

AUSTIN CHILDREN'S SHELTER
December 31, 2016 and 2015
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

AUSTIN CHILDREN'S SHELTER

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Austin Children's Shelter

Report on the Financial Statements

We have audited the accompanying financial statements of Austin Children's Shelter which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, 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.

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 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 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 auditors consider 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 Austin Children's Shelter as of December 31, 2016 and 2015, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of State Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations* and the Texas Uniform Grants Management Standards and the *State of Texas Single Audit Circular*, 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 June 28, 2017 on our consideration of Austin Children's Shelter's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

Atchley & Associates, LLP

Austin, Texas
June 28, 2017

AUSTIN CHILDREN'S SHELTER
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

| | 2016 | 2015 |
|--|---------------|---------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 1,713,347 | \$ 1,231,378 |
| Investments | - | 103,615 |
| Receivables | | |
| Grants | 386,127 | 185,247 |
| Contracts, net | 172,879 | 157,517 |
| Pledges receivable - operating, net | 81,316 | 202,440 |
| Other receivables | 16,768 | 228,716 |
| Due from related party | 62,403 | 81,453 |
| Prepaid expenses | 56,250 | 24,148 |
| Total current assets | 2,489,090 | 2,214,514 |
| Temporarily restricted pledges receivable, net | - | 52,515 |
| Assets held for capital needs and long term investment | | |
| Cash held for capital reserve | 336,118 | 343,347 |
| Pledges receivable - capital campaign, net | 54,000 | 54,000 |
| Total assets held for capital needs and long term investment | 390,118 | 397,347 |
| Property and equipment, net | 10,422,674 | 10,705,533 |
| Total assets | \$ 13,301,882 | \$ 13,369,909 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ 220,278 | \$ 180,244 |
| Accrued salaries | 69,330 | 70,030 |
| Accrued paid time off | 145,522 | 128,179 |
| Other accrued expenses | 171,442 | 141,753 |
| Total current liabilities | 606,572 | 520,206 |
| Long-term debt | 1,000,000 | 1,000,000 |
| Total liabilities | 1,606,572 | 1,520,206 |
| Net Assets | | |
| Unrestricted net assets | | |
| Undesignated | 1,210,849 | 968,225 |
| Board designated | | |
| Designated for DFPS cash reserve | 500,000 | 500,000 |
| Designated for property and equipment | 9,812,793 | 10,102,753 |
| Total unrestricted net assets | 11,523,642 | 11,570,978 |
| Temporarily restricted net assets | 171,668 | 278,725 |
| Permanently restricted net assets | - | - |
| Total net assets | 11,695,310 | 11,849,703 |
| Total liabilities and net assets | \$ 13,301,882 | \$ 13,369,909 |

The accompanying notes are an integral part of these financial statements.

AUSTIN CHILDREN'S SHELTER
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2016 AND 2015

| | 2016 | 2015 |
|---|---------------|---------------|
| CHANGES IN UNRESTRICTED NET ASSETS | | |
| Public support and revenue | | |
| Grants and contracts | | |
| Federal and state agencies | \$ 2,187,711 | \$ 1,558,504 |
| Local agencies | 249,632 | 77,762 |
| Service reimbursement contracts | 1,895,812 | 1,608,718 |
| Contributions and public support | 2,563,986 | 2,742,853 |
| Special fundraising events | 1,007,025 | 1,159,318 |
| Proceeds from endowment from related entity | 12,000 | 34,000 |
| In-kind support | 126,141 | - |
| Revenue from services | 192,882 | 269,752 |
| Investment earnings | (22,033) | 10,220 |
| Other | 14,987 | 14,181 |
| Total unrestricted public support and revenue | 8,228,143 | 7,475,308 |
| Net assets released from restrictions | 221,091 | 227,389 |
| Total unrestricted public support, revenue, net assets released from restrictions and acquired by merger | 8,449,234 | 7,702,697 |
| Expenses | | |
| Program services | | |
| Client services | 6,590,964 | 6,105,763 |
| Community programs | 240,118 | 231,573 |
| Total program services | 6,831,082 | 6,337,336 |
| Supporting services | | |
| Management and general | 912,910 | 866,580 |
| Fundraising | 517,380 | 519,495 |
| Special events | 235,200 | 264,212 |
| Total supporting services | 1,665,490 | 1,650,287 |
| Total expenses | 8,496,572 | 7,987,623 |
| Net change in unrestricted net assets | (47,338) | (284,926) |
| CHANGES IN TEMPORARILY RESTRICTED NET ASSETS | | |
| Public support and revenue | | |
| Contributions and public support | 114,036 | 181,480 |
| Total temporarily restricted public support and revenue | 114,036 | 181,480 |
| Net assets released from restrictions | (221,091) | (227,389) |
| Net change in temporarily restricted net assets | (107,055) | (45,909) |
| Net change in net assets | (154,393) | (330,835) |
| Net assets - beginning of year | 11,849,703 | 12,180,538 |
| Net assets - end of year | \$ 11,695,310 | \$ 11,849,703 |

