

CENTER FOR CHILD PROTECTION

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2006
(with comparative totals as of December 31, 2005)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Center for Child Protection
Austin, Texas

We have audited the accompanying statements of financial position of **Center for Child Protection** as of December 31, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2005 financial statements and, in our report dated May 22, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Center for Child Protection** as of December 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gindler, Chappell, Morrison & Co., P.C.

Austin, Texas

June 8, 2007

FINANCIAL STATEMENTS

CENTER FOR CHILD PROTECTION

STATEMENT OF FINANCIAL POSITION

December 31, 2006
(with comparative totals as of December 31, 2005)

	2006	2005
ASSETS		
Current assets		
Cash (note 10)	\$1,491,286	\$ 527,602
Investments (note 2)	3,183,009	3,023,238
Accounts receivable		
Grants and contracts	261,392	85,794
United Way allocation	15,000	10,000
Promises to give (note 3)	380,746	218,322
Cash on hand	36,000	24,200
Total current assets	5,367,433	3,889,156
Non-current Promises to give (note 3)	286,908	144,681
Pre-construction costs	1,287,939	151,554
Other assets		
Deposits	4,417	4,417
Time-share	12,500	12,500
Agency endowment funds (note 5)	27,665	-
	44,582	16,917
Fixed assets		
Land, building and improvements (note 6)	788,248	788,248
Furniture and equipment	270,291	262,075
Vehicles	20,364	20,364
Less accumulated depreciation	(579,352)	(520,516)
Net fixed assets	499,551	550,171
Total assets	\$7,486,413	\$4,752,479
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 17,246	\$ 18,279
Accrued vacation payable	31,156	23,693
Other payables	52,985	627
Current portion of long-term debt (note 6)	227,029	10,484
Total current liabilities	328,416	53,083
Long-term debt, net of current portion (note 6)	-	226,708
Commitments (note 7)		
Total liabilities	328,416	279,791
Net Assets		
Unrestricted net assets		
Available for general operations	1,010,408	312,461
Investment in fixed assets	272,522	312,979
Total unrestricted net assets	1,282,930	625,440
Temporarily restricted net assets (note 8)	5,847,402	3,847,248
Permanently restricted net assets (note 9)	27,665	-
Total net assets	7,157,997	4,472,688
Total liabilities and net assets	\$7,486,413	\$4,752,479

See accompanying Notes to Financial Statements.

CENTER FOR CHILD PROTECTION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2006
(with comparative totals as of December 31, 2005)

	2006			2005	
	<u>Current Operating Funds</u>			Total	Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>		
REVENUES AND OTHER SUPPORT					
Grants and contracts	\$ 176,913	\$ 681,449	\$ -	\$ 858,362	\$ 831,750
Contributions	232,123	2,620,900	27,665	2,880,688	3,177,526
Contributed services (note 11)	37,910	-	-	37,910	81,424
Fund raising	394,957	-	-	394,957	273,011
Guild membership	2,025	-	-	2,025	2,107
Investment income (note 2)	165,800	-	-	165,800	16,950
Net assets released from donor restrictions (note 8)	<u>1,302,195</u>	<u>(1,302,195)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>2,311,923</u>	<u>2,000,154</u>	<u>27,665</u>	<u>4,339,742</u>	<u>4,382,768</u>
EXPENSES					
Program services					
Assistance To Children	1,241,107	-	-	1,241,107	1,292,038
Supporting services					
Management and general	99,854	-	-	99,854	95,982
Fund raising	313,472	-	-	313,472	254,713
Total expenses	<u>1,654,433</u>	<u>-</u>	<u>-</u>	<u>1,654,433</u>	<u>1,642,733</u>
CHANGE IN NET ASSETS (decrease)	657,490	2,000,154	27,665	2,685,309	2,740,035
OTHER CHANGES IN NET ASSETS	-	-	-	-	110,000
NET ASSETS					
Beginning of year	<u>625,440</u>	<u>3,847,248</u>	<u>-</u>	<u>4,472,688</u>	<u>1,622,653</u>
End of year	<u>\$ 1,282,930</u>	<u>\$ 5,847,402</u>	<u>\$ 27,665</u>	<u>\$ 7,157,997</u>	<u>\$4,472,688</u>

See accompanying Notes to Financial Statements.

