# ALLIANCE FOR CHILDREN, INC.

**AUDITED FINANCIAL STATEMENTS**
**AND**
**SUPPLEMENTARY INFORMATION**

**Year Ended September 30, 2016**

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RYLANDER, CLAY & OPITZ, LLP
CERTIFIED PUBLIC ACCOUNTANTS
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# INDEPENDENT AUDITOR'S REPORT

Board of Directors
Alliance for Children, Inc.
Fort Worth, Texas

**Report on the Financial Statements**
We have audited the accompanying statement of financial position of Alliance for Children, Inc. (the "Alliance") as of September 30, 2016 and the related statements of activities, cash flows, and functional expenses for the year 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 audit. We conducted our audit 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 the audit to obtain reasonable assurance about whether the financial statements are free of 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 Alliance'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 Alliance'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 the Alliance as of September 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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**Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards,* we have also issued our report dated April 20, 2017, on our consideration of the Alliance'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 the 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 the Alliance's internal control over financial reporting and compliance.

**Report on Summarized Comparative Information**

The financial statements of the Alliance, as of and for the year ended September 30, 2015, were audited by other auditors whose report dated January 29, 2016, expressed an unmodified opinion on those statements. The comparative information presented herein as of and for the year ended September 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rylander, Clay + Opitz, LLP

April 20, 2017

## ALLIANCE FOR CHILDREN, INC.

**STATEMENTS OF FINANCIAL POSITION**
**September 30, 2016 and 2015**

| | 2016 | 2015 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 822,620 | $ 860,177 |
| Grants and contracts receivable | 151,416 | 65,416 |
| Prepaid expenses | 27,035 | 45,779 |
| Unconditional promises to give | 73,368 | 159,960 |
| Investments | 882,766 | 801,875 |
| Property and equipment, net | 3,083,402 | 3,183,638 |
| Other assets | 4,200 | - |
| License fee, net | 15,775 | 23,275 |
| **Total assets** | $ 5,060,582 | $ 5,140,120 |
| **LIABILITIES AND NET ASSETS** | | |
| Liabilities | | |
| Accounts payable | $ 9,942 | $ 36,860 |
| Accrued liabilities | 61,753 | 37,724 |
| Deferred revenue | 51,292 | 63,348 |
| **Total liabilities** | 122,987 | 137,932 |
| Commitments and Contingencies - Note 10 | | |
| Net Assets | | |
| Unrestricted | | |
| Undesignated | 3,964,236 | 3,824,539 |
| Designated | 367,000 | 335,502 |
| | 4,331,236 | 4,160,041 |
| Temporarily restricted | 153,491 | 390,304 |
| Permanently restricted | 452,868 | 451,843 |
| **Total net assets** | 4,937,595 | 5,002,188 |
| **Total liabilities and net assets** | $ 5,060,582 | $ 5,140,120 |

See notes to financial statements.

## ALLIANCE FOR CHILDREN, INC.

**STATEMENTS OF ACTIVITIES**
**Year Ended September 30, 2016, with Comparative Total for 2015**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total 2016 | Total 2015 |
|---|---|---|---|---|---|
| Revenue and other support | | | | | |
| Contributions | $ 511,702 | $ 55,000 | $ 1,025 | $ 567,727 | $ 798,888 |
| Fundraising events, net of direct donor cost of $110,784 and $65,190, respectively | 344,489 | - | - | 344,489 | 406,692 |
| County grants | 223,191 | - | - | 223,191 | 275,691 |
| City grants | 199,221 | - | - | 199,221 | 199,007 |
| State grants | 532,282 | - | - | 532,282 | 411,762 |
| Federal grants | 998,569 | - | - | 998,569 | 221,298 |
| Rental income | 115,133 | - | - | 115,133 | 56,968 |
| In-kind rent | 58,000 | - | - | 58,000 | 58,000 |
| Other revenue | 54,185 | - | - | 54,185 | 18,168 |
| Investment income (loss) | 36,005 | 44,178 | - | 80,183 | (31,059) |
| Net assets released from restrictions: | | | | | |
| Satisfaction of program restrictions | 335,991 | (335,991) | - | - | - |
| **Total revenue and other support** | 3,408,768 | (236,813) | 1,025 | 3,172,980 | 2,415,415 |
| Expenses | | | | | |
| Program services | 2,374,258 | - | - | 2,374,258 | 1,667,677 |
| Management and general | 365,105 | - | - | 365,105 | 378,037 |
| Fundraising | 498,210 | - | - | 498,210 | 268,907 |
| **Total expenses** | 3,237,573 | - | - | 3,237,573 | 2,314,621 |
| **Change in net assets** | 171,195 | (236,813) | 1,025 | (64,593) | 100,794 |
| Net assets at beginning of year | 4,160,041 | 390,304 | 451,843 | 5,002,188 | 4,901,394 |
| **Net assets at end of year** | $ 4,331,236 | $ 153,491 | $ 452,868 | $ 4,937,595 | $ 5,002,188 |

See notes to financial statements.