The accompanying notes are an integral part of these financial statements.

AUSTIN CHILDREN'S SHELTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

| | Program Services | | | Supporting Services | | | Total |
|--|---------------------|--------------------|------------------------|------------------------|-------------------|-------------------|---------------------|
| | Client Services | Community Programs | Total Program Services | Management and General | Fundraising | Special Events | |
| Salaries and benefits | \$ 50,710 | \$ - | \$ 50,710 | \$ - | \$ - | \$ - | \$ 50,710 |
| Reimbursement to parent entity for salaries and benefits | 4,097,211 | 215,836 | 4,313,047 | 737,959 | 348,339 | - | 5,399,345 |
| Professional fees and contracts | 79,063 | 1,466 | 80,529 | 78,623 | 21,752 | - | 180,904 |
| Subcontracts with partner agencies | 1,018,541 | - | 1,018,541 | - | - | - | 1,018,541 |
| Direct client assistance | 266,420 | - | 266,420 | - | - | - | 266,420 |
| Program supplies and expenses | 220,185 | 5,094 | 225,279 | 4,208 | 4,559 | 235,200 | 469,246 |
| Printing and publications | 2,579 | 6,357 | 8,936 | 314 | 82,371 | - | 91,621 |
| Facility costs | 340,007 | 3,586 | 343,593 | 38,946 | 5,884 | - | 388,423 |
| Communications | 42,027 | 1,029 | 43,056 | 5,275 | 3,018 | - | 51,349 |
| Equipment rental and maintenance | 13,510 | 1,398 | 14,908 | 3,745 | 3,639 | - | 22,292 |
| Travel, training and conferences | 161,497 | 798 | 162,295 | 8,254 | 3,632 | - | 174,181 |
| Subscriptions and dues | 10,551 | 167 | 10,718 | 1,521 | 1,695 | - | 13,934 |
| Small equipment purchases | 3,205 | 1,943 | 5,148 | 6,625 | 111 | - | 11,884 |
| Other expenses | 7,220 | 457 | 7,677 | 4,580 | 40,627 | - | 52,884 |
| Total expenses before depreciation | 6,312,726 | 238,131 | 6,550,857 | 890,050 | 515,627 | 235,200 | 8,191,734 |
| Depreciation | 278,238 | 1,987 | 280,225 | 22,860 | 1,753 | - | 304,838 |
| Total expenses | \$ 6,590,964 | \$ 240,118 | \$ 6,831,082 | \$ 912,910 | \$ 517,380 | \$ 235,200 | \$ 8,496,572 |

The accompanying notes are an integral part of these financial statements.

