

SJRC Texas

Financial Statements

June 30, 2017



SJRC Texas

Table of Contents

	Page
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6

Independent Auditor's Report

To the Board of Directors of
St. Jude's Ranch for Children - Texas Region, Inc. dba SJRC Texas

We have audited the accompanying financial statements of St. Jude's Ranch for Children - Texas Region, Inc. dba SJRC Texas (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Jude's Ranch for Children - Texas Region, Inc. dba SJRC Texas as of June 30, 2017, 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.



Schriver, Carmona & Company, PLLC

San Antonio, Texas

November 29, 2017

Financial Statements

SJRC Texas

Statement of Financial Position June 30, 2017

Assets

Current Assets:

Cash	\$	215,911
Investments		267,815
Accounts Receivable		303,408
Prepays		992
Other Current Assets		18,621
Total Current Assets		<u>806,747</u>

Fixed Assets

Property and Equipment, net		<u>1,758,886</u>
Total Fixed Assets		<u>1,758,886</u>

Other Assets

Other Assets		<u>2,230</u>
Total Other Assets		<u>2,230</u>

Total Assets \$ 2,567,863

Liabilities and Net Assets

Current Liabilities:

Accounts Payable	\$	21,609
Accrued Liabilities		<u>158,995</u>
Total Current Liabilities		<u>180,604</u>

Total Liabilities 180,604

Net Assets:

Unrestricted		2,387,259
Temporarily Restricted		<u>-</u>
Total Net Assets		<u>2,387,259</u>

Total Liabilities and Net Assets \$ 2,567,863

SJRC TexasStatement of Activities
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues			
Government Grants	\$ 2,343,962	\$ -	\$ 2,343,962
Other Grants	469,487	-	469,487
Contributions	669,245	-	669,245
Special Event Income, Net	177,902	-	177,902
Program Income	2,699	-	2,699
Interest Income	98	-	98
Other Income	12,568	-	12,568
Net Assets Released from Restrictions	95,713	(95,713)	-
Total Support and Revenues	<u>3,771,675</u>	<u>(95,713)</u>	<u>3,675,962</u>
Expenses			
Program Services	2,869,677	-	2,869,677
Support Services:			
Management and General	708,008	-	708,008
Fundraising	219,233	-	219,233
Total Expenses	<u>3,796,918</u>	<u>-</u>	<u>3,796,918</u>
Changes in Net Assets	(25,244)	(95,713)	(120,957)
Net Assets at Beginning of Year	<u>2,412,503</u>	<u>95,713</u>	<u>2,508,216</u>
Net Assets at End of Year	<u>\$ 2,387,259</u>	<u>\$ -</u>	<u>\$ 2,387,259</u>

The Accompanying Notes are an Integral Part of These Financial Statements

SJRC Texas

Statement of Functional Expenses
Years Ended June 30, 2017

	Program Services	Support Services		Total
		Management and General	Fundraising	
Salaries and Wages	\$ 1,906,611	\$ 450,795	\$ 135,901	\$ 2,493,307
Payroll Taxes	137,105	31,173	10,509	178,787
Total Salaries and Related Expenses	2,043,716	481,968	146,410	2,672,094
Accounting Fees	-	25,985	-	25,985
Advertising	175	3,724	28,357	32,256
Bank Fees	-	5,129	-	5,129
Computer Hardware/Software	25,918	2,326	4,851	33,094
Conferences and Meetings	7,086	7,146	2,267	16,499
Dues and Subscriptions	5,450	3,004	2,927	11,381
Employee Benefits	6,814	1,345	28	8,187
Foster Family Payments	193,792	-	-	193,792
Housing Costs	26,167	-	-	26,167
Investment Losses	-	526	-	526
Information Technology	35,238	4,350	2,470	42,058
Insurance	52,824	27,853	-	80,677
Legal Fees	-	10,460	-	10,460
Merchant Service Fee	-	4,719	-	4,719
Office Expenses	13,130	11,214	5,841	30,185
Postage and Shipping	664	364	429	1,457
Professional Services	-	34,855	5,000	39,855
Rent	19,658	-	14,198	33,856
Resident Expenses	214,106	-	29	214,135
Repair and Maintenance	8,882	241	2,849	11,972
Security System	12,008	-	-	12,008
Telephone / Internet	38,325	6,715	3,516	48,555
Travel	47,867	4,180	57	52,103
Utilities	46,170	217	-	46,387
Total Expenses before Depreciation	2,797,990	636,321	219,233	3,653,544
Depreciation	71,687	71,687	-	143,374
Total Expenses	\$ 2,869,677	\$ 708,008	\$ 219,233	\$ 3,796,918