## ALLIANCE FOR CHILDREN, INC.

### STATEMENTS OF CASH FLOWS
### Years Ended September 30, 2016 and 2015

| | 2016 | 2015 |
|---|---|---|
| Cash Flows from Operating Activities | | |
| Change in net assets | $ (64,593) | $ 100,794 |
| Adjustments to reconcile change in net assets to cash provided by operating activities: | | |
| Depreciation and amortization | 155,927 | 127,896 |
| Unrealized (gain) loss on investments | (52,480) | 60,210 |
| Contributions restricted for investment in endowment fund | (1,025) | (6,725) |
| Change in operating assets and liabilities: | | |
| Grants and contracts receivable | (86,000) | (5,297) |
| Prepaid expenses | 18,744 | (21,918) |
| Unconditional promises to give | 86,592 | 111,965 |
| Other assets | (4,200) | - |
| Accounts payable | (26,918) | 23,025 |
| Accrued liabilities | 24,029 | (3,139) |
| Deferred revenue | (12,056) | (87,872) |
| **Net cash provided by operating activities** | 38,020 | 298,939 |
| Cash Flows from Investing Activities | | |
| Purchase of investments | (41,628) | (40,516) |
| Proceeds from sale of investments | 13,217 | - |
| Purchase of property and equipment | (48,191) | (13,569) |
| **Net cash used by investing activities** | (76,602) | (54,085) |
| Cash Flows from Financing Activities | | |
| Contributions received for investment in endowment fund | 1,025 | 6,725 |
| **Net cash provided by financing activities** | 1,025 | 6,725 |
| **Net increase (decrease) in cash and cash equivalents** | (37,557) | 251,579 |
| Cash and cash equivalents at beginning of year | 860,177 | 608,598 |
| **Cash and cash equivalents at end of year** | $ 822,620 | $ 860,177 |

See notes to financial statements.

## ALLIANCE FOR CHILDREN, INC.

### STATEMENTS OF FUNCTIONAL EXPENSES
### Year Ended September 30, 2016, with Comparative Total for 2015

| | Program Services | Management and General | Fund-raising | Total 2016 | Total 2015 |
|---|---|---|---|---|---|
| Salaries | $ 1,436,496 | $ 136,732 | $ 234,937 | $ 1,808,165 | $ 1,229,986 |
| Payroll taxes | 114,060 | 11,893 | 18,745 | 144,698 | 90,672 |
| Employee benefits | 107,971 | 94,987 | 27,627 | 230,585 | 150,731 |
| **Total salaries and related expenses** | 1,658,527 | 243,612 | 281,309 | 2,183,448 | 1,471,389 |
| Professional fees | 19,770 | 33,582 | 10,375 | 63,727 | 41,008 |
| Client counseling & support | 92,728 | - | - | 92,728 | 75,112 |
| Rent | 60,597 | - | - | 60,597 | - |
| Telephone | 48,424 | 6,460 | 7,250 | 62,134 | 46,045 |
| Utilities | 41,053 | 4,047 | 5,059 | 50,159 | 41,929 |
| Community education | 78,575 | 1,473 | 2,743 | 82,791 | 72,081 |
| Repairs and maintenance | 25,927 | 3,797 | 4,734 | 34,458 | 51,994 |
| Janitorial | 18,165 | 1,747 | 2,184 | 22,096 | 21,981 |
| Training | 25,216 | 8,493 | 4,425 | 38,134 | 31,444 |
| Insurance | 27,285 | 4,926 | 4,758 | 36,969 | 29,557 |
| Miscellaneous | 2,021 | 16,097 | 96,353 | 114,471 | 27,506 |
| Printing and advertising | 1,570 | 285 | 1,196 | 3,051 | 2,409 |
| Office expense | 18,624 | 7,302 | 18,163 | 44,089 | 55,076 |
| Venue | - | - | 17,997 | 17,997 | 92,687 |
| Mileage | 29,734 | 1,848 | 2,348 | 33,930 | 23,029 |
| Partner agency training | 20,133 | - | - | 20,133 | 11,606 |
| Security | 16,689 | 3,063 | 3,829 | 23,581 | 18,615 |
| Equipment lease | 11,843 | 1,446 | 1,808 | 15,097 | 12,518 |
| Postage | 1,413 | 264 | 1,701 | 3,378 | 2,739 |
| Donated goods and services | 64,352 | 1,080 | - | 65,432 | 58,000 |
| | 604,119 | 95,910 | 184,923 | 884,952 | 715,336 |
| **Total before depreciation and amortization** | 2,262,646 | 339,522 | 466,232 | 3,068,400 | 2,186,725 |
| Depreciation and amortization | 111,612 | 25,583 | 31,978 | 169,173 | 127,896 |
| **Total expenses** | $ 2,374,258 | $ 365,105 | $ 498,210 | $ 3,237,573 | $ 2,314,621 |

