

Avance – Dallas, Inc.  
Audited Financial Statements  
June 30, 2013

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Independent Auditors' Report

To the Board of Directors  
Avance – Dallas, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of Avance - Dallas, Inc. which comprise the statement of financial position as of June 30, 2013 the related statements of activities, cash flows, functional expenses and the related notes to the financial statements for the year then ended.

**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 error or fraud.

**Auditors' 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements.

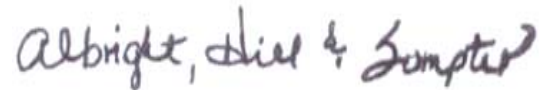
An audit includes performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Avance - Dallas, Inc., as of June 30, 2013, and its support, revenue and expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Albright, Hill & Sumpter, PC  
Certified Public Accountants

A handwritten signature in cursive script that reads "Albright, Hill & Sumpter".

August 29, 2013

Avance - Dallas, Inc.  
Statement of Financial Position  
June 30, 2013

ASSETS

Cash	\$ 301,067
Investments	157,204
Grants receivable	111,753
Due from National and affiliate	12,549
Prepaid	20,054
Property and equipment, net	<u>87,566</u>
Total assets	<u><u>\$ 690,193</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	<u>\$ 73,410</u>
Net assets	
Unrestricted	469,896
Temporarily restricted	<u>146,887</u>
Total net assets	<u><u>616,783</u></u>
Total liabilities and net assets	<u><u>\$ 690,193</u></u>

The accompanying notes are an integral part of this statement.

Avance - Dallas, Inc.  
Statement of Activities and Changes in Net Assets  
For the year ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Government, state and local grants	\$ -	\$ 436,771	\$ 436,771
Other contributions and grants	132,620	60,210	192,830
Corporate support	117,591	-	117,591
Foundation support	306,508	449,867	756,375
United Way funding	717,314	-	717,314
In-kind support	103,429	-	103,429
Interest	786	-	786
Total	<u>1,378,248</u>	<u>946,848</u>	<u>2,325,096</u>
Net assets released from restrictions	878,624	(878,624)	-
Total revenue and support	<u>2,256,872</u>	<u>68,224</u>	<u>2,325,096</u>
Expenses			
Program services	2,022,007	-	2,022,007
Supporting services	229,459	-	229,459
Fund raising	47,696	-	47,696
Total expenses	<u>2,299,162</u>	<u>-</u>	<u>2,299,162</u>
Change in net assets	(42,290)	68,224	25,934
Net assets, beginning of year	<u>512,186</u>	<u>78,663</u>	<u>590,849</u>
Net assets, end of year	<u>\$ 469,896</u>	<u>\$ 146,887</u>	<u>\$ 616,783</u>

The accompanying notes are an integral part of this statement.

Avance - Dallas, Inc.  
Statement of Functional Expenses  
For the year ended June 30, 2013

	Program Services	Supporting Services	Fund Raising	Total
Salaries	\$ 1,315,318	\$ 130,447	\$ -	\$ 1,445,765
Employee benefits	195,473	9,615	-	205,088
Payroll taxes	148,973	14,218	-	163,191
Professional fees	26,563	3,389	34,417	64,369
Accounting and legal fees	8,162	9,876	-	18,038
Supplies	58,556	5,652	-	64,208
Communications	16,873	1,368	598	18,839
Postage and shipping	27	1,469	661	2,157
Occupancy	115,084	8,887	-	123,971
Rental and maintenance of equipment	8,559	326	-	8,885
Printing and publications	7,649	2,144	-	9,793
Travel and transportation	27,040	2,248	-	29,288
Scholarships	1,133	-	-	1,133
Client emergency funds	3,070	-	-	3,070
Graduation programs	14,942	-	-	14,942
Conferences and meetings	-	4,367	-	4,367
Staff development	9,725	9,169	-	18,894
Membership fees	430	648	-	1,078
Insurance	12,768	2,132	-	14,900
Bank fees and interest	-	94	-	94
Miscellaneous	5	127	-	132
Affiliation fees	47,788	997	-	48,785
Fund raising	-	-	12,020	12,020
Equipment purchases	3,869	781	-	4,650
Depreciation and amortization	-	21,505	-	21,505
	<u>\$ 2,022,007</u>	<u>\$ 229,459</u>	<u>\$ 47,696</u>	<u>\$ 2,299,162</u>

The accompanying notes are an integral part of this statement.

