DALLAS CHILDREN'S ADVOCACY CENTER
DALLAS CHILDREN'S ADVOCACY CENTER FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of September 30, 2017 and 2016 and
For the year ended September 30, 2017
with Report of Independent Auditors

DALLAS CHILDREN'S ADVOCACY CENTER
DALLAS CHILDREN'S ADVOCACY CENTER FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of September 30, 2017 and 2016 and
For the year ended September 30, 2017
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Table of Contents

Report of Independent Auditors 1

Audited Financial Statements:

- Consolidated Statements of Financial Position 3
- Consolidated Statement of Activities 4
- Consolidated Statement of Cash Flows 5
- Consolidated Statement of Functional Expenses 6

Notes to Consolidated Financial Statements 7

Supplementary Information:

- Supplemental Consolidating Statement of Financial Position as of September 30, 2017 21
- Supplemental Consolidating Statement of Activities 22

whitleypenn

Dallas Office
8343 Douglas Avenue
Suite 400
Dallas, Texas 75225
214.393.9300 Main

whitleypenn.com

REPORT OF INDEPENDENT AUDITORS

To the Boards of Trustees of
Dallas Children's Advocacy Center
Dallas Children's Advocacy Center Foundation

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Dallas Children's Advocacy Center and Dallas Children's Advocacy Center Foundation which comprise the consolidated statements of financial position as of September 30, 2017 and 2016, and the related consolidated statements of activities, cash flows, and functional expenses for the year ended September 30, 2017, and the related consolidated notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to the 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 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dallas Children's Advocacy Center and Dallas Children's Advocacy Center Foundation as of September 30, 2017 and 2016, and the results of their operations and their cash flows for the year ended September 30, 2017 in conformity with GAAP.

Report on Other Financial Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information contained in the supplemental schedules is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAP. In our opinion, the information is fairly stated in all material respects in relation to the consolidated 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 December 22, 2017, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Organization's internal control over financial reporting and compliance.

Whitley Penn LLP

Dallas, Texas
December 22, 2017

DALLAS CHILDREN'S ADVOCACY CENTER
DALLAS CHILDREN'S ADVOCACY CENTER FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2017	September 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 1,606,009	$ 1,808,482
Short-term investments	419,464	416,993
Accounts receivable	236,001	94,734
Pledges receivable, net of allowance for uncollectible pledges	520,795	284,224
Grants receivable	520,488	344,583
Prepaid expenses and other assets	219,739	201,893
Total current assets	3,522,496	3,150,909
Pledges receivable due in more than one year, net of discount	148,974	491,880
Long-term investments	7,315,046	6,642,564
Property and equipment, net	9,164,352	9,470,885
Total assets	$ 20,150,868	$ 19,756,238
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 408,377	$ 377,742
Deferred revenue	477,100	215,693
Total current liabilities	885,477	593,435
Commitments and contingencies		
Net assets:		
Unrestricted	12,031,059	12,034,964
Unrestricted - board designated	6,567,599	5,965,360
Temporarily restricted	666,733	1,162,479
Total net assets	19,265,391	19,162,803
Total liabilities and net assets	$ 20,150,868	$ 19,756,238

See accompanying notes to consolidated financial statements.

DALLAS CHILDREN'S ADVOCACY CENTER
DALLAS CHILDREN'S ADVOCACY CENTER FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended September 30, 2017

Changes in unrestricted net assets:	
Revenue, gains, and other support:	
Contributions	
General	$ 1,413,987
Special events, net of direct costs of $873,345	1,149,216
Public funding grants	3,296,164
Total contributions	5,859,367
Other revenue	
Education revenue	2,666,592
Therapy revenue	306
Rent from partner agencies	184,709
Net investment return	736,504
Miscellaneous income	18,593
Total other revenue	3,606,704
Net assets released from restrictions	1,055,881
Total revenue, gains and other support	10,521,952
Expenses:	
Program services	
Education	2,041,269
Therapy and children's advocacy	6,578,242
Total program services	8,619,511
Supporting services	
Management and general	238,830
Fundraising	1,065,278
Total supporting services	1,304,108
Total expenses	9,923,619
Change in unrestricted net assets	598,333
Changes in temporarily restricted net assets:	
Contributions	560,136
Net assets released from restrictions	(1,055,881)
Change in temporarily restricted net assets	(495,745)
Change in net assets	102,588
Net assets at beginning of year	19,162,803
Net assets at end of year	$ 19,265,391

See accompanying notes to consolidated financial statements.