See notes to financial statements.

## NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Nature of Activities
Alliance for Children, Inc. (the "Alliance") is a coordinating agency for evaluation, intervention, evidence gathering, and counseling for the benefit of abused children. The Alliance's mission is to protect children of Tarrant County from child abuse through teamed investigations, healing services, and community education. Partner agencies include various police departments in Tarrant County, the District Attorney's Office of Tarrant County, Child Protective Services, and Cook Children's Healthcare System. Some of these agencies' personnel are co-located in the four centers operated by the Alliance in Tarrant County, Texas. The Alliance presently provides coordinating services at two locations in Fort Worth, a location in Arlington, and a location in Northeast Tarrant County, Texas.

### Management Estimates and Assumptions
Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that are used.

### Cash and Cash Equivalents
The Alliance considers all highly liquid investments with initial maturities of three months or less to be cash equivalents with the exception of those amounts held as part of the investment portfolio, which are generally intended for long-term purposes. The Alliance holds its cash and cash equivalents at quality financial institutions.

### Grants and Contracts Receivable
Grants and contracts receivable primarily represent amounts due from government agencies for reimbursement of allowable costs according to the agreement. Revenue is recognized as expenses which are reimbursable under grants or contracts are incurred. Management uses the "allowance method" and evaluates the adequacy of the allowance for doubtful accounts based on a periodic review of individual accounts. The primary factors considered in determining the amount of the allowance are past payment history and other specific information known to management that may affect collectability. In management's opinion no allowance for doubtful accounts is considered necessary at September 30, 2016 and 2015. All grants and contracts receivable are expected to be collected within one year.

### Unconditional Promises to Give
Contributions are recognized as support in the period in which unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than monetary assets are recorded at their estimated fair value. The Alliance uses the previously described allowance method to determine uncollectible promises receivable and no allowance for doubtful accounts is considered necessary by management as of September 30, 2016 and 2015. For the years ended September 30, 2016 and 2015, all promises to give are short-term in nature and therefore no valuation allowance has been recorded. Approximately 32% and 100% of the 2016 and 2015 receivable balance are due from one and two donors, respectively.

## NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Investments**
Investments are carried at fair value. Realized and unrealized gains and losses are reflected in the statement of activities.

**Property and Equipment**
Property and equipment purchased at a cost of $1,000 or more is recorded at cost and depreciated over the estimated useful lives using the straight-line method. Depreciable lives are typically forty years for buildings and land improvements and five years for equipment and other property. Donations of property and equipment are recorded as support at their fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. If the value is $1,000 or more, the donated asset is capitalized and depreciated consistent with purchased assets. Maintenance and repairs that do not significantly improve or extend the lives of property of equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized.

**Impairment of Long-Lived Assets**
The Alliance periodically evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance may not be recoverable. When factors indicate that an asset should be evaluated for possible impairment, the Alliance reviews long-lived assets to assess recoverability from future operations using undiscounted cash flows. Impairments are recognized to the extent that the carrying value exceeds fair value. No impairments are recorded during the years ended September 30, 2016 and 2015.

**Deferred Revenue**
Deferred revenue represents amounts received for fundraising events to be held in the subsequent year. Such amounts would be returned to the donor if the event were cancelled.

**Revenue Recognition**
Revenue is recognized as contributions are received or unconditionally pledged and as expenses that are reimbursable under grants or contracts are incurred.

**Recognition of Donor Restrictions**
Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Income Taxes**
The Alliance is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation.

## NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Donated Services**
No amounts are reflected in the accompanying financial statements for donated services as no objective basis is available to measure the value of such services. The Alliance generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Alliance, but these services do not meet the criteria for recognition as contributed services.