AUSTIN CHILDREN'S SHELTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

| | Program Services | | | Supporting Services | | | Total | |
|--|---------------------|--------------------|------------------------|------------------------|-------------------|-------------------|---------------------|---------------------|
| | Client Services | Community Programs | Total Program Services | Management and General | Fundraising | Special Events | | Supporting Services |
| Reimbursement to parent entity for salaries and benefits | \$ 3,973,558 | \$ 161,775 | \$ 4,135,333 | \$ 688,174 | \$ 359,807 | \$ - | \$ 1,047,981 | \$ 5,183,314 |
| Professional fees and contracts | 49,002 | 26,930 | 75,932 | 68,038 | 11,743 | - | 79,781 | 155,713 |
| Subcontracts with partner agencies | 617,103 | - | 617,103 | - | - | - | - | 617,103 |
| Direct client assistance | 198,210 | - | 198,210 | - | - | - | - | 198,210 |
| Program supplies and expenses | 188,822 | 517 | 189,339 | 6,631 | 6,735 | 264,212 | 277,578 | 466,917 |
| Printing and publications | 4,985 | 31,543 | 36,528 | 68 | 64,000 | - | 64,068 | 100,596 |
| Facility costs | 374,319 | 3,572 | 377,891 | 33,745 | 11,200 | - | 44,945 | 422,836 |
| Communications | 44,865 | 1,157 | 46,022 | 7,556 | 5,345 | - | 12,901 | 58,923 |
| Equipment rental and maintenance | 14,133 | 733 | 14,866 | 2,422 | 2,171 | - | 4,593 | 19,459 |
| Travel, training and conferences | 292,319 | 662 | 292,981 | 10,004 | 2,346 | - | 12,350 | 305,331 |
| Subscriptions and dues | 10,570 | 74 | 10,644 | 3,075 | 449 | - | 3,524 | 14,168 |
| Small equipment purchases | 2,302 | 243 | 2,545 | 17,264 | 143 | - | 17,407 | 19,952 |
| Other expenses | 59,168 | 394 | 59,562 | 1,534 | 43,148 | - | 44,682 | 104,244 |
| Total expenses before depreciation | 5,829,356 | 227,600 | 6,056,956 | 838,511 | 507,087 | 264,212 | 1,609,810 | 7,666,766 |
| Depreciation | 276,407 | 3,973 | 280,380 | 28,069 | 12,408 | - | 40,477 | 320,857 |
| Total expenses | \$ 6,105,763 | \$ 231,573 | \$ 6,337,336 | \$ 866,580 | \$ 519,495 | \$ 264,212 | \$ 1,650,287 | \$ 7,987,623 |

The accompanying notes are an integral part of these financial statements.

AUSTIN CHILDREN'S SHELTER
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

| | 2016 | 2015 |
|--|--------------|--------------|
| OPERATING ACTIVITIES | | |
| Change in net assets | \$ (154,393) | \$ (330,835) |
| Adjustments to reconcile change in net assets to net cash flows from operating activities | | |
| Depreciation | 304,838 | 320,857 |
| Loss on disposal of assets | 29,730 | 1,758 |
| Realized (gains) losses on investments | (7,596) | - |
| Unrealized (gains) losses on investments | (101) | - |
| In-kind property and equipment | (13,288) | - |
| Changes in operating assets and liabilities - | | |
| Receivables | | |
| Grants | (200,880) | (18,853) |
| Contracts | (15,362) | 115,822 |
| Pledges | 121,124 | (191,327) |
| Other | 211,948 | (228,716) |
| Due from related party | 19,050 | 188,870 |
| Prepaid expenses | (32,102) | 76,825 |
| Temporarily restricted pledges | 52,515 | 39,485 |
| Accounts payable | 40,034 | (16,921) |
| Accrued salaries | (700) | (6,386) |
| Accrued paid time off | 17,343 | 10,578 |
| Other accrued expenses | 29,689 | 9,817 |
| | 401,849 | (29,026) |
| INVESTING ACTIVITIES | | |
| Purchase of investments | 111,312 | (258) |
| Proceeds from sale of property and equipment | 1,177 | 16,361 |
| Reserve of cash for capital needs | 7,229 | 10,055 |
| Purchase of property and equipment | (39,598) | (135,755) |
| | 80,120 | (109,597) |
| Net change in cash and cash equivalents | 481,969 | (138,623) |
| Cash and cash equivalents - beginning of year | 1,231,378 | 1,370,001 |
| Cash and cash equivalents - end of year | \$ 1,713,347 | \$ 1,231,378 |

The accompanying notes are an integral part of these financial statements.

