\$ 2,324,223</u> | <u>\$ 1,397,043</u> |

CFC receives grants from federal, state, and local governmental funding sources that require fulfillment of certain conditions as set forth in the related contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by CFC with the terms of the contracts. Management believes such disallowances, if any, would not be material to CFC’s financial position or changes in net assets.

**NOTE 8 – EMPLOYEE BENEFIT PLAN**

Substantially all employees of CFC are eligible to participate in a §403(b) tax deferred annuity plan. Employees may elect to participate upon employment by contributing up to 15% of their salary. After three months of employment, the employee is eligible to receive an employer matching contribution, which is determined annually as a percentage of the employee's base salary. CFC's contribution to this plan totaled approximately \$46,000 and \$45,000 during 2013 and 2012, respectively.

**NOTE 9 – COMMITMENTS**

In 2012, CFC entered into a noncancelable facility rental agreement for a term of approximately ten years. Under the terms of the agreement, CFC received 6 months of deferred rental payments which have been recorded as deferred facility rent at December 31, 2013. This deferral will be amortized over the life of the lease. Future minimum lease payments are payable as follows:

|            |                     |
|------------|---------------------|
| 2014       | \$ 239,749          |
| 2015       | 239,021             |
| 2016       | 237,711             |
| 2017       | 235,877             |
| 2018       | 247,272             |
| Thereafter | <u>1,039,792</u>    |
| Total      | <u>\$ 2,239,422</u> |

Lease expense for facility rental and equipment was approximately \$239,000 in 2013 and \$251,000 in 2012.

**NOTE 10 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 30, 2014, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.