**Functional Allocation of Expenses**
The costs of providing the program and activities of the Alliance have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among program services and supporting services.

**Subsequent Events**
Management evaluated subsequent events through April 20, 2017 which is the date the financial statements were available to be issued.

**Prior-Year Comparative Information**
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Alliance's financial statements for the year ended September 30, 2016 from which the summarized information was derived.

**Reclassifications**
Certain amounts in 2015 have been reclassified to conform to 2016 presentation.

## NOTE 2. FAIR VALUE OF ASSETS AND LIABILITIES

At September 30, 2016 and 2015, investments consist of the following:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Fair Value | Cost | Fair Value | Cost |
| Cash and cash equivalents | $ 25,041 | $ 25,041 | $ 11,610 | $ 11,610 |
| Fixed income mutual funds | 321,800 | 326,000 | 315,287 | 326,000 |
| Equity mutual funds | 535,925 | 521,600 | 474,978 | 506,600 |
| | $ 882,766 | $ 872,641 | $ 801,875 | $ 844,210 |

The accounting standards issued by the Financial Accounting Standards Board establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standards describe three levels of inputs that may be used to measure fair value:

**Level 1** Quoted prices in active markets for identical assets or liabilities.

**NOTE 2. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)**

**Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Alliance's investments are assets measured at fair value on a recurring basis. All investments are either cash equivalents or actively traded investments, and therefore, all balances are Level 1 assets under the hierarchy.

**NOTE 3. ENDOWMENT FUND**

The Alliance's endowment consists of one donor-restricted fund and one fund designated by the Board of Directors to function as an endowment. The donor-restricted contributions are made to establish a permanent endowment. The earnings from the endowment funds are to be used to support the Alliance's facilities. Net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

The following table reconciles the endowment fund to related asset balances as of September 30 2016 and 2015:

| | 2016 | 2015 |
|---|---|---|
| Investments | $ 882,766 | $ 801,875 |
| Cash due to investments | - | 4,190 |
| | $ 882,766 | $ 806,065 |

The endowment fund net asset activity and composition by type of funds is as follows:

| | 2016 | | | |
|---|---|---|---|---|
| | Board Designated | Temporarily Restricted | Permanently Restricted | Total |
| Balance at beginning of year | $ 335,502 | $ 18,720 | $ 451,843 | $ 806,065 |
| Contributions | - | - | 1,025 | 1,025 |
| Investment income | 31,498 | 44,178 | - | 75,676 |
| Balance at end of year | $ 367,000 | $ 62,898 | $ 452,868 | $ 882,766 |

**NOTE 3. ENDOWMENT FUND (Continued)**

| | 2015 | | | |
|---|---|---|---|---|
| | Board Designated | Temporarily Restricted | Permanently Restricted | Total |
| Balance at beginning of year | $ 348,271 | $ 36,749 | $ 445,118 | $ 830,138 |
| Contributions | 261 | - | 6,725 | 6,986 |
| Investment loss | (13,030) | (18,029) | - | (31,059) |
| Balance at end of year | $ 335,502 | $ 18,720 | $ 451,843 | $ 806,065 |

**Interpretation of Relevant Law**
The Board of Directors (the "Directors") of the Alliance has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) of the State of Texas to require the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. Therefore, the Alliance will classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Alliance in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Alliance considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Alliance and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Alliance
7. The investment policies of the Alliance

**Return Objectives and Risk Parameters**
Endowment funds are prudently invested as permanently restricted funds, in a manner consistent with earning superior long-term capital appreciation, while minimizing both short and long-term volatility. As a permanent fund, the investment objectives for the endowment require disciplined and consistent management that accommodates all events that are relevant, reasonable, and probable. Extreme positions or frequent variations in management style are not consistent with these objectives. The investments of the endowment shall be appropriately diversified so as to minimize risk and volatility while maximizing expected returns.

## NOTE 3. ENDOWMENT FUND (Continued)

**Strategies Employed for Achieving Objectives**
In general, the return objective for the endowment is an average annual total real (adjusted for inflation and fees) rate of return as measured over a three to five-year market period. The asset allocation, consistent with these expectations, shall be within the following ranges; equities 60-80%, fixed income 20-40%, and cash 0-10%.