AUSTIN CHILDREN'S SHELTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE A - NATURE OF OPERATIONS

Austin Children's Shelter (ACS) is a corporation organized under the Nonprofit Corporation Act of the State of Texas. The mission of ACS is to protect and heal children, young adults, and families in need. ACS provides supportive services and a safe home for children and youth aged birth to 22 years that are in need of a protective caregiver. Current clientele and services include teen mothers in foster care with their babies, young adults aging-out of the foster care system, temporary respite care for children with emotional or developmental disabilities and emergency shelter for children who have been removed from their homes because of abuse or neglect, and community families assisted in the effort to prevent future neglect and abuse.

Funding is provided primarily by contracts with state agencies to provide services to clients on a fee-for-service basis of approximately \$1,896,000 in 2016 and \$1,609,000 in 2015, grants received from federal, state and local governments of approximately \$2,437,000 in 2016 and \$1,636,000 in 2015, and contributions from the general public of approximately \$3,685,000 in 2016 and \$4,084,000 in 2015.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

Financial Statement Presentation

Under Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958, ACS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, based on the absence or existence of donor-imposed restrictions.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations, or the donor-imposed restrictions have expired or been satisfied.

Temporarily restricted net assets - Net assets that are subject to donor-imposed restrictions either for use during a specific time period or for a particular purpose.

Permanently restricted net assets - Net assets that are subject to donor-imposed restrictions that they be maintained permanently by the organization.

ACS did not have any permanently restricted net assets as of December 31, 2016 or 2015.

AUSTIN CHILDREN'S SHELTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets Released From Restrictions

When a donor-imposed restriction is fulfilled or when a time restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and investments with maturities of three months or less and cash and cash equivalents held as part of the investment portfolio.

Receivables

ACS considers grants receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required. An allowance has been recorded in these financial statements for uncollectible fee-for-service reimbursement receivables based on the age of the receivable as recorded at the time the service was provided. An allowance has also been recorded for pledges and other contributions receivable based on prior history with similar donors.

Due To / From Related Parties

The SAFE Service Alliance dba SAFE Alliance (SAFE) (see Note M) maintains one bank account to pay expenditures for Travis County Domestic Violence & Sexual Assault Survival Center, d/b/a SafePlace (SafePlace) and ACS. SafePlace and ACS transfer cash to the SAFE bank account to cover their respective costs. The statement of financial position shows the funds in the SAFE bank account and a corresponding amount due to/from the related parties to reflect the source/owner of the funds.

Investments and Investment Income

ACS's investments include various types of securities that are carried at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establish a fair value hierarchy which gives the highest priority to observable inputs such as quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to inputs from observable data other than quoted prices (Level 2) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. ACS's investments are valued using Level 1 inputs.

Investment income consists of interest and dividends available to support any activities of ACS, and is recognized as unrestricted revenue, unless otherwise specified by the donor.

AUSTIN CHILDREN'S SHELTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment

ACS reports land, buildings and equipment at historical cost if purchased, or at fair value if donated, less accumulated depreciation. Property and equipment purchased in excess of \$5,000 are capitalized. Repairs and maintenance costs are expensed as incurred while betterments and improvements are capitalized. Provision for depreciation is recognized using primarily the straight-line method over the estimated useful lives of the depreciable assets. Upon the sale or other retirement of depreciable property, the cost and accumulated depreciation are removed from the accounts, and any gain or loss is reflected in the statement of activities and changes in net assets.

Depreciation expense is calculated for property and equipment based on estimated useful lives as follows:

| | |
|--------------------------|---------------|
| Buildings & Improvements | 15 - 40 years |
| Furniture & Equipment | 3 - 10 years |
| Vehicles | 3 - 5 years |

Revenue Recognition

In accordance with the FASB ASC 958, *Not-for-Profit Entities*, contributions are recognized as support when they are received. ACS reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. ACS also receives reimbursement grants. These grants are not recorded until acceptable expenditures under the grant terms have been made and reimbursement can be requested.

Special event revenues are recognized when the event is held.