DALLAS CHILDREN'S ADVOCACY CENTER
DALLAS CHILDREN'S ADVOCACY CENTER FOUNDATION

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2017

Cash flows from operating activities:		
Change in net assets	$	102,588
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation		357,549
Net realized and unrealized gain on investments		(551,156)
Reinvested dividends		(185,349)
Donation of securities		(62,938)
Changes in operating assets and liabilities:		
Accounts receivable		(141,267)
Pledges receivable		106,335
Grants receivable		(175,905)
Prepaid expenses		(17,846)
Accounts payable and accrued expenses		30,635
Deferred revenue		261,407
Net cash used in operating activities		(275,947)
Cash flows from investing activities:		
Proceeds from sale of investments		2,038,168
Purchase of investments		(1,913,678)
Purchases of property and equipment		(51,016)
Net cash provided by investing activities		73,474
Net decrease in cash and cash equivalents		(202,473)
Cash and cash equivalents at beginning of year		1,808,482
Cash and cash equivalents at end year	$	1,606,009
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$	-
Supplemental Disclosure of Non-Cash Transactions		
Donation of securities	$	62,938

See accompanying notes to consolidated financial statements.

DALLAS CHILDREN'S ADVOCACY CENTER
DALLAS CHILDREN'S ADVOCACY CENTER FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2017

	Education	Therapy and Children's Advocacy	Management and General	Fundraising	Total
Salaries, wages, and benefits	$ 287,599	$ 4,759,463	$ 108,637	$ 739,038	$ 5,894,737
Education and training	1,636,967	81,323	848	4,254	1,723,392
Services and professional fees	7,021	269,031	11,233	84,164	371,449
Utilities	10,429	120,973	16,686	18,772	166,860
Maintenance	9,545	110,717	15,271	17,180	152,713
Depreciation	22,347	259,223	35,755	40,224	357,549
Administration	67,361	977,512	50,400	161,646	1,256,919
Total functional expenses	$ 2,041,269	$ 6,578,242	$ 238,830	$ 1,065,278	$ 9,923,619

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2017 and 2016 and For The Year Ended September 30, 2017

A. Nature of Activities

Dallas Children's Advocacy Center (the "Center"), a Texas non-profit organization, is recognized by the Internal Revenue Service as tax-exempt under Section 501(c)(3). The Center provides an innovative approach to improve the treatment of child victims of sexual and physical abuse in Dallas County, Texas. The Center offers a coordinated, multi-disciplinary intervention system involving law enforcement, specialized forensic interviewers, prosecutors, child protective service workers, therapists, and medical personnel working together as a team in a single location.

Dallas Children's Advocacy Center Foundation (the "Foundation") was organized in 1997 as an independently incorporated supporting organization for the Center operating exclusively for charitable and educational purposes within the meaning of Section 501(c)(3). Under the Foundation's Articles of Incorporation and By-Laws, the Center's Board of Trustees has authority to elect the majority of the Foundation's directors. Therefore, all activities of the Foundation are consolidated with the Center's activities. Notwithstanding this relationship, the Foundation is not required by its Articles of Incorporation or By-Laws to make annual grants or distributions to the Center. The Foundation supports and benefits the Center by, among other things, receiving, holding, investing, and managing gifts, grants, contributions, and bequests which are intended to benefit the long-term goals, purposes, and objectives of the Center. As such, net assets are classified as unrestricted – Board designated. It is the intention of the Foundation to make an annual 4% distribution of its investment assets, if requested by the Center. All activities of the Foundation are consolidated with the Center's activities (collectively, the "Organization").

