

Center for the Missing
dba Texas Center for the Missing
Audited Financial Statements
December 31, 2016
(With Independent Auditor's Report Thereon)

Texas Center for the Missing
For the Year Ended December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Center for the Missing
dba Texas Center for the Missing

I have audited the accompanying financial statements of Center for the Missing dba Texas Center for the Missing (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statement of activities, statement of 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.


I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for the Missing dba Texas Center for the Missing as of December 31, 2016, and the changes in its net assets, statement of functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter—2015 Financial Statements

The financial statements of Center for the Missing dba Texas Center for the Missing as of December 31, 2015, were audited by other auditors whose report dated May 12, 2016, expressed an unmodified opinion on those financial statements.


Ruben Castro LLC
Houston, Texas
June 28, 2017

Statement of Financial Position

Center for the Missing
dba Texas Center for the Missing
December 31, 2016

Assets

	<u>2016</u>
Current Assets	
Cash and cash equivalents, unrestricted	\$ 96,888
Cash and cash equivalents, restricted	155,041
Prepaid expenses	<u>21,099</u>
Total Current Assets	<u>273,028</u>
Investments	44,959
Property and equipment, net	<u>-</u>
Total Assets	<u><u>\$ 317,987</u></u>

Liabilities and Net Assets

Liabilities

Current Liabilities

Payroll Liabilities	\$ 6,907
Deferred revenues	<u>6,000</u>
Total Liabilities	<u>12,907</u>

Net assets

Unrestricted	101,580
Temporarily restricted	3,500
Permanently restricted	<u>200,000</u>
Total Net Assets	<u>305,080</u>
Total Liabilities and Net Assets	<u><u>\$ 317,987</u></u>

See accompanying notes to financial statements.

Statement of Activities
Center for the Missing
dba Texas Center for the Missing
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
Public Support and Revenues				
Public Support				
Contributions and grants	\$ 88,065	\$ 3,500	\$ -	\$ 91,565
Government grants - HGAC	35,743	-	-	35,743
Government grants - ICAC	11,464	-	-	11,464
In-kind contributions	13,764	-	-	13,764
Special events, net of expenses of \$125,471	161,417	-	-	161,417
Dividends and interest	795	-	-	795
Unrealized gains (losses)	5,305	-	-	5,305
Other income	264	-	-	264
Net assets released from restrictions	4,377	(4,377)	-	-
Total Income	321,194	(877)	-	320,317
Expenses				
Program Services				
Program services	272,656	-	-	272,656
Supporting Services				
Fundraising	20,745	-	-	20,745
General and administrative	14,903	-	-	14,903
Total Expenses	308,304	-	-	308,304
Change in net assets	\$ 12,890	\$ (877)	\$ -	\$ 12,013
Net Assets, Beginning of Year	88,690	4,377	200,000	293,067
Net Assets, End of Year	\$ 101,580	\$ 3,500	\$ 200,000	\$ 305,080

See accompanying notes to financial statements.

Statement of Functional Expenses
Center for the Missing
dba Texas Center for the Missing
For the Year Ended December 31, 2016

	Program	Management and general	Fundraising	Total
Expenses				
Accounting	\$ 3,376	\$ 1,687	\$ 1,687	\$ 6,750
Conferences and meetings	309	15	19	343
Depreciation	8	1	1	10
Dues and subscriptions	2	5	13	20
Employee benefits	19,833	991	1,212	22,036
Insurance	2,255	113	138	2,506
Mileage reimbursement	2,058	97	-	2,155
Miscellaneous	816	41	53	910
Occupancy	15,498	775	947	17,220
Postage	915	46	55	1,016
Printing and publications	6,251	-	284	6,535
Program Materials	13,550	-	-	13,550
Salaries and wages	178,440	8,921	10,905	198,266
Service charges and other fees	504	1,004	3,523	5,031
Software	7,556	378	462	8,396
Supplies	4,559	227	279	5,065
Telephone and internet	6,148	308	375	6,831
Training and development	793	-	-	793
Volunteer expenses	5,882	294	359	6,535
Website design and maintenance	3,903	-	433	4,336
Total Operating Expenses	<u>\$ 272,656</u>	<u>\$ 14,903</u>	<u>\$ 20,745</u>	<u>\$ 308,304</u>

See accompanying notes to financial statements.

