

BE AN ANGEL FUND, INC.

FINANCIAL STATEMENTS

August 31, 2013

BE AN ANGEL FUND, INC.
For the Years Ended August 31, 2012 and 2013

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Be An Angel Fund, Inc.

Officers & Directors

Bill Shank - Chairman

F. E. "Bo" Bigelow, III - Vice Chairman

Mike Williams - Vice Chairman

Bob Leonard - Treasurer

Ray Solcher - Past Chairman

Directors

Dot Cunningham

Jeff Gorski

Jules "Jay" Morris

Ned Piedmont

Ann Wright

Stephen Drake

Dan Kasprzak

Dan Pastorini

Felix Rhymes

Barbara Garney

Clay Morel

Dan Patrick

John Schwarz, Jr.

Advisory Committee

William "Bill" Abington

Carl Bowles

Dr. Nici Esch

Dan Huberty

Sally Maxwell

Patsy Rhymes

Richard Tyler

Brian Wozniak

Jack Barry

David Bruce

David Hardin

Karl Kuenning

Constance "Connie" Niehaus

Tom Stream

Robert Wells

Connie Young

Cary Benson

Dale Coburn

Barbara Heim

Rob LeClair

Venita Phillips

Terry Tognietti

Constance White

Staff

Marti Boone - Executive Director

Russ Massey - Program Director

Katie Kasprzak - Development Director

Elizabeth Sullivan - Office Manager

VANWASSEHNOVA AND ASSOCIATES
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
Be An Angel Fund, Inc.
Houston, Texas

We have audited the accompanying financial statements of Be An Angel Fund, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2012 and 2013, and the related statements of activities, functional expenses, and cash flows for the years 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Be An Angel Fund, Inc. as of August 31, 2012 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

VanWassehnova & Associates

VanWassehnova & Associates
February 5, 2014

BE AN ANGEL FUND, INC.
Statements of Financial Position
August 31, 2012 & 2013

Assets	2012	2013
Current Assets:		
Cash and cash equivalents	\$ 283,540	\$ 195,658
Certificate of Deposit	9,261	9,283
Accounts Receivable	30,750	29,025
Inventory	32,000	-
Prepaid Expenses	6,395	3,122
Total Current Assets	<u>361,946</u>	<u>237,088</u>
Property & Equipment		
Building	87,055	74,471
Furniture and Office Equipment	37,216	38,355
Vehicle, Other Equipment and Signage	33,974	33,974
	<u>158,245</u>	<u>146,800</u>
Less Accumulated Depreciation	<u>(107,008)</u>	<u>(113,672)</u>
Net Property & Equipment	<u>51,237</u>	<u>33,128</u>
Other Assets		
Municipal Bonds	<u>50,000</u>	<u>50,000</u>
Total Other Assets	<u>50,000</u>	<u>50,000</u>
Total Assets	<u><u>\$ 463,183</u></u>	<u><u>\$ 320,216</u></u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 29,904	\$ -
Accrued Expenses	69,676	-
Total Current Liabilities	<u>99,580</u>	<u>-</u>
Net Assets		
Unrestricted	300,520	271,825
Temporarily Restricted	63,083	48,391
Total Net Assets	<u>363,603</u>	<u>320,216</u>
Total Liabilities and Net Assets	<u><u>\$ 463,183</u></u>	<u><u>\$ 320,216</u></u>

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

BE AN ANGEL FUND, INC.
Statements of Activities
For the Years Ended August 31, 2012 & 2013

Unrestricted Net Assets	<u>2012</u>	<u>2013</u>
<u>Support & Revenue</u>		
Christmas Program	\$ 462,011	\$ 417,687
Donations - General	214,356	416,647
Other Fundraisers	66,555	40,821
Grants	41,000	54,450
Interest Income	156	144
 Gala	 232,800	 196,570
Less direct benefit to donors	(32,000)	(28,500)
Net revenue from Gala	<u>200,800</u>	<u>168,070</u>
 Golf Tournaments	 96,203	 80,000
 Resale Shop		
Contributions of merchandise	121,272	4,620
Sales of donated merchandise	103,975	41,302
Less value of merchandise sold	(103,975)	(9,302)
Net revenue from Resale Shop	<u>121,272</u>	<u>36,620</u>
 Partnership Income	 583	 13,780
 Total Support & Revenue	 1,202,936	 1,228,219
Net assets released from donor restrictions	<u>342,851</u>	<u>99,365</u>
Total Unrestricted Support & Revenue	<u>1,545,787</u>	<u>1,327,584</u>