Unconditional promises to give are recognized as revenues or gains in the period received, and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. ACS considers all contributions (unconditional promises to give) to be unrestricted contributions unless the restriction is a donor-imposed stipulation specifying a use for the contribution that is more specific than the broad limits resulting from the nature and purpose of the organization and its continuing programs. Unrestricted contributions are recorded as an increase in unrestricted net assets available in the period in which the notice of the unconditional promise to give is received.

Contributions or grants which result in new and nonrecurring programs as well as contributions received as the result of a capital campaign for the acquisition or rehabilitation of property and equipment are considered temporarily restricted contributions.

AUSTIN CHILDREN'S SHELTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions or grants which contain a donor-imposed stipulation that the contributions cannot be used until a future period are recorded as time restricted contributions. Contributions which are time restricted with respect to the expenditure of the funds are recorded as increases in temporarily restricted net assets available in the period in which the notice of grant award is received. The fair value of contributions arising from unconditional promises to give cash or other assets in one or more future years is measured (discounted) using a risk-adjusted rate of return appropriate for the expected term of the promise to give. Such discounts are amortized between the date the promise to give is initially recognized and the date the actual cash is expected to be collected.

Advertising

Advertising and direct mail costs are expensed as incurred. For the years ended December 31, 2016 and 2015, advertising and direct mail expenses totaled \$91,621 and \$100,596, respectively.

Income Taxes

The Internal Revenue Service has classified ACS as other than a private foundation, which is exempt from federal income taxes on its related purpose income under Section 501(c)(3) of the United States Internal Revenue Code. Consequently, no federal income taxes have been provided for in these financial statements.

ACS has adopted FASB ASC 740, *Accounting for Uncertainty in Income Tax*. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the positions will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. As of December 31, 2016 and 2015, ACS has not recognized liabilities for uncertain tax positions or associated interest and penalties.

ACS's federal exempt organization returns for the years ended December 31, 2013, and after are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

In-Kind Contributions

ACS receives various types of in-kind contributions in the course of daily operations, including professional services, supplies and materials. Contributed professional services are recognized as in-kind contributions if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contributions. Contributions of tangible assets are capitalized at fair value when received.

AUSTIN CHILDREN'S SHELTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Expenses

Directly identifiable expenses are classified as program and supporting services. Expenses related to more than one function are allocated to program and supporting services on the basis of management estimates. Supporting services include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of ACS.

Use of Estimates

The preparation of financial statements in conformity with 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.

Subsequent Events

Management of ACS have evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued. See Note O.

NOTE C - FAIR VALUE MEASUREMENTS OF INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, ACS's assets at fair value as of December 31, 2016:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------|----------------|----------------|--------------|
| Certificates of deposit with varying maturities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

The following table sets forth by level, within the fair value hierarchy, ACS's assets at fair value as of December 31, 2015:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|-------------------|----------------|----------------|-------------------|
| Certificates of deposit with varying maturities | <u>\$ 103,615</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 103,615</u> |

The following schedule summarizes the components of investment return:

| | <u>2016</u> | <u>2015</u> |
|-------------------------------------|--------------------|------------------|
| Interest and dividends | \$ 7,596 | \$ 10,077 |
| Realized gain (loss) on investments | (29,629) | 143 |
| | <u>\$ (22,033)</u> | <u>\$ 10,220</u> |

AUSTIN CHILDREN'S SHELTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE D - PLEDGES

ACS received pledges, or promises to give, of donations related to its operations. Promises to be received after 2016 are discounted at 2% per year.