Statement of Cash Flows
Center for the Missing
dba Texas Center for the Missing
For the Year Ended December 31, 2016

	<u>2016</u>
Cash flows from operating activities	
Change in net assets	\$ 12,013
Adjustments to reconcile changes in net assets to net cash	
Depreciation	10
Unrealized (gains) losses on investments	(5,305)
Decrease (increase) in prepaid expenses	(14,732)
Increase (decrease) in deferred revenues	(59,510)
Increase (decrease) in payroll liabilities	(13,702)
Net cash provided by operating activities	<u>(81,226)</u>
Cash flows from investing activities	
Purchase of investments	<u>878</u>
Net cash provided by investing activities	<u>878</u>
Net increase (decrease) in cash and cash equivalents	(80,348)
Cash and cash equivalents at beginning of year	<u>332,277</u>
Cash and cash equivalents at end of year	<u><u>\$ 251,929</u></u>
Supplemental disclosures	
Interest expense	\$ -

See accompanying notes to financial statements.

Note 1 – Nature of organization and significant accounting policies

Nature of Organization – Texas Center for the Missing (TCM) was chartered as Gabriel's Gifts Charitable Foundation on March 15, 2000, and changed its name in April 2006. TCM's purpose is to bring hope and healing to the missing and their families through crisis intervention, prevention, and community education.

Basis of Accounting – The financial statements are presented in accordance with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 958-205, Financial Statements of Not-for-Profit Organizations. Accordingly, information regarding financial position and activities are reported according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. These classes of net assets are based on the existence or absence of donor imposed restrictions. Accordingly, the net Assets of TCM and changes therein are classified and reported as follows:

Unrestricted net assets

Unrestricted net assets are not subject to donor-imposed stipulations and reflect revenues earned and expenses incurred in the operation of TCM's activities.

Temporarily restricted net assets

Temporarily restricted net assets are subject to donor-imposed stipulations that limit the use of the donated asset (see Note 9). When a donor restriction is satisfied, either through the passage of time (time restrictions) or actions of TCM (purpose restrictions), 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

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by TCM. The donors of these assets permit TCM to use all or part of the income earned on related investments for general or specific purposes. TCM's permanently restricted net assets consist of funds, whose original principal balances are to remain intact in perpetuity, however the investment income earned in the accounts may be used for current operating expenses. TCM's permanently restricted net assets at December 31, 2016, amount to \$200,000, and are included in the amounts reported as investments of \$44,959 and restricted cash of \$155,041 in the accompanying statement of financial position.

Use of Estimates – The preparation of financial statements requires management to make estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the accounting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the statement of cash flows, TCM considers all short-term investments, with an original maturity of three months or less when purchased, to be cash equivalents.

Restricted Cash – Restricted cash represents funds received with donor-imposed restrictions to underwrite specific programs.

Note 1 – Nature of organization and significant accounting policies (continued)

Investments – In accordance with FASB ASC 320, investments in marketable securities with readily determinable fair market values are presented at their fair values in the statement of financial position. Gains and losses due to market adjustments are recognized as the market fluctuates and unrealized gains and losses are reported in the statement of activities.

Property and Equipment – Purchased property and equipment are stated at cost. Donated assets are recorded at their estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Individual items of furniture, fixtures, and equipment are depreciated over periods varying from five to seven years. Purchases are capitalized if they are considered capital in nature, the costs exceed \$500, and are expected to have a useful life of greater than one year.

Public Support, Revenue, and Promises to Give – TCM receives the majority of its revenue from contributions and grants from individuals, corporations, and foundations. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor-restricted contributions that are received and expended in the same year are classified as unrestricted. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Federal Income Tax Status – TCM qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for federal income taxes is made in the financial statements. Additionally, contributions made to TCM qualify for the charitable contribution deduction under the provisions of the Internal Revenue Code. TCM is not a private foundation under provisions of the Internal Revenue Code. For the fiscal year ended December 31, 2016, TCM did not record any liabilities for uncertain tax positions or income taxes. TCM does not expect the amounts of unrecognized tax benefits to significantly increase or decrease within the next twelve (12) months. As of December 31, 2016, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the fiscal year 2013 forward. TCM is not subject to the Texas margin tax.

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 among the programs and supporting services benefitted.

Donated Materials and Services – A substantial number of volunteers have made significant contributions of their time and effort to the Organization's programs and supporting services. The value of this contributed time is not reflected in the financial statements since it does not require a specialized skill.

Donated materials and equipment are reflected as in-kind donations in the accompanying statements at their estimated values at date of receipt (see Note 5). Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Texas Center for the Missing
Notes to Financial Statements
For the Year Ended December 31, 2016

Note 1 – Nature of organization and significant accounting policies (continued)

Compensated Absences – TCM limits its employees' carry-over of unused sick leave and accrued vacation to the following year up to a maximum of thirty days. As of December 31, 2016, TCM has accrued a liability for unused sick leave and vacation pay totaling \$6,907.

Note 2 – Concentrations

In the current year, a significant amount of contributions were provided by a few major contributors. It is always considered reasonably possible that benefactors, grantors, or contributors might be lost in the near term. TCM's geographic areas served are concentrated in and around Harris County, Texas.