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

BE AN ANGEL FUND, INC.
Statements of Activities-Continued
For the Years Ended August 31, 2012 & 2013

<u>Expenses</u>	<u>2012</u>	<u>2013</u>
Program Services		
Camp Be An Angel	27,500	33,367
Snowday	16,180	11,788
Christmas Programs	303,137	325,675
Respite (Summer & Alternatives for Angels)	67,340	74,392
Child/Family Assistance	57,302	154,469
Institutional Assistance	372,767	112,685
SUCCESS Golf	22,186	38,967
Other	165,117	231,069
Total Program Services	1,031,529	982,412
Resale Shop	110,314	56,472
Fundraising Expenses	163,296	166,781
Supporting Services - Administrative & General	128,828	138,823
Total Expenses	1,433,967	1,344,488
Loss on Abandoned Property	-	11,791
Total Expenses & Loss	1,433,967	1,356,279
Increase (Decrease) in Unrestricted Net Assets	111,820	(28,695)
Temporarily Restricted Net Assets		
Donations - Jo Kelly Playground	249,461	4,122
Grants	83,500	25,550
SUCCESS Golf Program	30,000	55,000
Net assets released from restrictions	(342,851)	(99,364)
Increase (Decrease) in Temporarily Restricted Net Assets	20,110	(14,692)
Increase (Decrease) in Net Assets	131,930	(43,387)
Net Assets at Beginning of Year	231,673	363,603
Net Assets at End of Year	<u>\$ 363,603</u>	<u>\$ 320,216</u>

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

BE AN ANGEL FUND, INC.
Statements of Cash Flows
For the Years Ended August 31, 2012 & 2013

<u>Cash Flows From Operating Activities</u>	<u>2012</u>	<u>2013</u>
Increase (Decrease) in Net Assets	\$ 131,930	\$ (43,387)
Adjustments to reconcile change in net assets to net cash provided by operating activities: Depreciation	7,236	7,456
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(25,500)	1,725
Partnership Investments	13,979	-
Inventory	(25,581)	32,000
Certificate of Deposit	-	(22)
Prepaid Expenses	12,875	3,273
Increase (Decrease) in Operating Liabilities:		
Accrued Expenses	69,676	(69,676)
Accounts Payable/Promises to Give	23,475	(29,904)
Net Cash Provided by Operating Activities	<u>208,090</u>	<u>(98,535)</u>
<u>Cash Flows From Financing Activities</u>		
Principal Payments	<u>(41,453)</u>	<u>-</u>
Net Cash Used by Financing Activities	<u>(41,453)</u>	<u>-</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of investment	(9,261)	-
Sale of fixed assets	-	11,791
Acquisition of Property & Equipment	<u>(5,676)</u>	<u>(1,138)</u>
Net Cash Used by Investing Activities	<u>(14,937)</u>	<u>10,653</u>
Net Increase (Decrease) in Cash	151,700	(87,882)
Cash at Beginning of Year	<u>131,840</u>	<u>283,540</u>
Cash at End of Year	<u><u>\$ 283,540</u></u>	<u><u>\$ 195,658</u></u>

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

BE AN ANGEL FUND, INC.
Statement of Functional Expenses
For the Year Ended August 31, 2012

	Camp Be An Angel	Snowday	Holiday Programs	Respite
Playgrounds	\$ -	\$ -	\$ -	\$ -
Nutritional Program	-	-	-	-
Individual Requests	-	-	-	-
Hearing Aid Program	-	-	-	-
Toys	-	-	222,833	-
Student Activities	23,210	13,480	-	24,500
Equipment	-	800	3,075	-
Other	1,328	-	14,306	-
Salaries & Payroll Taxes	-	-	-	-
Materials & Supplies	1,903	-	8,253	518
Advertising/Website	-	1,900	39,900	-
Professional Fees	-	-	-	-
Printing & Signage	-	-	1,967	-
Public Awareness	-	-	-	-
Awards & Gifts	-	-	-	-
Automotive/Transportation	1,059	-	1,825	2,560
Insurance-General	-	-	-	-
Postage & Delivery	-	-	3,709	-
Interest	-	-	-	-
Telephone	-	-	-	-
Depreciation	-	-	-	-
Bank Service Charges	-	-	1,978	-
Utilities	-	-	-	-
Storage/Rent	-	-	4,400	-
Contract Labor	-	-	-	39,762
Appreciation Functions	-	-	891	-
Pension	-	-	-	-
Dues & Subscriptions	-	-	-	-
Meetings	-	-	-	-
Totals	<u>\$ 27,500</u>	<u>\$ 16,180</u>	<u>\$ 303,137</u>	<u>\$ 67,340</u>