CENTER FOR CHILD PROTECTION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2006
(with comparative totals as of December 31, 2005)

	2006				2005
	Program Services	Supporting Services		Total	Total
	Assistance To Children	Management & General	Fund Raising		
EXPENSES					
Salaries	\$ 752,858	\$ 68,909	\$ 93,506	\$ 915,273	\$ 860,397
Benefits	84,173	6,572	8,531	99,276	87,982
Payroll taxes	57,594	5,271	7,153	70,018	65,820
Total personnel	894,625	80,752	109,190	1,084,567	1,014,199
Personnel expense	54,895	5,025	6,818	66,738	62,121
Contract labor	-	-	-	-	7,126
Credit card discounts	478	-	3,948	4,426	2,473
Membership fees	944	-	-	944	1,258
Accounting fees	4,495	406	549	5,450	5,200
Professional fees	1,853	-	-	1,853	1,783
Personnel advertising	5,200	-	-	5,200	4,460
Equipment rental	24,392	2,203	2,980	29,575	22,695
Office/household supplies	8,878	987	338	10,203	8,959
Printing	13,200	-	6,974	20,174	18,940
Postage and delivery	4,494	499	4,642	9,635	6,165
Software licensing	642	-	8,626	9,268	-
Fund raising	-	-	155,905	155,905	115,871
Bank charges	2,245	203	274	2,722	1,999
Program development	11,044	-	-	11,044	3,040
Capital campaign	49,516	-	-	49,516	61,469
Miscellaneous	7	-	-	7	-
Emergency funds	9,382	-	-	9,382	12,044
Community outreach	11,913	-	-	11,913	103,258
Program supplies	6,303	-	-	6,303	5,337
Professional literature	324	-	-	324	266
Translation	120	-	-	120	-
Staff training	6,950	-	-	6,950	2,320
Multidisciplinary training	9,930	-	-	9,930	7,809
Volunteer training	143	-	-	10,870	256
Travel and mileage	10,870	-	-	143	11,986
Telephone	12,718	1,149	1,554	15,421	16,608
Utilities	17,357	1,568	2,121	21,046	17,732
Insurance	6,074	548	742	7,364	6,524
Repairs and Maintenance	9,631	870	1,177	11,678	31,734
Interest	13,959	1,261	1,705	16,925	17,181
Loss on sale of asset	-	-	-	-	6,980
Depreciation	48,525	4,383	5,929	58,837	64,940
Total expenses	\$ 1,241,107	\$ 99,854	\$ 313,472	\$ 1,654,433	\$1,642,733

See accompanying Notes to Financial Statements.

CENTER FOR CHILD PROTECTION

STATEMENT OF CASH FLOWS

Year Ended December 31, 2006
(with comparative totals as of December 31, 2005)

	<u>2006</u>	<u>2005</u>
CASH FLOWS PROVIDED BY (USED BY) OPERATING ACTIVITIES		
Change in net assets	\$ 2,685,309	\$ 2,740,035
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	58,836	64,940
(Increase) decrease in operating assets		
Accounts receivable - grants and contracts	(180,598)	2,904
Pledges receivable	(304,651)	501,081
Cash on hand	(11,800)	(16,200)
Pre construction cost	(1,136,385)	(148,154)
Other assets	(27,665)	-
Increase (decrease) in operating liabilities		
Accounts payable	(1,033)	(8,753)
Other payables	52,358	(962)
Accrued vacation expense	7,465	(1,831)
Deferred revenue	-	-
	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>1,141,836</u>	<u>3,133,060</u>
CASH FLOWS PROVIDED BY (USED BY) INVESTING ACTIVITIES		
Purchase of fixed assets	(8,216)	(10,521)
Donated investments	(800,068)	(19,971)
Proceeds from maturities and sale of investments	640,296	(3,003,267)
	<u>(167,988)</u>	<u>(3,033,759)</u>
CASH FLOWS PROVIDED BY (USED BY) FINANCING ACTIVITIES		
Reduction of long-term debt	<u>(10,164)</u>	<u>(9,528)</u>
NET INCREASE (DECREASE) IN CASH	963,684	89,773
CASH		
Beginning of year	<u>527,602</u>	<u>437,829</u>
End of year	<u>\$ 1,491,286</u>	<u>\$ 527,602</u>
SUPPLEMENTAL DATA:		
Interest paid	<u>\$ 16,925</u>	<u>\$ 17,181</u>

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

DESCRIPTION OF THE ORGANIZATION

Center for Child Protection (the Organization) is a Texas non-profit corporation established in 1989. The primary purpose of the organization is to operate a service center for the benefit of abused children which coordinates investigation, counseling, medical assistance, advocacy and educational services to assist victims of child abuse.