As of January 1, 2016, the Organization changed its fiscal year end from December 31 to September 30. The prior year report covered the nine month period from January 1, 2016, through September 30, 2016. This report covers the twelve month period ended September 30, 2017. As such, comparative statements of activities and cash flows are not presented. Comparative statements will be presented in the next fiscal year audited.

B. Summary of Significant Accounting Policies

A summary of the Organization's significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

Basis of Accounting

The accompanying consolidated financial statements include the consolidated accounts of the Center and the Foundation and are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All significant intercompany transactions and balances have been eliminated.

B. Summary of Significant Accounting Policies – continued

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates and assumptions.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents include cash and short-term investments in money markets. The investments in mutual funds, although liquid in nature, are intended by the Boards of Trustees to be held as long-term investments and therefore are not included in cash equivalents.

The Organization maintains deposits primarily in two financial institutions, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). The Organization has not experienced any losses related to amounts in excess of FDIC limits.

Grants and Pledges

Unconditional promises to give or pledges receivable are recorded as revenue in the year made. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using risk-adjusted interest rates applicable to the years in which the promises are expected to be received. Amortization of the discount is included in contribution revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization reports gifts of cash and other assets as restricted support when they are received with donor stipulations that limit the use of the donated assets. When the intent of the donor is that the assets are to remain in perpetuity, the assets are reported as permanently restricted. When a donor restriction expires, that is, when a stipulated time restriction ends or program restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purposes or by occurrence of other events specified by donors. It is the policy of the Organization to report temporarily-restricted contributions that are received and expended in the same year as unrestricted.

B. Summary of Significant Accounting Policies – continued

Grants and Pledges – continued

Corporate, individual, and foundation contributions, as well as federal, state, county, and city governments, and agencies contribute substantial resources toward the fulfillment of projects initiated by the Center. Pledges receivable represents amounts promised but not yet received. Grants are normally received on a cost reimbursement basis and are awarded based on contracts made with each entity. Grants receivable represents costs expended based upon the contract but not yet reimbursed by the granting authority.

Allowance for Uncollectible Receivables

Management periodically reviews accounts, pledges, and grants receivable on an account-by-account basis concentrating on accounts more than 90 days old. Management considers the Organization's past history with the consumer, current contact information, and the size of the account in evaluating the reserve requirements. Accounts are written off when it appears collection efforts will not be successful. As of September 30, 2017 and 2016, the allowance for uncollectible pledges receivable was $27,023 and $30,113, respectively. There were no allowances for uncollectible accounts receivable or uncollectible grants receivable as of September 30, 2017 and 2016.

Deferred Revenue

Revenue from pre-sold event tickets and sponsorships is deferred and recognized in the year in which the performance or event to which they relate occurs.

Investments

GAAP requires investments with readily determinable fair values to be stated at fair value, with unrealized gains and losses from fluctuations in market value included in the statement of activities, and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are described below:

- Level 1 — observable inputs that are based upon quoted market prices for identical assets or liabilities within active markets.

- Level 2 — observable inputs other than Level 1 that are based upon quoted market prices for similar assets or liabilities, quoted prices within active or inactive markets, or inputs other than quoted market prices that are observable through market data for substantially the full term of the asset or liability.

B. Summary of Significant Accounting Policies – continued

Investments – continued

- Level 3 — inputs that are unobservable for the particular asset or liability due to little or no market activity and are significant to the fair value of the asset or liability. These inputs reflect assumptions that market participants would use when valuing the particular asset or liability.

Following is a description of the valuation methodologies used for the Organization's investments that are measured at fair value:

- Money Market Funds — Valued at the net asset value (NAV) per unit at year end.

- Equity Securities — Quoted market prices.

- Debt Securities — Valued using quoted prices for investments with similar yields and bond ratings.

The methods described may produce fair value measurements that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Net Assets

The Organization 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.

Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets — Unrestricted funds represent resources that are available for the support of the Organization's operations. Unrestricted net assets include Board designated funds which may be earmarked for certain specific uses.