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

BE AN ANGEL FUND, INC.
Statement of Functional Expenses
For the Year Ended August 31, 2012

	Child/Family Assistance	Institutional Assistance	Success Golf Program	Other
Playgrounds	\$ -	\$ 372,767	\$ -	\$ -
Nutritional Program	5,000	-	-	-
Individual Requests	24,398	-	-	-
Hearing Aid Program	22,426	-	-	-
Toys	-	-	-	-
Student Activities	-	-	-	-
Equipment	-	-	7,400	2,029
Other	1,078	-	202	1,170
Salaries & Payroll Taxes	-	-	-	103,090
Materials & Supplies	-	-	-	101
Advertising/Website	-	-	10,595	2,408
Professional Fees	-	-	-	-
Printing & Signage	-	-	720	-
Public Awareness	-	-	-	31,328
Awards & Gifts	-	-	-	-
Automotive/Transportation	-	-	2,964	6,938
Insurance-General	-	-	-	10,580
Postage & Delivery	-	-	-	78
Interest	-	-	-	-
Telephone	-	-	-	3,081
Depreciation	-	-	-	3,930
Bank Service Charges	-	-	-	181
Utilities	-	-	-	-
Storage/Rent	4,400	-	306	-
Contract Labor	-	-	-	-
Appreciation Functions	-	-	-	-
Pension	-	-	-	-
Dues & Subscriptions	-	-	-	-
Meetings	-	-	-	205
Totals	<u>\$ 57,302</u>	<u>\$ 372,767</u>	<u>\$ 22,186</u>	<u>\$ 165,117</u>

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

BE AN ANGEL FUND, INC.
Statement of Functional Expenses
For the Year Ended August 31, 2012

	Total Programs	Fundraising	Resale Shop	Admin & General	Total
Playgrounds	\$ 372,767	\$ -	\$ -	\$ -	\$ 372,767
Nutritional Program	5,000	-	-	-	5,000
Individual Requests	24,398	-	-	-	24,398
Hearing Aid Program	22,426	-	-	-	22,426
Toys	222,833	-	-	-	222,833
Student Activities	61,190	-	-	-	61,190
Equipment	13,304	-	-	1,735	15,039
Other	18,084	23,499	2,255	8,376	52,215
Salaries & Payroll Taxes	103,090	85,939	43,244	55,595	287,869
Materials & Supplies	10,775	27,783	18,812	6,970	64,340
Advertising/Website	54,802	1,895	2,620	1,320	60,637
Professional Fees	-	472	-	8,809	9,281
Printing & Signage	2,687	3,611	-	1,495	7,793
Public Awareness	31,328	-	-	-	31,328
Awards & Gifts	-	7,413	-	2,907	10,320
Automotive/Transportation	15,345	4,255	4,844	5,822	30,267
Insurance-General	10,580	-	-	8,789	19,369
Postage & Delivery	3,787	1,866	-	607	6,259
Interest	-	-	-	-	-
Telephone	3,081	70	2,371	2,468	7,990
Depreciation	3,930	-	1,682	1,624	7,236
Bank Service Charges	2,159	4,725	1,135	7,277	15,296
Utilities	-	-	6,433	-	6,433
Storage/Rent	9,106	-	26,919	4,400	40,424
Contract Labor	39,762	-	-	5,874	45,636
Appreciation Functions	891	-	-	1,820	2,711
Pension	-	-	-	-	-
Dues & Subscriptions	-	-	-	1,901	1,901
Meetings	205	1,766	-	1,037	3,008
Totals	<u>\$1,031,529</u>	<u>\$ 163,296</u>	<u>\$ 110,314</u>	<u>\$ 128,828</u>	<u>\$1,433,968</u>

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

BE AN ANGEL FUND, INC.
Statement of Functional Expenses
For the Year Ended August 31, 2013