Unconditional promises to give at December 31, 2016 and 2015, follows:

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| Operations | \$ 90,351 | \$ 224,933 |
| Capital campaign | 60,000 | 60,000 |
| Temporarily restricted | - | 56,467 |
| Total | <u>\$ 150,351</u> | <u>\$ 341,400</u> |
| | | |
| Amounts due in | | |
| Less than one year | \$ 90,351 | \$ 291,400 |
| One to five years | 60,000 | 50,000 |
| Total unconditional promises to give | <u>150,351</u> | <u>341,400</u> |
| Less discount to net present value | (3,000) | (4,129) |
| Less allowance for uncollectible pledges | <u>(12,035)</u> | <u>(28,316)</u> |
| Net unconditional promises to give | <u>\$ 135,316</u> | <u>\$ 308,955</u> |

Unconditional promises to give are presented on the statements of financial position as follows:

| | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------|
| Current asset | | |
| Pledges receivable - operating, net | \$ 81,316 | \$ 202,440 |
| Temporarily restricted pledges receivable | - | 52,515 |
| Pledges receivable - capital campaign | <u>54,000</u> | <u>54,000</u> |
| | <u>\$ 135,316</u> | <u>\$ 308,955</u> |

AUSTIN CHILDREN'S SHELTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | 2016 | 2015 |
|-----------------------------------|---------------|---------------|
| Land | \$ 2,000,000 | \$ 2,000,000 |
| Buildings and improvements | 9,782,244 | 9,834,719 |
| Furniture, fixtures and equipment | 693,289 | 784,302 |
| Vehicles | 181,098 | 214,767 |
| | 12,656,631 | 12,833,788 |
| Accumulated depreciation | (2,233,957) | (2,128,255) |
| | \$ 10,422,674 | \$ 10,705,533 |

Depreciation expense totaled \$304,838 and \$320,857 for the years ended December 31, 2016 and 2015, respectively.

During the year ended December 31, 2016, ACS received and placed into service a van valued at \$13,288.

NOTE F - NOTE PAYABLE

ACS entered into an agreement with the Austin Housing and Finance Corporation on June 26, 2008, in the amount of \$1,000,000. The note has a maturity date of July 1, 2107, with an annual interest rate of 0% and an annual interest rate on matured, unpaid amounts of 0%. The agreement states that, provided the borrower has not violated any of the terms and conditions of the loan agreement, the outstanding principal balance of the note will be forgiven and paid in full on the maturity date. As of December 31, 2016 and 2015, the balance on the note was \$1,000,000.

AUSTIN CHILDREN'S SHELTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE G - SPECIAL FUNDRAISING EVENT

ACS held various special fundraising events during 2016 and 2015. The revenue and expenses related to these special events are reflected in these financial statements as follows:

| <u>Event</u> | 2016 | | |
|-------------------------|---------------------|---------------------|-------------------|
| | <u>Revenue</u> | <u>Direct Costs</u> | <u>Net</u> |
| Gala | \$ 717,547 | \$ 164,000 | \$ 553,547 |
| Fore the Children | 116,050 | 44,906 | 71,144 |
| Flashback/New Wave Ball | 21,626 | 1,349 | 20,277 |
| Touch-A-Truck | 92,513 | 22,839 | 69,674 |
| 3rd Party Hosted Events | 59,289 | 2,106 | 57,183 |
| Totals | <u>\$ 1,007,025</u> | <u>\$ 235,200</u> | <u>\$ 771,825</u> |

| <u>Event</u> | 2015 | | |
|----------------------------|---------------------|---------------------|-------------------|
| | <u>Revenue</u> | <u>Direct Costs</u> | <u>Net</u> |
| Gala | \$ 781,694 | \$ 181,032 | \$ 600,662 |
| Fore the Children | 128,949 | 48,561 | 80,388 |
| New Wave Ball | 38,941 | 8,277 | 30,664 |
| Golf Scramble-Strong Start | 116,801 | 24,887 | 91,914 |
| 3rd Party Hosted Events | 92,933 | 1,455 | 91,478 |
| Totals | <u>\$ 1,159,318</u> | <u>\$ 264,212</u> | <u>\$ 895,106</u> |

NOTE H - IN-KIND DONATIONS

During the year ended December 31, 2016, ACS received and placed into service a van valued at \$13,288.

ACS received and utilized professional services for its programs during the year. ACS would have paid for these services if they were not donated.

| <u>Salaries</u> | 2016 | |
|--------------------------------|--------------|-------------------|
| | <u>Hours</u> | <u>Fair Value</u> |
| Children/Youth Housing Support | 1,359 | \$ 34,112 |
| Care Academy/Child Services | 525 | 13,177 |
| Strong Start/Outreach Services | 136 | 3,421 |
| Total Contributed Services | <u>2,020</u> | <u>\$ 50,710</u> |

Donated Items Utilized as Direct Assistance to Clients

ACS utilized donations of clothing, toys, and other household items as direct assistance to clients. Items valued at \$62,143 in 2016 were received and distributed to clients.

