

HOUSTON ACHIEVEMENT PLACE

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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DECEMBER 31, 2017**

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German & Cohn, P.C.

Certified Public Accountants

Mark A. German, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Houston Achievement Place

We have audited the accompanying financial statements of Houston Achievement Place (a nonprofit organization) which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to 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 Houston Achievement Place as of December 31, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of function expenses and additional supplementary information 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 general 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 taken as a whole.

German & Cohn, P.C.

Houston, Texas
July 25, 2018

HOUSTON ACHIEVEMENT PLACE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 222,592
Short-term investments	2,311,828
Accounts receivable	
State and county agencies	128,463
Others	108,493
Prepaid expenses	<u>58,030</u>

TOTAL CURRENT ASSETS 2,829,406

PROPERTY AND EQUIPMENT, NET 781,996

TOTAL ASSETS \$3,611,402

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ <u>126,138</u>
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TOTAL CURRENT LIABILITIES 126,138

NET ASSETS, WITHOUT DONOR RESTRICTIONS 3,485,264

TOTAL LIABILITIES AND
NET ASSETS \$3,611,402

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

**HOUSTON ACHIEVEMENT PLACE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
GOVERNMENT REVENUES			
TDFPS, Harris County	\$1,062,262		\$1,062,262
TDFPS, other counties	292,713		292,713
TDFPS, adoptions	47,000		47,000
NHIC, Medicaid	<u>95,572</u>		<u>95,572</u>
 TOTAL GOVERNMENT REVENUES	 <u>1,497,547</u>		 <u>1,497,547</u>
OTHER REVENUES			
School program services	377,877		377,877
Contributions	331,203	\$ 283,667	614,870
Investment return	127,634		127,634
Mortgage interest	3,551		3,551
Gala event	367,075		367,075
Sales to the public	139,944		139,944
Rental and miscellaneous	<u>8,002</u>		<u>8,002</u>
 TOTAL OTHER REVENUES	 <u>1,355,286</u>	 <u>283,667</u>	 <u>1,638,953</u>
 TOTAL REVENUES, GAINS AND OTHER SUPPORT	 2,852,833	 283,667	 3,136,500
PROGRAM, MANAGEMENT AND GENERAL EXPENSES	<u>3,031,327</u>	<u>283,667</u>	<u>3,314,994</u>
 DECREASE IN NET ASSETS	 (178,494)	 0	 (178,494)
NET ASSETS AT BEGINNING OF YEAR	<u>3,663,758</u>		<u>3,663,758</u>
 NET ASSETS AT END OF YEAR	 <u>\$3,485,264</u>	 <u>\$ 0</u>	 <u>\$3,485,264</u>

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

HOUSTON ACHIEVEMENT PLACE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Adjustments to reconcile decrease in net cash used by operating activities	\$ (178,494)
Depreciation	28,417
Unrealized gains from investments	(31,354)
Realized losses from investments	1,361
(Increase) decrease in operating assets	
Accounts receivable	15,184
Prepaid expenses	(372)
Increase (decrease) in operating liabilities	
Accounts payable and accrued expenses	<u>17,337</u>
NET CASH USED BY OPERATING ACTIVITIES	(147,921)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of short-term investments	150,000
Note receivable payments	282,937
Purchases of property and equipment	(30,353)
Purchase of short-term investments	<u>(358,070)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	44,514
NET DECREASE IN CASH AND CASH EQUIVALENTS	(103,407)
BEGINNING CASH AND CASH EQUIVALENTS	<u>325,999</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 222,592</u>

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

HOUSTON ACHIEVEMENT PLACE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - NATURE OF ACTIVITIES

Houston Achievement Place operates as a nonprofit, social service organization, organized and incorporated under the laws of the State of Texas. The Organization is licensed to carry on its foster care and adoption services by the Texas Department of Family and Protective Services and operates training and other service programs for children, adolescents, families and schools primarily in the Greater Houston, Texas metropolitan area.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements of the Organization have been prepared utilizing the accrual basis of accounting under which revenues are recorded when earned and expenses are recognized when incurred.

To ensure observance of limitations and certain restrictions placed on the use of resources available to the Organization and to provide sufficient net assets for future operations, the financial statements are reported according to two classes of net assets; without donor restrictions and with donor restrictions.

Net assets without donor restrictions include funds that are available for support and general operations of the Organization and have no donor restrictions.

Net assets with donor restrictions are generally contributions that have been restricted by donors. All restrictions have been met at the balance sheet date.

Property and Equipment

The Organization capitalizes property and equipment over \$5,000. Lesser amounts are expensed. Property and equipment are stated at cost. Depreciation is computed using the straight-line method over estimated useful lives of from three to thirty years. Expenditures for major renewals and betterments which extend the useful lives of property and equipment are capitalized; expenditures for maintenance and repairs are charged to expense as incurred.