	Camp Be An Angel	Snowday	Christmas Programs	Respite
	\$ -	\$ -	\$ -	\$ -
Playgrounds	-	-	-	-
Individual Requests	-	-	-	-
Hearing Aid Program	-	-	-	-
Toys	-	11,788	244,785	-
In-Kind Expenses	-	-	39,671	1,200
Student Activities	28,932	-	-	30,000
Equipment	-	-	-	-
Other	325	-	214	-
Salaries & Payroll Taxes	-	-	-	-
Materials & Supplies	3,579	-	4,923	-
Advertising/Website	315	-	-	-
Professional Fees	-	-	-	-
Printing & Signage	-	-	-	-
Staff Development	-	-	-	-
Awards & Gifts	-	-	18,460	-
Automotive/Transportation	216	-	1,475	-
Insurance-General	-	-	-	-
Office & Postage	-	-	11,069	-
Telephone	-	-	-	-
Depreciation	-	-	-	-
Bank Service Charges	-	-	2,272	-
Utilities	-	-	-	-
Storage/Rent	-	-	-	-
Contract Labor	-	-	2,806	43,192
Appreciation Functions	-	-	-	-
Dues & Subscriptions	-	-	-	-
Meetings	-	-	-	-
Totals	<u>\$ 33,367</u>	<u>\$ 11,788</u>	<u>\$ 325,675</u>	<u>\$ 74,392</u>

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

BE AN ANGEL FUND, INC.
Statement of Functional Expenses
For the Year Ended August 31, 2013

	Child/Family Assistance	Institutional Assistance	Success Golf Program	Other
Playgrounds	\$ -	\$ 112,685	\$ -	\$ -
Individual Requests	50,934	-	-	-
Hearing Aid Program	43,546	-	-	-
Toys	-	-	-	-
In-Kind Expenses	59,989	-	-	-
Student Activities	-	-	-	-
Equipment	-	-	12,801	-
Other	-	-	4,175	32,000
Salaries & Payroll Taxes	-	-	-	145,921
Materials & Supplies	-	-	-	863
Advertising/Website	-	-	13,367	29,232
Professional Fees	-	-	-	-
Printing & Signage	-	-	1,518	-
Staff Development	-	-	-	-
Awards & Gifts	-	-	-	-
Automotive/Transportation	-	-	3,785	6,120
Insurance-General	-	-	-	9,864
Office & Postage	-	-	-	293
Telephone	-	-	-	4,909
Depreciation	-	-	-	-
Bank Service Charges	-	-	-	284
Utilities	-	-	-	-
Storage/Rent	-	-	1,321	1,457
Contract Labor	-	-	2,000	-
Appreciation Functions	-	-	-	-
Dues & Subscriptions	-	-	-	-
Meetings	-	-	-	126
Totals	<u>\$ 154,469</u>	<u>\$ 112,685</u>	<u>\$ 38,967</u>	<u>\$ 231,069</u>

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

BE AN ANGEL FUND, INC.
Statement of Functional Expenses
For the Year Ended August 31, 2013

	Total Programs	Fundraising	Resale Shop	Admin & General	Total
Playgrounds	\$ 112,685	\$ -	\$ -	\$ -	\$ 112,685
Individual Requests	50,934	-	-	-	50,934
Hearing Aid Program	43,546	-	-	-	43,546
Toys	256,573	-	-	-	256,573
 In-Kind Expenses	 100,860	 13,927	 -	 9,065	 123,852
Student Activities	58,932	-	-	-	58,932
Equipment	12,801	-	-	-	12,801
Other	36,714	262	734	6,993	44,703
 Salaries & Payroll Taxes	 145,921	 87,972	 36,491	 56,276	 326,660
Materials & Supplies	9,365	10,372	-	-	19,737
Advertising/Website	42,914	2,325	3,465	1,712	50,416
Professional Fees	-	14,211	-	9,059	23,270
 Printing & Signage	 1,518	 3,288	 -	 1,198	 6,004
Staff Development	-	100	-	3,855	3,955
Awards & Gifts	18,460	12,960	-	2,295	33,715
Automotive/Transportation	11,596	2,774	-	5,244	19,614
 Insurance-General	 9,864	 -	 -	 9,025	 18,889
Office & Postage	11,362	2,809	-	4,428	18,599
Telephone	4,909	374	1,409	2,681	9,373
Depreciation	-	-	-	7,457	7,457
 Bank Service Charges	 2,556	 6,520	 680	 5,693	 15,449
Utilities	-	-	3,041	-	3,041
Storage/Rent	2,778	5,250	10,652	1,457	20,137
Contract Labor	47,998	-	-	5,480	53,478
 Appreciation Functions	 -	 -	 -	 3,877	 3,877
Dues & Subscriptions	-	199	-	2,431	2,630
Meetings	126	3,438	-	597	4,161
 Totals	 <u>\$ 982,412</u>	 <u>\$ 166,781</u>	 <u>\$ 56,472</u>	 <u>\$ 138,823</u>	 <u>\$1,344,488</u>