Temporarily restricted net assets — These funds include grants, gifts, third party reimbursements and other program income expendable only for purposes specified or approved by the donor. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets — These funds require that principal be invested in perpetuity. The Organization does not have any permanently restricted net assets.

B. Summary of Significant Accounting Policies – continued

Property and Equipment

Land, building, and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets for financial reporting purposes. Expenditures for major renewals and betterments that extend the useful lives are capitalized. Expenditures for normal maintenance and repairs and capital expenditures under $5,000 are expensed as incurred. The cost of assets sold or abandoned and the related accumulated depreciation are eliminated from the accounts and any gains or losses are reflected in the accompanying consolidated statement of activities of the respective period. The estimated useful lives range from 3 to 30 years.

Long-lived Assets

The Organization evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of their carrying amounts to future undiscounted cash flows that the assets are expected to generate. If long-lived assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair market value and is recorded in the period the determination was made. Based upon management's assessment, there was no impairment of long-lived assets at September 30, 2017 or 2016.

Contributed Assets and Services

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how these long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. For the year ended September 30, 2017 and the nine months ended September 30, 2016, the Organization did not receive any donated property and equipment.

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization reports such contributions at their estimated fair value when received. There were no contributed services recognized in the consolidated statement of activities for the year ended September 30, 2017.

B. Summary of Significant Accounting Policies – continued

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries, wages, and benefits of certain members of management, mainly the CEO, finance, and operations staff, have been allocated among the programs and supporting services benefited based on the headcount percentage in each functional area. Management and general are those expenses that are not allocated to a program, fundraising activity, or education and include certain activities of the CEO; as well as support areas such as finance and operations.

Printing and Advertising

The Organization expenses advertising costs as they are incurred. Printing and advertising costs for the year ended September 30, 2017, consisted of approximately $63,000.

Federal Income Taxes

The Organization is generally exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC") as an organization other than a private foundation. GAAP prescribes a comprehensive model for the financial statement recognition, measurement, presentation, and disclosure of uncertain in tax positions taken or expected to be taken in income tax returns. Management believes that it has not taken a tax position that, if challenged, would have a material effect on the Organization's financial statements. The Organization files Form 990 in the United States federal jurisdiction within the United States and no tax returns are currently under examination by any tax authorities.

C. Fair Value of Financial Instruments

The financial instruments recorded in the statements of financial position include short term investments, accounts receivable, pledges receivable, grants receivable, and accounts payable and accrued liabilities. Due to their short-term maturities, the carrying amounts of these items are believed to approximate their fair market values.

The carrying value of the line of credit approximates fair value since it bears a market interest rate. None of these instruments are held for trading purposes.

D. Grants Receivable

Grants receivable at September 30, 2017 and 2016, were approximately $520,000 and $345,000, respectively. All grants are receivable within one year. Grants receivables from three organizations represent 87% of the total grants receivable at September 30, 2017, and grants receivable from two organizations represent 58% of total grants receivable at September 30, 2016.

In addition, the Organization had the following grant commitments at September 30, conditioned upon incurring certain qualifying costs, which are not recognized as assets in the consolidated statements of financial position:

	2017	2016
Criminal Justice Division – Office of Governor	$ 2,574,174	$ 2,334,892
CAC of Texas, Inc.	528,555	537,711
Dallas County	250,000	250,000
Other Victims Assistance Grant	36,288	36,645
Total conditional grants receivable	$ 3,389,017	$ 3,159,248

E. Pledges Receivable

Discounted pledges receivable are amounts that comprise the following unconditional promises to give at September 30:

	2017	2016
Less than 1 year	$ 542,970	$ 314,337
1-5 years	156,520	497,073
Total pledges receivable	699,490	811,410
Less: allowance for uncollectible pledges	27,023	30,113
Less: discount to adjust pledges to net present value	2,698	5,193
Net pledges receivable	$ 669,769	$ 776,104

Pledges receivable at September 30, 2017 and 2016, consist of 15% due from one donor and 38% due from two donors, respectively.