Note 3 – Credit risk

TCM maintains its cash and cash equivalent balances in financial institutions, which from time to time exceeds amounts insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of December 31, 2016, TCM did not have deposits in excess of the federally insured amount.

Note 4 – Pension plan

TCM has established a defined contribution pension plan, commonly referred to as a 403(b) plan, which is available to all full-time employees. Employee contributions are matched by TCM up to a maximum of 6% of the employee's compensation. Employer contributions are reported as an expense of TCM in the accompanying financial statements and amounted to \$7,395 for the calendar year ended December 31, 2016.

Note 5 – In-kind contributions

TCM received the following in-kind contributions during the year ended December 31, 2016:

	<u>2016</u>
Program Related – Digital Billboard	\$ 12,000
Technology Services	<u>1,764</u>
Total In-Kind Contributions	<u>\$ 13,764</u>

Note 6 – Property and equipment

Property and equipment are summarized by major classifications as follows at December 31, 2016:

	<u>2016</u>
Furniture and equipment	\$ 2,914
Less: Accumulated depreciation	<u>(2,914)</u>
Total property and equipment	<u>\$ -</u>

Depreciation expense for the year ended December 31, 2016, was \$10.

Texas Center for the Missing
Notes to Financial Statements
For the Year Ended December 31, 2016

NOTE 7 – Investments

Investments are presented in the statement of financial position at fair value based on quoted market prices at year-end. Investments consist of the following as of December 31, 2016:

	Fair Value	Cost
Exchange Traded Products	\$ 44,220	\$ 26,582
Mutual Funds	739	632
Total	<u>\$ 44,959</u>	<u>\$ 27,214</u>

NOTE 8 – Fair value measurements

The requirements of Fair Value Measurements and Disclosures of the Accounting Standards Codification apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is defined as the price that would be received to sell an asset or an amount paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value Measurements and Disclosures establish a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that can be corroborated by observable market data for substantially the full term of the assets and liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity, such as discounted cash flow models or valuations.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement. TCM's financial instruments carried at fair value consist of investments. The fair value of TCM's investments is determined by observable prices for identical or similar assets in active markets. The following table shows the fair value classification of TCM's investments that are required to be measured at fair value as of December 31, 2016:

Fair Value Measurements at December 31, 2016:				
	Fair Value	(Level 1)	(Level 2)	(Level 3)
Exchange Traded Products	\$ 44,220	\$ 44,220	\$ -	\$ -
Mutual Funds	739	739	-	-
Total Investments	<u>\$ 44,959</u>	<u>\$ 44,959</u>	<u>\$ -</u>	<u>\$ -</u>

Texas Center for the Missing
Notes to Financial Statements
For the Year Ended December 31, 2016

Note 9 – Temporarily restricted net assets

As of December 31, 2016, TCM's temporarily restricted net assets balance was \$3,500 which is reflected in TCM's Statement of Financial Position as restricted cash. Restricted net assets are for use in the subsequent fiscal year and upon satisfaction of donor imposed stipulations. Net assets of \$4,377 were released from donor restrictions during the year ended December 31, 2016, by incurring expenses satisfying the restrictions specified by donors.

Temporarily restricted net assets at December 31, 2016, are restricted for the following purposes:

	2016
Child ID Kits	\$ 2,500
Internet Safety	1,000
Total temporarily restricted net assets	<u>\$ 3,500</u>

Note 10 – Operating leases

TCM has entered into a non-cancelable operating lease for office space, which will expire in March 2017. The minimum annual lease payments for the next two years are as follows:

Years Ending December 31,	Amount
2017	\$ 4,305
Total	<u>\$ 4,305</u>

Total lease expense for the office space for 2015 was \$17,220.

Note 11 – Contingencies

TCM's programs are supported through various grants that are governed by various rules and restrictions. Expenses charged to the grant programs are subject to audit and adjustments by the grantor; therefore, to the extent that TCM has not complied with the rules and restrictions governing the grants, refunds of any money received may be required. In the opinion of management, there are no contingent liabilities relating to compliance with the rules and restrictions governing the respective grants; therefore, no provisions have been made in the accompanying financial statements for such contingencies.

Note 12 – Related party transactions

During the year ended December 31, 2016, TCM received contributions totaling \$10,000 from board members.

Note 13 – Subsequent events

In connection with the preparation of the financial statements, and in accordance with ASC Topic 855, Subsequent Events, the Organization evaluated subsequent events between the statement of financial position date December 31, 2016, through June 28, 2017, which was the date the financial statements were available to be issued, and determined that there are no subsequent events or transactions that need to be recognized or disclosed in the accompanying financial statements.