Avance - Dallas, Inc.  
Statement of Cash Flows  
For the year ended June 30, 2013

Cash flows from operating activities	
Change in net assets	\$ 25,934
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	21,505
Decrease (increase) in assets:	
Grants receivable	(93,742)
Due from National and affiliate	15,553
Prepays	(800)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	35,097
Net cash provided by operating activities	<u>3,547</u>
Cash flows from investing activities	
Redemption of investments	194,314
Purchase of equipment	(36,868)
Net cash provided by investing activities	<u>157,446</u>
Increase in cash	160,993
Cash, beginning of year	140,074
Cash, end of year	<u>\$ 301,067</u>

The accompanying notes are an integral part of this statement.



Avance – Dallas, Inc.  
Notes to Financial Statements  
June 30, 2013

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In fulfilling its responsibility for the preparation of Avance – Dallas, Inc.'s (the Organization) financial statements and disclosures, management selects accounting principles generally accepted in the United States of America and adopts methods for their application. The application of accounting principles requires estimating, matching and timing of revenue and costs in the determination of support and expenditures. It is also necessary for management to determine measure, allocate and make certain assumptions regarding resources and obligations within the financial process according to these principles. Below are certain significant accounting policies selected by management.

Nature and Purpose of the Organization

Avance – Dallas, Inc. is a comprehensive, community based, parent-child educational program funded by private companies, foundations, state and federal sources whose main purpose is to strengthen Hispanic families. The Organization is a chapter under the umbrella of Avance, Inc. (National), which was established in 1973 as a Texas non-profit corporation. Avance – Dallas, Inc. was established in 1996.

Basis of Presentation

Net assets, revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Accounting Estimates and Assumptions

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. Such estimates and assumptions primarily relate to valuation as of the date of the

Avance – Dallas, Inc.  
Notes to Financial Statements  
June 30, 2013

financial statements. Accordingly, actual results could differ from these estimates and assumptions. The methods used in making accounting estimates are believed by management to be reasonable and have been consistently applied.

Revenue Recognition

Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence of any donor restrictions.

If contributions are received and the restrictions are released in the same reporting period, the contributions are reported as unrestricted contributions. All other donor restricted support is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires in a different reporting period from when they are received (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 and Changes in Net Assets as net assets released from restrictions.

Materials, facilities use and professional services received as donations are recorded and reflected in these financial statements at their estimated fair values at the date of receipt.

Numerous individuals have donated significant amounts of their time and perform a variety of tasks that assist the Organization including gift distributions and coordination. No amounts have been reflected in the financial statements as the estimated fair value of these services is not readily determinable and these services do not meet the criteria for recognition as revenue.

Cash and Cash Equivalents

The Organization considers all short-term investments with an original maturity of ninety (90) days or less to be cash equivalents. The Organization places cash, cash equivalents and marketable securities, which at times may exceed federally-insured limits, with high-credit quality financial institutions. The Organization has not experienced any losses on such assets.

Investments

Investments, consisting of certified deposits, are carried at their current market value. At June 30, 2013, investments totaled \$157,204. Investment return consists of interest income which is included in total interest income on the Statement of Activities and Changes in Net Assets.

Avance – Dallas, Inc.  
Notes to Financial Statements  
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Grants Receivable

Grants receivable consist of amounts due from awarding agencies. At June 30, 2013, grants receivable totaled \$111,753 of which receivables from two agencies comprise 81%.

Property and Equipment

Furniture, fixtures and equipment are stated at cost, when purchased, or estimated fair value at the date of donation, less accumulated depreciation and amortization. Major expenditures and those that substantially increase useful lives are capitalized. Maintenance, repairs and replacements, which do not improve or extend the lives of the respective assets, are charged to operations when incurred. When furniture, fixtures or equipment are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed and any gain or loss is included in operations. The Organization capitalizes all property and equipment with a cost over \$5,000.