The discount rate used by the Organization to calculate the present value of the pledges receivable at September 30, 2017 and 2016, was 1.75% which was the cost of borrowing associated with a previous line of credit that was paid off and closed during 2013.

E. Pledges Receivable – continued

The Organization initiated a capital campaign in 2009 to raise funds for a new facility. Gross pledges receivable at September 30, 2017 and 2016, related to the campaign totaled approximately $36,000 and $94,000, respectively, with related discounts of approximately $2,700 and $1,000, respectively.

Pledges made to the Organization, the receipt of which are conditional upon the occurrence of specified events or actions, are not recognized in the consolidated financial statements until such events or actions occur.

F. Investments

Investments at fair value refer to those amounts held at third party financial institutions and are reported at fair value. Unrealized gains or losses are recorded each year to adjust to fair value. Realized and unrealized gains or losses are determined by comparison of cost to proceeds or market, respectively.

Investments, at fair value, consist of the following as of September 30, 2017:

	Cost	Fair Value	Unrealized Appreciation
Money market	$ 419,146	$ 419,146	$ -
Fixed income common funds	1,721,651	1,689,138	(32,513)
Capital appreciation funds	5,250,730	5,626,226	375,496
	$ 7,391,527	$ 7,734,510	$ 342,983

Investments, at fair value, consist of the following as of September 30, 2016:

	Cost	Fair Value	Unrealized Appreciation
Money Market	$ 416,993	$ 416,993	$ -
Fixed income common funds	1,842,654	1,825,278	(17,376)
Capital appreciation funds	4,424,932	4,817,286	392,354
	$ 6,684,579	$ 7,059,557	$ 374,978

F. Investments – continued

Investment income for the year ended September 30, 2017, is netted against related expenses of approximately $43,000 for the same period and consists of the following:

Interest and dividends	$ 185,349
Net realized gains on investments	583,612
Net unrealized losses on investments	(32,457)
	$ 736,504

The following is a summary of the estimated fair value of the Organization's investments by level, within the fair value hierarchy, as of September 30, 2017:

	Level 1	**Level 2**	**Level 3**	**Total**
Money market	$ 419,146	$ -	$ -	$ 419,146
Fixed income common funds	1,689,138	-	-	1,689,138
Capital appreciation funds	-	5,626,226	-	5,626,226
	$ 2,108,284	$ 5,626,226	$ -	$ 7,734,510

The following is a summary of the estimated fair value of the Organization's investments by level, within the fair value hierarchy, as of September 30, 2016:

	Level 1	**Level 2**	**Level 3**	**Total**
Money market	$ 416,993	$ -	$ -	$ 416,993
Fixed income common funds	1,825,278	-	-	1,825,278
Capital appreciation funds	-	4,817,286	-	4,817,286
	$ 2,242,271	$ 4,817,286	$ -	$ 7,059,557

G. Property and Equipment

Property and equipment consisted of the following at September 30:

	2017	2016
Land	$ 970,617	$ 970,617
Building	9,670,464	9,629,449
Equipment	1,982,457	1,972,457
	12,623,538	12,572,523
Less: accumulated depreciation	3,459,186	3,101,638
	$ 9,164,352	$9,470,885

Depreciation expense for the year ended September 30, 2017 was $357,549.

H. Restricted Net Assets

The table below represents the purpose for which certain net assets are temporarily restricted at September 30:

	2017	2016
Therapy and children's advocacy program	$ 88,000	$ 50,000
General operations	220,253	651,697
Education	24,785	42,522
Capital fund	333,695	418,260
	$ 666,733	$ 1,162,479

I. Net Assets Released From Restrictions

Net assets were released from donor restrictions during the year ended September 30, 2017, by incurring expenses satisfying the restricted purposes, by the occurrence of other events specified by the donor or by the passage of time.