Accounts Receivable

Accounts receivable are uncollateralized. Management continually evaluates collectibility based on historical experience and has determined that no allowance for doubtful accounts is necessary at year end.

Accounts receivable are primarily from state and county agencies.

HOUSTON ACHIEVEMENT PLACE
NOTES TO FINANCIAL STATEMENTS, Continued
DECEMBER 31, 2017

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash in bank, brokerage firm, money market funds and all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Code as other than a private foundation.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2014, 2015 and 2016 are subject to examination by the IRS, generally for three years after they were filed.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

COST ALLOCATION

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied.

NOTE 3 - INVESTMENTS

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. At December 31, 2017, the Organization had invested in various publicly-traded mutual funds which are summarized as follows:

Total market value of mutual funds	\$ 2,311,828
Total cost of mutual funds	<u>(2,288,638)</u>
Unrealized gains	\$ <u>23,190</u>

HOUSTON ACHIEVEMENT PLACE
NOTES TO FINANCIAL STATEMENTS, Continued
DECEMBER 31, 2017

NOTE 3 - INVESTMENTS, Continued

Investment return includes interest and dividends of \$97,641, realized losses of \$1,361 and change in unrealized gains of \$31,354.

NOTE 4 - CONCENTRATION OF CREDIT RISK

Houston Achievement Place maintains several bank accounts at institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and by private insurance. During the year, the balances in these accounts have exceeded insurance limits.

NOTE 5 - PROMISES TO GIVE

At December 31, 2017, the Organization has determined there were no unconditional promises to give. Unconditional promises to give reflect commitments by donors before the balance sheet date which will be received in a future period.

NOTE 6 - RESTRICTIONS ON NET ASSETS

The Organization received funds from charitable contributions with donor restrictions related to Project CLASS and Foster Care during 2017. All funds were released from restrictions at the balance sheet date because they were appropriated for expenditure.

NOTE 7 - GOVERNING BOARD DESIGNATIONS

The Houston Achievement Place governing board had not made any designations of net assets, from net assets without donor restrictions during the year.

NOTE 8 - TRADEMARK

The Organization is the owner of a trademark for a program called "Project CLASS". Project CLASS teaches educators and care-providers to teach core social skills to children primarily 3-12 years old for school and life success.

NOTE 9 - AFFILIATED ORGANIZATION

Houston Achievement Place is the beneficiary of an affiliated organization named the Foundation for Houston Achievement Place. The Foundation holds certain investments in marketable securities and real estate. There is an operating agreement which allows the Foundation to make contributions annually to Houston Achievement Place based on the average market value of investments each June 30. Contributions of \$300,000 were made in 2017. The Foundation's financial statements are not included in the accompanying financial statements. The Foundation's board of directors is independent from the board of Houston Achievement Place.

HOUSTON ACHIEVEMENT PLACE
NOTES TO FINANCIAL STATEMENTS, Continued
DECEMBER 31, 2017

NOTE 10 - RETIREMENT PLAN

The Organization has established a 403(b) retirement plan for its employees. During 2017 there were no employer contributions to the plan.

NOTE 11 - MORTGAGE NOTE RECEIVABLE

On December 31, 2016 the Organization was carrying a mortgage note on real estate previously sold in the amount of \$325,000. At December 31, 2016, the note had an outstanding balance of \$282,937. The note was paid off in full in February 2017. The note was secured by a vendors lien on the related real estate. Monthly note payments amounted to \$2,850 at 5.30%.

NOTE 12 - FAIR VALUE MEASUREMENTS

The Organization follows FASB ASC 820-10 which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than the quoted prices included in Level 1.

Level 3 - Unobservable inputs.

The hierarchy only prioritizes the inputs, not the valuation techniques that are used. The inputs used in a given valuation may fall in different levels of the hierarchy. The level in the hierarchy in which the resulting fair value measurement falls is based on the lowest level input that is significant to the overall valuation, regardless of the valuation technique(s) used. Determining whether an input is significant is a judgmental matter requiring consideration of factors specific to the asset or liability.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2017 are as follows:

	<u>Fair Value</u>	Quoted Prices In Active Markets for Identical Assets (Level 1)
Short-term investments		
Mutual Funds	<u>\$2,311,828</u>	<u>\$2,311,828</u>

Short-term investments are reported at fair value on a recurring basis determined by reference to quoted market prices and other relevant information generated by market transactions.