AUSTIN CHILDREN'S SHELTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE I - TEMPORARILY RESTRICTED NET ASSETS

Net assets restricted for purpose and time are as follows:

| | 2016 | 2015 |
|---|------------|------------|
| Restricted by time to future expenditures | \$ 137,500 | \$ 273,480 |
| Restricted for capital projects | - | - |
| Restricted to various programs | 34,168 | 5,245 |
| | \$ 171,668 | \$ 278,725 |

Net assets released from restrictions for purpose and time are as follows:

| | | |
|----------------------|------------|------------|
| Time restriction met | \$ 220,966 | \$ 214,889 |
| Capital projects | 125 | 12,500 |
| | \$ 221,091 | \$ 227,389 |

NOTE J - RETIREMENT CONTRIBUTION

ACS provides a 403(b) salary reduction retirement plan for the benefit of employees. The plan allows for contributions through payroll deductions. Individual employee contributions vary. The cost of employer contributions to the plan was \$65,025 and \$49,180 in the years ending December 31, 2016 and 2015, respectively. Effective January 1, 2013, the plan is held by SAFE (see Note M), and the costs are reflected as reimbursement to SAFE. In prior years ACS provided a 401(k) plan. No significant changes occurred in the plan components in 2016 or in 2015.

NOTE K - COMMITMENTS AND CONTINGENCIES

Grants and Contracts

ACS is funded by grants and contracts that are subject to review and audit by the grantor agencies. These grants and contracts have certain compliance requirements and, should audits by the grantor agencies disclose any areas of substantial noncompliance, ACS may be required to refund any disallowed costs. Management does not know of any noncompliance which would require refunds.

NOTE L - CONCENTRATION OF RISK

ACS maintains cash deposits in financial institutions. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at December 31, 2015. Cash balances in investments are insured by the Securities Investor Protection Corporation (SIPC) up to \$250,000 at December 31, 2016. At December 31, 2016, ACS had cash and cash equivalents of \$1,403,430 that exceeded FDIC and SIPC coverage. ACS reviews the financial position of the financial institutions on a regular basis and believes any credit risk is mitigated because the financial institutions are well collateralized.

AUSTIN CHILDREN'S SHELTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE M - RELATED PARTY

On May 29, 2012, SAFE, a 501(c)(3) organization, was formed to serve as an umbrella or parent entity for ACS, SafePlace, and SAFE Alliance Foundation, to enhance and improve services provided to victims/survivors. Effective January 1, 2013, SAFE provides certain shared services and centralized governance functions. Salaries and taxes for the personnel of member agencies are paid under the SAFE employer identification number. These costs and related benefits are allocated to member agencies who record these costs as a reimbursement to SAFE. Prior to July 10, 2015, SAFE was formerly known as LIFT Alliance. On July 10, 2015, the name of LIFT was changed to The Safe Services Alliance (SAFE).

NOTE N - THE AUSTIN CHILDREN'S SHELTER ENDOWMENT FUND

Under an agreement dated December 21, 2004, The Austin Community Foundation for the Capital Area (the Foundation) holds funds in The Austin Children's Shelter Endowment Fund (the Fund). The purpose of the Fund is to provide a stable and ongoing means of generating operating revenue which will be used to support the educational and charitable mission of the Shelter. The Fund has an Advisory Committee, appointed by the Shelter's Board of Directors, that advises the Foundation on grants from the Fund. Distributions of up to five percent of the value of the Fund may be made annually unless written advice of the Advisory Committee provides otherwise.

Because the Foundation has variance powers to determine the ultimate disposition of the funds, the funds held by the Foundation are not recorded on the books of ACS or considered ACS assets. Distributions were made from the Fund to the Shelter during 2016 and 2015 for \$12,000 and \$34,000, respectively. The fair value of the investments in the Fund is \$168,730 and \$164,744 at December 31, 2016 and 2015, respectively.