The Accompanying Notes are an Integral Part of These Financial Statements

SJRC Texas

Statement of Cash Flows Years Ended June 30, 2017

Cash Flows From Operating Activities:

Change in Net Assets	\$ (120,957)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Depreciation	143,374
Realized Loss on sale of investments	526
Prior period adjustments	(6,170)
Increase in:	
Prepays	29,498
Accrued Expenses	34,321
Decrease in:	
Accounts Receivable	(6,806)
Other Assets	(20,851)
Accounts Payable	(15,243)
	<u>37,692</u>
Net Cash Provided by Operating Activities	<u>37,692</u>

Cash Flows From Investing Activities:

Purchase of Property and Equipment	(207,823)
Proceeds from the Sale of Investments	21,703
Purchase of Investments	(290,044)
Due From Affiliates	365,083
	<u>(111,081)</u>
Net Cash Used by Investing Activities	<u>(111,081)</u>

Net Decrease in Cash	(73,389)
Cash, Beginning of Year	<u>289,300</u>
Cash, End of Year	<u>\$ 215,911</u>

SJRC Texas

Notes to Financial Statements
Years Ended June 30, 2017

Note A: Nature of Organization

St. Jude's Ranch for Children - Texas Region, Inc. dba SJRC Texas (SJRC Texas) is a nonprofit organization incorporated under the laws of the State of Texas. SJRC Texas includes two nonsectarian facilities licensed by the Texas Department of Family and Protective Services to care for abused, abandoned and homeless children. One facility located in New Braunfels, Texas, serves as a shelter for emergency care of children from infancy to age 17 while the Texas Department of Family and Protective Services determine their residency destination. The shelter also provides a program for pregnant and parenting children ages 10 to 17. For the emergency shelter, the short-term length of stay is approximately 90 days unless an extension is granted and the long-term length of stay is approximately two years. The shelter is licensed to care for a maximum of 24 children. The second facility located in Bulverde, Texas is licensed by the Texas Department of Family and Protective Services to care for children ages 6 to 17. The facility has five homes where these children receive residential therapeutic foster care services in a home-like environment. The third facility in San Antonio, Texas is responsible for providing counseling and assistance as well as a Child Placing Agency for foster or adoptive parents.

SJRC Texas's program services are supported primarily through state and local government contracts, as well as donations from individuals, corporations, foundations, and its affiliates.

Note B: Summary of Accounting Principles

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). Net assets, support and revenue, and expenses are classified according to three classes of net assets:

- *Unrestricted net assets* – net assets that are not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – net assets subject to donor-imposed stipulations that may or will be met either by actions of SJRC Texas and/or the passage of time.
- *Permanently restricted net assets* – net assets subject to donor-imposed stipulations that they be maintained permanently by SJRC Texas.

Fair Value of Financial Instruments

SJRC Texas's financial instruments include cash, investments, receivables and payables. The carrying amount of these financial instruments as reflected in the Statement of Financial Position, except for investments (see Note C), approximates fair value.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent 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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated on the basis of estimates by management among the programs and supporting services, based primarily on the nature of the expense concerned and percentages of time allocated to these functions.

SJRC Texas

Notes to Financial Statements
Years Ended June 30, 2017

Note B: Summary of Accounting Principles (Continued)

New Accounting Pronouncements

In February 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*, effective for reporting periods beginning after December 15, 2019. Under this new pronouncement, generally, leases with terms of more than 12 months will be recognized on the statement of financial position as an asset (right to use leased asset) and a liability (lease liability). The Trust's management expects the impact to operations to be minimal and is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 will result in significant changes to financial reporting and disclosures for non-for-profit organizations and is effective for periods beginning after December 15, 2017, with early adoption permitted. The pronouncement replaces the three classes of net assets with two new classes, requires the reporting of expenses by function and natural classification for all not-for-profit organizations, enhances disclosures on liquidity and availability of resources, and includes several other less significant reporting enhancements. Management of Trust is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Cash and Cash Equivalents

For purposes of reporting cash flows, SJRC Texas considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consists of amounts due from state and county agencies for services provided in the care for children. Receivables are stated at the amount management expects to collect from outstanding balances. It is SJRC Texas's policy to charge off uncollectible accounts receivable for program fees when management determines the receivable will not be collected. The program fees are delinquent when not received within the contractual terms. SJRC Texas estimates an allowance for doubtful accounts based on periodic assessment. If the accounts become uncollectible, the balance will be charged to expense when the determination is made. Receivables at June 30, 2017 are considered to be fully collectible; accordingly, no allowance has been established. All amounts recorded are expected to be received within one year.