The organization is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Service Code, for any income related to the association's exempt purpose. The Internal Revenue Service has classified the association as an organization other than a private foundation.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the organization have been prepared on the accrual basis of accounting, which includes recognition of revenues and expenses as earned or incurred.

In compliance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations", the organization reports 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.

The Organization receives contributions whose use is limited by stipulations that are more specific than the broad limits resulting from the nature and purpose of the organization and its programs. Resources (net assets) with such stipulations that either expire by passage of time or can be fulfilled by actions of the organization are reported as temporarily restricted net assets. Net assets that were released from accompanying stipulations due to the organization's action are reported as net assets released from restrictions and reported as transfers from temporarily restricted net assets to unrestricted net assets.

The part of the net assets of a not-for-profit organization resulting from contributions whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization are considered permanently restricted net assets. An example of a permanently restricted net asset would be the donation of funds (or other assets) to the organization in which the donor imposed a restriction that the funds not be expended, but that the organization would be permitted to use or expend part or all of the income (or other economic benefit) derived from the donation.

Accounts receivable are valued using an allowance for uncollectible accounts. At year-end, no allowance for uncollectible accounts is considered necessary.

Purchased fixed assets, with a cost of \$50 or more and a useful life of at least one year, are capitalized at cost while donated fixed assets are capitalized at the fair market value of the item at date of gift. Depreciation is computed using the straight-line method of computation over the estimated useful life of the asset (generally 5, 10, or 20 years).

The organization allocates common costs between program services, management and general, and fund raising based on the organization's activities. The estimates are reviewed periodically, and the allocations revised, if necessary, to reflect changes in the activities of the organization.

NOTES TO THE FINANCIAL STATEMENTS- CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative total data for the prior year have been presented in sections of the accompanying financial statements in order to provide an understanding of the changes in the Center's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2004, from which the summarized information was derived.

NOTE 2: INVESTMENTS

Investments reported in the accompanying financial statements are mutual funds traded daily on a national stock exchange. The shares are reported at fair value based on stock quotes from the exchange. Investment income and gains and losses on investments are reported as increases or decreases in unrestricted net assets unless a donor or law temporarily or permanently restricts their use. Components of investment income reported in the accompanying financial statements are as follows:

<u>Interest income from:</u>	
Operating accounts	\$ 4,867
Investment accounts	15,745
Total interest income	<u>20,612</u>
<u>Dividend income from:</u>	
Investment accounts	144,743
<u>Realized gain on sale of investment</u>	
Investment accounts	<u>445</u>
Total investment income	<u>\$ 165,800</u>

NOTE 3: PROMISES TO GIVE

At December 31, 2006, the organization had \$385,507 of contributions receivable which will be received within one year. Amounts considered to be unconditional promises to give, but not expected to be received in the current year were 2007, \$385,507; 2008, \$147,297; 2009, \$94,989; and 2010 \$53,476 which have been discounted by \$57,755 using a rate of 5.0%. At year-end no allowance for uncollectible promises to give was considered necessary.

NOTE 4: CONDITIONAL PROMISES TO GIVE

The Organization is providing services under grants whose period of availability of funds extends beyond year-end. These grants are considered conditional promises to give because the organization has to meet certain conditions to receive the funding. The conditions to be met by the Organization, generally includes providing specific program services within budget guidelines. In accordance with SFAS no. 116 these are not included in the financial statements.