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

BE AN ANGEL FUND, INC.
Notes to the Financial Statements
August 31, 2013

Note A - Organization and Purpose

Organization and Purpose

Be An Angel Fund, Inc. (Organization) is a 501(c)3 nonprofit welfare organization. The Organization was started in 1986 and has served children with multiple disabilities or profound deafness and their families in the Houston, Dallas and Fort Worth metropolitan areas for over 25 years. The Organization raises funds to improve the quality of life of its constituency by providing adaptive equipment and select services to individuals and institutions.

Some of the Organization's projects include:

- Institutional Programs: Providing barrier free playgrounds, hydrotherapy pool and sensory rooms enabling special children the ongoing development and experiences that their bodies need.
- Individual Programs: Providing motorized wheelchairs, hearing aids, nutritional supplements, medical tricycles, automobile lifts, medical strollers, and other misc. medical equipment.
- Activities: Offering weekend family camping retreat designed to allow entire family to enjoy their time spent together.
- Respite Care: Offering day care with trained staff so that family care givers can work and their children can continue their development outside of normal school hours, including summer.
- Christmas Program: Providing 4,731 disabled children from low-income homes with Christmas Gifts.
- Snow Day Program: Creating a winter wonderland for disabled and profoundly deaf children with the help of over 60 tons of snow, a signing Santa, petting zoo and train rides at T. H. Rogers School and K-4 graders in the Aldine ISD MO Campbell Building.
- Students Undertaking Challenging Courses Ensuring development of Sportsmanship and Skill (SUCCESS) Golf Program: Promoting healthy exercise, increasing cognitive development, and converting fun skills to life skills and more through an original 9-hole mobile golf course.

Volunteer opportunities include:

- Event Angels help set up for events, work the registration tables, organize auction items and run errands at hectic times.
- Christmas Angels assist with one of the Organization's largest events by shopping for the children and wrapping presents.
- Missionary Angels carry the good news about the Organization into the community by seeking volunteers and donations at shopping malls and local events.
- Entertainment Angels make children smile through the offering of their talents, including art, music and clowning.

Note B - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are presented using the accrual basis of accounting, as is required by accounting principles generally accepted in the United States (U.S. GAAP). Revenues are recognized when earned, and expenses are recognized when incurred.

Financial Statement Presentation

The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 – *Not For Profit Entities* (“ASC 958”) (formerly Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*). Under ASC 958, 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.

- Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.
- Temporarily Restricted – Net assets whose use is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time. All donor-restricted support is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction lapses 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. Temporarily restricted net assets as of August 31, 2013 were \$48,391.
- Permanently Restricted – Net assets subject to donor-imposed restrictions that are maintained permanently by the Organization. The Organization did not have any permanently restricted net assets as of August 31, 2013.

Net assets represent the difference between assets and liabilities. Additionally the Organization is required to present a statement of cash flows.

Budgetary Control

The Organization has established its fiscal year as the twelve-month period beginning September 1. The Organization’s Executive Director and Board of Directors estimate expenditures for the ensuing fiscal year after which the Board of Directors Treasurer submits a budget of estimated expenditures and revenues to the entire Board for review and discussion. The budget is then authorized by a motion and majority vote of the Board. The Board is authorized to transfer budgeted amounts between line items; however, any revisions that alter the total expenditures of the budget must be approved by the Board. Budgeted amounts are as originally adopted or as amended by the Board.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions about future events that may affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. Such estimates include the lives of fixed assets, fair values used to record in-kind contributions, the functional allocation of expenses, and contingencies. These estimates and assumptions are based on management’s best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Adjustments to such estimates and assumptions are made when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all cash on hand, demand bank deposits, and highly liquid investments available for current use with an initial maturity of three months or less to be defined as cash and cash equivalents.

Custodial Credit Risk - Deposits

In the case of bank deposits, custodial credit risk is the risk that in the event of a bank failure, the Organization's bank deposits, whose balances exceed the insurance coverage guaranteed by the Federal Deposit Insurance Corporation (FDIC), which was \$250,000 for 2013, may not be returned to it. From time to time during the year, the Organization's cash balances exceeded this FDIC limit. The Organization has not experienced any losses and management believes it is not exposed to any significant custodial credit risk on cash.