It is the responsibility of the Executive Director, working in conjunction with the investment consultant, to monitor asset allocation and to make adjustments, as necessary, to ensure an ongoing asset allocation consistent with return objectives and cash requirements. Variations of up to five percentage points from the stated targets are acceptable. It is also understood that the Investment Committee will review the portfolio's asset allocation ranges no less than twice annually.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**
At the current time and until the endowment exceeds $1 million, the spending rate will be 0%. Thereafter, the spending rate is 5%; the amount to be spent in each coming year shall be approved annually by the Investment Committee. Though changes to the spending rate are expected to be infrequent, the Investment Committee may recommend changes in the spending rate when it is deemed appropriate to do so.

## NOTE 4. PROPERTY AND EQUIPMENT

A summary of property and equipment follows:

| | 2016 | 2015 |
|---|---|---|
| Land | $ 442,057 | $ 442,057 |
| Land improvements | 111,071 | 111,071 |
| Building | 3,177,669 | 3,177,669 |
| Furniture and fixtures | 327,074 | 376,882 |
| Leasehold improvements | 84,815 | 80,881 |
| | 4,142,686 | 4,188,560 |
| Less accumulated depreciation | (1,059,284) | (1,004,922) |
| | $ 3,083,402 | $ 3,183,638 |

## NOTE 5. LICENSE FEE

The Alliance has signed an agreement with Tarrant County, Texas for a twenty year license to provide children services in a facility owned by the County. The license fee of $150,000 is being amortized using the straight-line method over the life of the license (20 years). Accumulated amortization is $135,000 and $127,500 at September 30, 2016 and 2015, respectively.

## NOTE 6. LINE OF CREDIT

The Alliance has an unsecured line of credit agreement with a bank in the amount of $150,000, which matures on April 10, 2018. Borrowings under the line of credit bear interest at the bank's prime rate plus 0.75% and 1.25% (4.25% and 4.5% at September 30, 2016 and 2015). At September 30, 2016 and 2015, there are no amounts outstanding under this agreement.

## NOTE 7. RETIREMENT PLAN

The Alliance sponsors a Simple IRA plan for the benefit of its employees. Full-time employees are eligible to participate in the Simple IRA plan at the beginning of a calendar year if they have been employed with the Alliance for at least one year as of Simple IRA enrollment, which typically occurs in November of the prior year. Part-time employees are eligible to participate at the beginning of a calendar year if they are expected to earn at least $5,000 in the current calendar year, and have earned at least $5,000 during any two prior calendar years. The Alliance has an option to match all eligible employees' contributions to the Simple IRA at 2% of each employee's salary. The Alliance contributed approximately $35,562 and $19,358 to the Simple IRA for the years ended September 30, 2016 and 2015, respectively.

## NOTE 8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are donor restricted for the following purposes:

| | 2016 | 2015 |
|---|---|---|
| Counseling and therapy | $ 58,593 | $ 371,584 |
| Time restrictions | 32,000 | - |
| | 90,593 | 371,584 |
| Unappropriated endowment earnings | 62,898 | 18,720 |
| | $ 153,491 | $ 390,304 |

## NOTE 9. RENTAL INCOME AND DONATED RENT

One of the Alliance's Arlington facilities is provided by the City of Arlington, Texas under a long-term lease arrangement which represents an in-kind donation by the City of Arlington. The value of this in-kind donation of rent is recognized as revenue by the Alliance. The estimated fair value of the rental facility is approximately $58,000 and is recognized as a contribution and program service expense during both fiscal year 2016 and 2015. No pledge receivable is recorded for the future use of the facility because the lease arrangement can be cancelled by either party with three-month notice.

The Alliance subleases portions of its facilities to the State of Texas, City of Fort Worth, and a local charitable organization under cancellable sublease agreements. Income under these agreements is reported as rental income on the statement of activities. Each of the leases is contingent upon funding availability for specific government programs.

## NOTE 10. COMMITMENTS AND CONTINGENCIES

The Alliance leases certain office space and equipment under non-cancellable operating leases that expire in various years through 2021. Expenses for such leases, reported as rent and equipment lease on the statement of functional expenses, total $62,000 and $10,000 for 2016 and 2015, respectively. The minimum lease commitments at September 30, 2016 follow:

| | |
|---|---|
| 2017 | $ 62,000 |
| 2018 | 61,000 |
| 2019 | 9,000 |
| 2020 | 4,000 |
| 2021 | 2,000 |
| | $ 138,000 |

The Alliance receives a substantial amount of its support from federal, state, and local government grants. These grants require fulfillment of certain conditions as set forth in the grant agreement. Failure to fulfill the conditions could result in the return of funds to grantors. In the opinion of management, the Alliance is in compliance with the terms and conditions of the grants.