Property and Equipment

Property and equipment is stated at cost if purchased or at fair value at the date of gift, if donated, less accumulated depreciation. SJRC Texas capitalizes property and equipment over \$1,000 with expected useful lives greater than one year. Lesser amounts are expensed. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets as shown below. When an asset is disposed of, the cost and related accumulated depreciation is removed from the books, and the gain or loss is recognized.

Furniture and Fixtures, vehicles, and equipment	3 to 10 years
Land Improvements	3 to 25 years
Buildings	25 to 39 years

SJRC Texas

Notes to Financial Statements
Years Ended June 30, 2017

Note B: Summary of Accounting Principles (Continued)

Contributions and Grants

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily restricted net assets or permanently restricted net assets, depending on the nature of the restriction. Temporarily restricted net assets are reclassified to unrestricted net assets upon expiration of the time restriction and are reported in the Statement of Activities as “net assets released from restrictions”. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled \$31,131 for the year ended June 30, 2017.

Donated Services, Goods and Facilities

Volunteers have donated time to the program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair market value at the date of receipt.

Federal Income Taxes

SJRC Texas is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying statements. In addition, SJRC Texas has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) for the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2017. SJRC Texas is not subject to the Texas margin tax. Management is not aware of any tax position that would have a significant impact on its financial position. SJRC Texas’s tax returns for tax years 2013 through 2015 remain subject to examination.

Note C: Investments

GAAP provides a framework for measuring fair value and establishes a three-level fair value hierarchy that prioritizes inputs to valuation techniques based on the degree to which objective prices in external active markets are available to measure fair value. The following is a description of each of the levels of the fair value hierarchy:

- *Level 1* - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets that BSA has the ability to access.
- *Level 2* - Inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.
- *Level 3* - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions as there is little, if any, related market activity.

SJRC Texas

Notes to Financial Statements
Years Ended June 30, 2017

Note C: Investments (Continued)

The following tables set forth by level, within the fair value hierarchy, SJRC Texas's assets at fair value as of June 30, 2017:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Investments	<u>267,815</u>	<u>-</u>	<u>-</u>	<u>267,815</u>
	<u>\$ 267,815</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 267,815</u>

Note D: Property and Equipment, net

Property and Equipment, net of accumulated depreciation and amortization consisted of the following at June 30, 2017:

Land	\$ 122,500
Building	2,184,964
Leasehold Improvements	211,901
Furniture and Equipment	219,394
Vehicles	181,763
Less: Accumulated Depreciation and Amortization	<u>(1,161,636)</u>
Total	<u>\$ 1,758,886</u>

Depreciation and amortization expense for the year ended June 30, 2017 was \$143,374.

Note E: Line of Credit

SJRC Texas has a revolving line of credit with a financial institution. The Line of credit has a limit of \$100,000, interest only payments until maturity (September of 2018) and accrues interest at a rate of Prime plus 175 basis points. As of June 30, 2017, there were no amounts outstanding on the line of credit.

Note F: Concentrations

Credit Risk of Financial Instruments

Financial instruments that potentially subject SJRC Texas to concentrations of credit risk consist of its cash balances at the banks if such balances exceed the amount insured by Federal Deposit Insurance Corporation (FDIC). For the year ended, June 30, 2017, SJRC Texas's deposits at the Bank did not exceed the FDIC limit of \$250,000. SJRC Texas has not experienced any losses in such accounts and management believes it is not exposed to any significant risk on its cash and cash equivalents.

SJRC Texas

Notes to Financial Statements
Years Ended June 30, 2017

Note F: Concentrations (Continued)

Support and Revenue

The primary source of SJRC Texas's revenue is grants funded with federal and state funds. The revenue from these grants for the year ended June 30, 2017 was \$2,343,962 which was 65% of total support and revenue. The grants for the year ending June 30, 2018 have been approved and management believes that future grants will continue.

Note G: Leases

SJRC Texas is obligated under a non-cancellable operating lease agreement for office space in the San Antonio area. Future minimum rental payments due under the operating lease agreements at June 30, 2017 are summarized as follows:

2018	\$	28,520
2019		29,331
2020		<u>25,006</u>
Total Lease Commitment	\$	<u>82,857</u>

Rent expenses related to these leases totaled \$33,856 for the year ended June 30, 2017.

Note H: Subsequent Events

Subsequent events have been evaluated through the date of this report, which is the date the financial statements were available to be issued.