Depreciation and amortization has been calculated as follows:

Equipment	5 years
Vehicle	5 years
Software	3 years

Income Taxes

The Organization is a non-profit organization, as defined in Section 501(c)(3) of the Internal Revenue Code (the Code), that is exempt from federal income taxes under its national affiliate, Avance, Inc.'s corporate exemption pursuant to Section 501(a) of the Code. For the year ended June 30, 2013, the Organization did not conduct any unrelated business activities that would be subject to federal income taxes.

NOTE 2 – PROPERTY AND EQUIPMENT

As of June 30, 2013, property and equipment consisted of the following:

Equipment	\$ 80,795
Leasehold improvements	79,804
Less: accumulated depreciation	<u>(73,033)</u>
	<u>\$ 87,566</u>

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Depreciation and amortization expense for the year ended June 30, 2013 was \$21,505.

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2013, temporarily restricted net assets were restricted for the following purposes:

Parent-child programs	\$ 93,002
Volunteer impact	4,494
KERA	<u>49,391</u>
	<u><u>\$ 146,887</u></u>

NOTE 4 – COMMITMENTS

The Organization leases office equipment under two non-cancelable operating leases ending in 2012. For the year ended June 30, 2013, lease expense associated with these leases was approximately \$7,700.

The Organization received in-kind rent for the year ended June 30, 2013 as follows:

	<u>Amount</u>
Dallas Independent School District (program space)	<u><u>\$ 66,560</u></u>

On January 1, 2011, the Organization entered into a lease agreement with Dallas Habitat for Humanity for administrative space. Additional meeting room space was added August 2011. Future minimum rental obligations at June 30, 2013 are as follows:

	<u>Year Ended</u>		
	2014	\$	40,369
	2015		40,369
	2016		<u>23,458</u>
	Total		<u><u>\$104,196</u></u>

Rent expense for the year ended June 30, 2013 was as follows:

In-kind	\$ 66,560
Paid	<u>40,604</u>
Total	<u><u>\$107,164</u></u>

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NOTE 5 – RETIREMENT PLAN

The Organization has adopted a 403(b) retirement plan, for essentially all employees, which is offered through National. Employees can make contributions, subject to certain limitations, on a pre-tax basis. Further, the Organization will match 25% of the first 5% of employ 30, 2013, the Organization contributed approximately \$7,000.

NOTE 6 – RELATED PARTY TRANSACTIONS

The Organization pays affiliation fees to National. During 2013, a total of \$48,785 of affiliation fees was incurred.

The Organization also receives pass-through funding from Avance-El Paso, who receives funding from AmeriCorp. For the year ended June 30, 2013, the Organization received \$136,771 from Avance-El Paso. At June 30, 2013, the net amount due to the Organization from Avance-El Paso was \$9,908.

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with the provisions of U.S. GAAP the financial assets recorded at fair value on a recurring basis are primarily related to investments.

U.S. GAAP establishes a fair value hierarchy that distinguishes between market participant assumptions, based on market data, obtained from sources independent of the Organization (observable inputs that are classified within Level 1 and Level 2 of the hierarchy) and the Organization's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). The adoption of this statement to the Organization's financial assets did not have any impact on the financial statements.

Assets measured at fair values on a recurring basis at June 30, 2013 were as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash	\$ 301,067	\$ 301,067	\$ -	\$ -
Investments	157,204	-	157,204	-
Grants receivable	111,753	-	111,753	-
Liabilities	(73,410)	-	(73,410)	-
Total	<u>\$ 496,614</u>	<u>\$ 301,067</u>	<u>\$ 195,547</u>	<u>\$ -</u>

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NOTE 8 – DISCLOSURES ABOUT UNCERTAINTY IN INCOME TAXES UNDER FASB ASC 740

The Organization files an annual information return. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2010.

The Organization has adopted the provisions of FASB ASC 740, Accounting for Uncertainty in Income Taxes. As of June 30, 2013, there were no unrecognized tax benefits.

The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in administrative expense. There were no such interest and penalties for 2013.

NOTE 9 – SUBSEQUENT EVENTS

Management has reviewed events occurring subsequent to June 30, 2013 through the issue date of the financial statements, August 29, 2013. Based on this review, no events have occurred requiring disclosure.