The following is a summary of the unexpended portions of the conditional grants as of December 31, 2006:

<u>Grantor</u>	<u>Amount</u>	<u>Description of Condition</u>
Peters Group Public Relations	\$ 60,000	Over 3 years pending goals and activity.
Total conditional promises to give- grants	<u>\$ 60,000</u>	

NOTE 5: AGENCY ENDOWMENT FUNDS

Beneficial interest in assets held by others. The Center has established the Tomorrow's Child Fund with the Austin Community Foundation for the Capital Area (ACF). General terms of the agreement are the following: Contributions - any person or organization may make a contribution to the Fund by a transfer of cash or other assets to ACF. All contributions to the Fund shall be irrevocable and shall be used in furtherance of the purpose of the Fund. Use of the Fund - the Fund is a permanent endowment of ACF. The net income of the Fund is for the furtherance of the purposes of the Center for Child Protection (the beneficiary). Distributions - The money or other property in the Fund shall be held and administered for the benefit of the Center for Child Protection. An amount equal to 5% of the Fund shall be distributed to the Beneficiary at least annually, or otherwise as determined by the Board of Governors of ACF.

NOTE 6: LONG-TERM DEBT

Long-term debt reported in the financial statements consists of the following:

Note payable to a bank, dated June 23, 1997, original balance of \$92,927, interest rate of 8.5%, monthly payment of \$715, maturity date of June, 2007. Collateral is land and building.	\$ 142,170
Note payable to a bank, dated September 9, 2002, original balance of \$176,740, variable interest rate, 6.04% at year end, monthly payment of \$1,497, maturity date of September, 2007. Collateral is a deed of trust.	84,858
Less current portion of long-term debt	<u>(227,029)</u>
Long-term debt, net of current portion	<u>\$ -</u>

The approximate annual maturity due on the debt are as follows: 2007- \$227,028 and thereafter -0-. The maturity dates on the debt are September 9, 2007 and June 23, 2007, respectively.

Interest paid in 2006 was \$16,925.

NOTE 7: COMMITMENTS

The Organization is obligated on leases for office equipment which, for accounting purposes, are treated as operating leases. As operating leases, these obligations are not reported in the financial statements. The future minimum lease payments required on these leases are as follows: 2007- \$28,646; 2008- \$28,646; 2009- \$28,646; and 2010- \$28,646. The lease term for the office equipment begins April 1, 2006 and ends March 30, 2010.

Rental expenses, under operating leases, for 2006 was \$29,251.

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS

At year-end, the Organization had temporarily restricted net assets available for the following purposes.

<u>Funding Source</u>	<u>Amount</u>	<u>Nature of donors restrictions</u>
Capital Campaign	\$5,165,954	For specific project
Various grants and contracts	<u>681,448</u>	For specific program or time period
Total temporarily restricted	<u>\$5,847,402</u>	

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 9: PERMANENTLY RESTRICTED NET ASSETS

At year-end, the Organization had \$27,665 permanently restricted net assets in regards to an endowment fund for the capital campaign.

NOTE 10: OFF BALANCE SHEET CREDIT RISK AND CONCENTRATIONS

Cash balances with a financial institution in excess of Federal Deposit Insurance Corporation insurance coverage are considered an off balance sheet credit risk. Throughout the year, the organization concentrated its cash balances in a major financial institution and maintained cash balances that consistently exceeded the institution's FDIC coverage. The maximum amount of loss due to credit risk that, based on the gross fair value of the financial instruments, the organization would incur if the financial institution failed to perform according to the terms of the contract is approximately \$342,436. The Organization considers its funds to be in a high quality financial institution, constantly monitors its financial positions with the institution, and does not anticipate any nonperformance.

NOTE 11: CONTRIBUTED SERVICES

Contributed services are recorded in the accompanying financial statements if one of the following criteria is met: 1) contributed services must create or enhance non-financial assets of the organization, or 2) contributed services must require specialized skills that the Organization would otherwise need to purchase. During the year ending December 31, 2006, the organization received \$37,910 in contributed services, for public relation services.

NOTE 12: 401(k) SAVINGS PLAN

The Center has a 401(k) plan ('Plan') to provide retirement benefits for its staff. Staff may contribute a percent of their annual compensation, limited to a maximum annual amount as set periodically by the Internal Revenue Service. On January 1, 2005, the Center changed its 401(k) Plan to include a new comparability profit sharing provision which requires the Center to make mandatory safe harbor non-elective contributions in an amount equal to 3% of each eligible participant's compensation. These safe harbor contributions are subject to a 100% immediate vesting schedule. New hires are eligible to participate after one year of service. In addition, the Plan provides for discretionary contributions as determined by the Board of Directors. The Center contributed \$27,949 to the Plan in 2006.