NOTE O - SUBSEQUENT EVENTS

SafePlace, ACS and SAFE merged effective January 1, 2017 as SAFE. SAFE changed its fiscal year from January 1 through December 31 to April 1 through March 31 effective April 1, 2017

SUPPLEMENTAL INFORMATION

AUSTIN CHILDREN'S SHELTER
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 YEAR ENDED DECEMBER 31, 2016

| State Grantor/Pass-Through Grantor/Program Title | Identification Number | Grant Expenditures |
|--|--------------------------|----------------------------|
| <u>Office of the Attorney General</u> | | |
| Other Victim Assistance Grant | 1663988 | \$ 42,270 |
| <u>Department of Family Protective Services</u> | | |
| Project HOPES | 24125747 | <u>1,906,002</u> |
| Total Texas Department of Family Protective Services | | <u>1,906,002</u> |
| Total State Expenditures | | <u><u>\$ 1,948,272</u></u> |

AUSTIN CHILDREN'S SHELTER
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of state awards includes the state grant activity of Austin Children's Shelter, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *The State of Texas Single Audit Circular*. 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 - Revenue Recognition

Grant revenues from governmental agencies and other grantors are recognized when compliance with the various grant requirements is achieved. Usually this occurs at the time the expenditures are made and any grant matching requirements are met.



**INDEPENDENT AUDITORS' 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
Austin Children's Shelter

We have audited, in accordance with the 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 and the Texas Uniform Grants Management Standards and the State of Texas Single Audit Circular, the financial statements of Austin Children's Shelter, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Austin Children's Shelter'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Austin Children's Shelter's internal control. Accordingly, we do not express an opinion on the effectiveness of Austin Children's Shelter'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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 these 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 Austin Children's Shelter's financial statements are free from 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Atchley & Associates, LLP

Austin, Texas
June 28, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH *THE STATE OF TEXAS*
*SINGLE AUDIT CIRCULAR***

Board of Directors
Austin Children's Shelter

Report on Compliance for Each Major State Program

We have audited Austin Children's Shelter's compliance with the types of compliance requirements described in *the State of Texas Single Audit Circular* that could have a direct and material effect on each of Austin Children's Services' major state programs for the year ended December 31, 2016. Austin Children's Shelter's major state programs are identified in the summary of auditors' 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, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Austin Children's Shelter's major state programs 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 State of Texas Single Audit Circular*. Those standards and *The State of Texas Single Audit Circular* 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 state program occurred. An audit includes examining, on a test basis, evidence about Austin Children's Shelter's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Austin Children's Shelter's compliance.

Opinion on Each Major State Program

In our opinion, Austin Children's Shelter complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of Austin Children's Shelter 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 audit of compliance, we considered Austin Children's Shelter's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with *the State of Texas Single Audit Circular*, 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 Austin Children's Shelter'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 state 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 state 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state 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.

Purpose of this Report

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 State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

Achley & Associates, LLP

Austin, Texas
June 28, 2017

AUSTIN CHILDREN'S SHELTER
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED DECEMBER 31, 2016

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

State Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes X None Reported

Type of auditors' report issued on compliance for major programs: Unmodified

- Any audit findings that are required to be reported in accordance with *The State of Texas Single Audit Circular* Yes X No

Identification of major programs:

Name of State Program
 Texas Department of Family Protective Services
 Project HOPES - ID #24125747

AUSTIN CHILDREN'S SHELTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED DECEMBER 31, 2016

I. Summary of Auditors' Results - Continued

Dollar threshold used to distinguish between Type A and Type B programs \$ 750,000

Auditee qualified as low-risk auditee? X Yes No

II. Financial Statement Findings

No matters were reported

III. Findings and Questioned Costs for State Awards

No matters were reported

AUSTIN CHILDREN'S SHELTER
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016

I. Findings - Financial Statement Audit

No matters were reported

II. Findings and Questioned Costs - Major State Award Programs Audit

No matters were reported