## NOTE 11. CONCENTRATIONS

The Alliance places its cash with financial institutions where deposits are routinely maintained in amounts that exceed FDIC insurance coverage. At September 30, 2016, approximately $755,000 of the Alliance's cash was uninsured. Management has no reason to believe there is undue credit risk associated with this exposure.

**SUPPLEMENTARY INFORMATION**

## ALLIANCE FOR CHILDREN, INC.

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
### Year Ended September 30, 2016

| Federal Grantor/Pass-through Grantor/ Program Title | Federal CFDA Number | Grant Number | Grant Period | | Federal Expenditures |
|---|---|---|---|---|---|
| U.S. Department of Justice/Texas Criminal Justice Division/Children's Advocacy Centers of Texas Crisis and Counseling Services for Child and Adult Victims of Sexual Assault, Abuse, and Other Violence | 16.575 | 2016-VOCA-3 | 9/1/15 – 9/30/16 | $ | 992,893 |
| U.S. Department of Justice/National Children's Alliance/Children's Advocacy Centers of Texas Office of Juvenile Justice and Delinquency Prevention VOCA Children's Advocacy | 16.758 | 2014-CI-FX-K006 | 1/1/15 – 12/31/15 | | 5,676 |
| **Total Federal Awards** | | | | $ | 998,569 |

See notes to schedule.

# ALLIANCE FOR CHILDREN, INC.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**Year Ended September 30, 2016**

## NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Alliance for Children, Inc. (the "Alliance") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

## NOTE 2. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the Alliance provided no federal awards to subrecipients.

## NOTE 3. NON-CASH ASSISTANCE

The Alliance did not receive any non-cash assistance from federal awards for the year ended September 30, 2016.

## NOTE 4. LOANS

At September 30, 2016, the Alliance had no loans or loan guarantees outstanding with federal awarding agencies.

## NOTE 5. INDIRECT COST RATE

The Alliance has not elected to use the 10% de minimis indirect cost rate, and continues to use the cost allocation plan negotiated individually with its grantors, as applicable.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Alliance for Children, Inc.
Fort Worth, Texas

We have audited, 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, the financial statements of Alliance for Children, Inc. (the "Alliance"), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 20, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Alliance's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Alliance's internal control. Accordingly, we do not express an opinion on the effectiveness of the Alliance's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Alliance's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Alliance's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Alliance's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Alliance's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rylander, Clay & Opitz, LLP

April 20, 2017

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# INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Alliance for Children, Inc.
Fort Worth, Texas

## Report on Compliance for Each Major Federal Program

We have audited the Alliance for Children, Inc.'s (the "Alliance") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Alliance's major federal program for the year ended September 30, 2016. The Alliance's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

## Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

## Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Alliance's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Alliance's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Alliance's compliance.

## Opinion on Each Major Federal Program

In our opinion, the Alliance complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2016.

## Report on Internal Control Over Compliance

Management of the Alliance is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our



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audit of compliance, we considered the Alliance's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Alliance's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rylander, Clay + Opitz, LLP

April 20, 2017

# ALLIANCE FOR CHILDREN, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**Year Ended September 30, 2016**

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### Section I – Summary of Auditor's Results

**Financial Statements**

| | | |
|---|---|---|
| Type of auditor's report issued: | Unmodified | |
| Internal control over financial reporting: | | |
| • Material weakness(es) identified? | ____ Yes | X No |
| • Significant deficiency(ies) identified? | ____ Yes | X None reported |
| • Noncompliance material to financial statements noted? | ____ Yes | X No |

**Federal Awards**

| | | |
|---|---|---|
| Internal control over major programs: | | |
| • Material weakness(es) identified? | ____ Yes | X No |
| • Significant deficiency(ies) identified? | ____ Yes | X None reported |
| Type of auditor's report issued on compliance for major programs: | Unmodified | |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | ____ Yes | X No |

Identification of major programs:

| CFDA Numbers | Name of Federal Program or Cluster |
|---|---|
| 16.575 | Victims of Crime Act Formula Grant Program |

| | | |
|---|---|---|
| Dollar threshold used to distinguish between type A and type B programs: | $750,000 | |
| Auditee qualified as low-risk auditee? | ____ Yes | X No |

### Section II – Financial Statement Findings

No matters were reported.

### Section III – Federal Award Findings and Questioned Costs

No matters were reported

# ALLIANCE FOR CHILDREN, INC.

**SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS**
**Year Ended September 30, 2016**

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**Audit Findings**

None

**Corrective Action Taken**

N/A