I. Net Assets Released From Restrictions – continued

Restricted funds were spent on the following programs during the year ended September 30, 2017:

Therapy and children's advocacy program	$ 397,116
General operations (passage of time)	416,339
Education	157,861
Capital fund (net of discount)	84,565
	$ 1,055,881

J. Employee Benefit Plan

The Organization has a defined contribution retirement plan covering substantially all of its employees. Employees may contribute a percentage of their salary to the plan, subject to certain limitations imposed by the IRC. The Organization matches these contributions, upon one year of service, based on the lesser of 100% of the employees' salary reduction or 4% of total compensation for the year. Included in the consolidated statement of activities is approximately $97,000 in matching contributions for the year ended September 30, 2017.

Effective January 1, 2012, the Organization established the Dallas Children's Advocacy Center 457(f) Deferred Compensation Plan for the benefit of its Chief Executive Officer. This plan is not subject to the terms of the Employee Retirement Income Security Act of 1974. The Organization's contributions to the plan were based on bonus amounts awarded (if any) in the year 2011, 2012, and 2013. See the subsequent events footnote at FN N for discussion on the new deferred compensation plan.

As of September 30, 2017 and 2016, approximately $0 and $38,000, respectively, had been accrued for the deferred compensation plan. No further payments of the deferred compensation plan are expected to occur. Approximately $38,000 of deferred compensation was paid out during the year ended September 30, 2017.

K. Commitments and Contingencies

In the normal course of business, the Organization may become party to various claims, litigation, and assessments. Management is unaware of any such matters that would have a material impact on the consolidated financial statements in the event of an unfavorable outcome.

K. Commitments and Contingencies – continued

In 2005 the Organization entered into a management agreement with Crimes Against Children, Inc. ("CACI"), stating that CACI will assist in organizing the Crimes Against Children Conference on an annual basis until 2021. The Board engaged an outside consulting firm to evaluate this contract as to reasonableness of compensation. That firm determined that given the facts and circumstances the contract was reasonable. This contract is contingent upon CACI's key employee being actively involved in the management of the conference and the conference being held.

The Organization leases office equipment under various operating leases with several unrelated parties. The equipment lease terms range from three to five years ending between 2019 and 2022.

Future minimum payments under non-cancelable operating leases with initial terms of one year or more were approximately as follows at September 30, 2017:

2018	$ 48,500
2019	26,400
2020	1,500
2021	1,500
2022	1,400
Thereafter	-
	$ 79,300

Total rent expense for the year ended September 30, 2017, was approximately $57,000.

The Organization leases office space in its building to the City of Dallas and the Texas Department of Family and Protective Services under non-cancelable operating leases with three to five year terms expiring in 2020 and 2018, respectively. The Organization recognized rental income from these lease arrangements of approximately $185,000 for the year ended September 30, 2017.

Future minimum rental income to be received from non-cancelable operating leases with initial terms of one year or more approximate the following at September 30, 2017:

2018	$ 185,000
2019	87,000
2020	22,500
2021	-
2022	-
	$ 294,500

L. Concentration

The Organization derives its revenue from a combination of private contributions and public funding. Continued funding from these sources at current levels is dependent upon various factors. Such factors include economic conditions, compliance with grant provisions, continued government approval, new legislation, donor satisfaction, and public perception of mission effectiveness, and relative importance. For the year ended September 30, 2017, the Organization received approximately 27% of its revenue from Education, primarily through the annual Crimes Against Children Conference.

M. Gifts of Future Interest

In the ordinary course of its activities, the Organization receives gifts of future interest in the form of bequests which are revocable during the donor's lifetime. The value of such gifts is not readily determinable. In addition, the gifts are conditional and revocable until the donor expires. Due to the nature of these intentions, the Organization has not recognized these gifts as assets or contribution revenue.

N. Subsequent Events

In preparing the consolidated financial statements, the Organization has evaluated all subsequent events and transactions for potential recognition or disclosure through December 22, 2017, the date the financial statements were available for issuance.