HOUSTON ACHIEVEMENT PLACE
NOTES TO FINANCIAL STATEMENTS, Continued
DECEMBER 31, 2017

NOTE 13 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Buildings	\$1,264,760
Building improvements	272,548
Equipment	194,274
Furniture and fixtures	<u>52,174</u>
	1,783,756
Accumulated depreciation	<u>1,001,760</u>
	<u>\$ 781,996</u>

NOTE 14 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

Financial assets at year-end	\$2,771,376
Less those unavailable for general expenditures within one year	<u>0</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$2,771,376</u>

NOTE 15 - RECENT ACCOUNTING PRONOUNCEMENTS

In 2016 the FASB issued ASU 2016-14, Presentation of Financial Statements for Not-For-Profit Entities. The standard which is intended to improve how a not-for-profit classifies its net assets, as well as the information it presents in its financial statements about liquidity and availability of resources, expenses and investments and cash flows became effective for fiscal years beginning after December 15, 2017. The accompanying financial statements have adopted this ASU early.

NOTE 16 - EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date of the auditor's report, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**HOUSTON ACHIEVEMENT PLACE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>FOSTER</u> <u>CARE</u>	<u>PROJECT</u> <u>CLASS</u>	<u>MGMT AND</u> <u>GENERAL</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u>
Personnel	\$ 519,936	\$ 853,270	\$226,384	\$ 9,744	\$1,609,334
Fringe benefits and payroll taxes	93,910	154,104	40,894	1,744	290,652
Assistance to clients	6,287	0	0	0	6,287
Equipment	7,350	2,255	14,041	0	23,646
Meetings	14,040	12,514	2,302	20	28,876
Occupancy	148,775	60	20,381	0	169,216
Utilities	13,635	0	9,159	0	22,794
Postage and delivery	1,733	56	3,887	0	5,676
Printing	0	5,208	2,324	0	7,532
Professional fees	125,577	34,339	72,403	2,500	234,819
Foster care payments	722,850	0	0	0	722,850
Supplies	11,944	2,147	10,876	0	24,967
Telephone	4,048	3,630	9,254	0	16,932
Transportation	9,523	23,876	685	0	34,084
Miscellaneous	8,221	834	8,169	0	17,224
Gala expenses	0	0	0	71,688	71,688
Depreciation	28,417	0	0	0	28,417
TOTAL	<u>\$1,716,246</u>	<u>\$1,092,293</u>	<u>\$420,759</u>	<u>\$ 85,696</u>	<u>\$3,314,994</u>
PERCENTAGE	<u>51.77%</u>	<u>32.95%</u>	<u>12.69%</u>	<u>2.59%</u>	<u>100.00%</u>
	<u>84.72%</u>				

HOUSTON ACHIEVEMENT PLACE
SCHEDULE OF REVENUES, GAINS AND OTHER SUPPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

Government sources	\$1,497,547
School program services	377,877
Contributions	614,870
Investment return	127,634
Mortgage interest	3,551
Gala event	367,075
Sales to the public	139,944
Rental and miscellaneous	<u>8,002</u>
 TOTAL	 <u>\$3,136,500</u>

**HOUSTON ACHIEVEMENT PLACE
SCHEDULE OF PROGRAM, MANAGEMENT
AND GENERAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Personnel	\$1,609,334
Fringe benefits and payroll taxes	290,652
Assistance to clients	6,287
Equipment	23,646
Meetings	28,876
Occupancy	169,216
Utilities	22,794
Postage and delivery	5,676
Printing	7,532
Professional fees	234,819
Foster care payments	722,850
Supplies	24,967
Telephone	16,932
Transportation	34,084
Miscellaneous	17,224
Gala expenses	71,688
Depreciation	<u>28,417</u>
 TOTAL	 <u>\$3,314,994</u>

**HOUSTON ACHIEVEMENT PLACE
CHANGES TO PROPERTY AND EQUIPMENT
AND ACCUMULATED DEPRECIATION
FOR THE YEAR ENDED DECEMBER 31, 2017**

	BALANCE DECEMBER 31, <u>2016</u>	NET ADDITIONS (RETIREMENTS)	BALANCE DECEMBER 31, <u>2017</u>
PROPERTY AND EQUIPMENT			
Buildings	\$1,264,760		\$1,264,760
Building improvements	257,195	\$ 15,353	272,548
Equipment	179,274	15,000	194,274
Furniture and fixtures	<u>52,174</u>	<u> </u>	<u>52,174</u>
	<u>1,753,403</u>	<u>30,353</u>	<u>1,783,756</u>
ACCUMULATED DEPRECIATION			
Buildings	541,903	19,708	561,611
Building improvements	221,806	5,996	227,802
Equipment	157,460	2,713	160,173
Furniture and fixtures	<u>52,174</u>	<u> </u>	<u>52,174</u>
	<u>973,343</u>	<u>28,417</u>	<u>1,001,760</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 780,060</u>	<u>\$ 1,936</u>	<u>\$ 781,996</u>