Subsequent to year end, the Organization drafted a new deferred compensation agreement for the Chief Executive Officer in the amount of $150,000 to be vested ratably over a period of three years. The agreement would be effective on March 1, 2017. The agreement has not been finalized and therefore no expense has been recognized for the portion earned during the year ended September 30, 2017.

SUPPLEMENTARY INFORMATION

DALLAS CHILDREN'S ADVOCACY CENTER
DALLAS CHILDREN'S ADVOCACY CENTER FOUNDATION

SUPPLEMENTAL CONSOLIDATING STATEMENT OF FINANCIAL POSITION

September 30, 2017

	Center	Foundation	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 1,488,874	$ 117,135	$ -	$ 1,606,009
Short term investments	419,464	-	-	419,464
Accounts receivable	236,001	-	-	236,001
Pledges receivable, net of allowance for uncollectible pledges	520,795	-	-	520,795
Grants receivable	520,488	-	-	520,488
Prepaid expenses and other assets	219,739	-	-	219,739
Total current assets	3,405,361	117,135	-	3,522,496
Pledges receivable due in more that one year, net of discount	148,974	-	-	148,974
Long-term investments	854,582	6,460,464	-	7,315,046
Property and equipment, net	9,164,352	-	-	9,164,352
Total assets	$ 13,573,269	$ 6,577,599	$ -	$ 20,150,868
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	$ 398,377	$ 10,000	$ -	$ 408,377
Deferred revenue	477,100	-	-	477,100
Total current liabilities	875,477	10,000	-	885,477
Commitments and contingencies				
Net assets:				
Unrestricted	12,031,059	-	-	12,031,059
Unrestricted - board designated	-	6,567,599	-	6,567,599
Temporarily restricted	666,733	-	-	666,733
Total net assets	12,697,792	6,567,599	-	19,265,391
Total liabilities and net assets	$ 13,573,269	$ 6,577,599	$ -	$ 20,150,868

See accompanying notes to consolidated financial statements.

DALLAS CHILDREN'S ADVOCACY CENTER
DALLAS CHILDREN'S ADVOCACY CENTER FOUNDATION

SUPPLEMENTAL CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended September 30, 2017

	Center	Foundation	Eliminations	Total
Changes in unrestricted net assets:				
Revenue, gains and other support:				
Contributions				
General	$ 1,431,987	$ -	$ (18,000)	$ 1,413,987
Special events, net	1,149,216	-	-	1,149,216
Public funding grants	3,296,164	-	-	3,296,164
Total contributions	5,877,367	-	(18,000)	5,859,367
Other revenue				
Education revenue	2,666,592	-	-	2,666,592
Therapy revenue	306	-	-	306
Rent from partner agencies	184,709	-	-	184,709
Net investment return	69,595	666,909	-	736,504
Miscellaneous income	18,593	-	-	18,593
Total other revenue	2,939,795	666,909	-	3,606,704
Net assets released from restrictions	1,055,881	-	-	1,055,881
Total revenue, gains and other support	9,873,043	666,909	(18,000)	10,521,952
Expenses:				
Program services				
Education	2,041,269	-	-	2,041,269
Therapy and children's advocacy	6,578,242	-	-	6,578,242
Total program services	8,619,511	-	-	8,619,511
Supporting services				
Management and general	192,160	64,670	(18,000)	238,830
Fundraising	1,065,278	-	-	1,065,278
Total supporting services	1,257,438	64,670	(18,000)	1,304,108
Total expenses	9,876,949	64,670	(18,000)	9,923,619
Change in unrestricted net assets	(3,906)	602,239	-	598,333
Changes in temporarily restricted net assets:				
Contributions	560,136	-	-	560,136
Transfer of funds	-	-	-	-
Net assets released from restrictions	(1,055,881)	-	-	(1,055,881)
Change in temporarily restricted net assets	(495,745)	-	-	(495,745)
Change in net assets	(499,651)	602,239	-	102,588
Net assets at beginning of year	13,197,441	5,965,362	-	19,162,803
Net assets at end of year	$ 12,697,790	$ 6,567,601	$ -	$ 19,265,391

See accompanying notes to consolidated financial statements.