Contributions

The Organization accounts for contributions in accordance with recommendations of ASC 958, (formerly SFAS No. 116, *Accounting for Contributions Received and Contributions Made*). In accordance with ASC 958, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. 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.

Unrestricted contributions, grants, and donor bequests and donor-restricted contributions, grants, and donor bequests to Be An Angel Fund, Inc. are recorded as revenue. When donor-restricted funds are expended, they are either capitalized or expensed, whichever is applicable.

Investments

The Organization has investments in certificates of deposit and municipal bonds. Investments are reported at fair value. For the Certificates of Deposit, the fair value is its cash value at year end. For the Municipal Bond, fair value is defined as the price that would either be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments traded on a national securities exchange are valued at the last reported closing price as of the last business day of the Fund's fiscal year.

Unrealized gains and losses, arising from increases or decreases in the current market values from the beginning of the year to the end of the year, are presented as net appreciation (depreciation) in fair value of investments on the statements of changes in plan net assets, along with gains and losses realized on sales of investments. Purchases and sales of investments are recorded on the trade date. Interest income and income from other investments is recorded on the accrual basis.

Following is a description of the valuation methodologies used for investments measured at fair value:

- Municipal Bonds: Valued at the purchase price.
- Certificate of Deposit: Valued at original cost plus accrued interest, which approximates fair value

In accordance with Financial Accounting Standards Board (FASB), *Fair Value Measurements and Disclosures (ASC 820)*, formerly FAS 157, assets and liabilities measured at fair value are categorized into the following fair value hierarchy:

- Level 1 – Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market that the Plan has the ability to access at the measurement date.
- Level 2 – Fair value is based on quoted prices in markets that are not active, quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset of liability, either directly or indirectly, for substantially the full term of the asset of liability. Pricing models are utilized to estimate fair value for certain assets and liabilities categorized in Level 2.
- Level 3 – Fair value is based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable. These inputs reflect managements' judgment about the assumptions that a market participant would use in pricing the investment and are based on the best available information, some of which may be internally developed.

The level of fair value hierarchy with which the fair value measurement is classified is determined based on the lowest level input that is significant to the fair value measure in its entirety.

The methods described above may produce a fair value that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while management of 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.

The following table sets forth by level, within the fair value hierarchy, the Organization's investment as of August 31, 2013:

	Level 1	Level 2	Level 3	Total
Certificate of deposit	-	\$ 9,283	-	\$ 9,283
Municipal Bonds	-	50,000	-	50,000

Donated Material and Services

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. The Organization recognizes donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. The value of other donated services is not reflected in the accompanying financial statements since there is no objective basis available by which to measure the value of such services. However, a substantial number of volunteers, including the Board of Directors, have donated significant amounts of their time in the Organization's efforts.

Functional Expenses

As required by ASC 958, the Organization presents its expenses according to their functional classification on the statement of activities. Functional expenses presented include program services, which encompass expenses related to the fulfillment of the purpose, and mission for which the Organization exists, and supporting services and administration, which include all activities not considered program services. General management and fundraising activities are considered supporting services.

The statement of functional expenses, also required by ASC 958, presents the Organization's expenses in further detail, displaying expenses according to both functional classification and account.

Accounts Receivable

Accounts receivable are stated at the amount the Organization expects to collect from balances outstanding at year-end. Based on the Organization's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial, and as such, no allowance for uncollectible receivables has been estimated.

Compensated Absences

Employees of the Organization are entitled to paid vacation, paid sick days and paid personal days off. None of these benefits vest or accrue, and can not be carried forward if unused at the end of each year. As such, no liability for compensated absences has been established.

Inventory and Cost of Sales

Inventory donated to the thrift shop is valued at the fair value when received, and carried at the lower of cost (fair value) or market. Cost of Sales is determined based on a 0.00% markup which approximates the fair value of the inventory sold.

Income Tax

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Organization is not required to pay income taxes.

Fixed Assets and Depreciation

All asset purchases are recorded at cost when purchased. The Organization defines assets with a life of over one year and a cost of over \$500 as fixed assets that are to be capitalized and depreciated. Donated assets are recorded at fair market value on the date acquired. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Depreciation has been calculated on the asset's estimated useful life for each class of depreciable property using the straight-line method as follows:

Building & improvements	25 years
Other equipment & vehicle	3 - 5 years
Furniture & office equipment	3 - 5 years

Note C - Deposits & Investments

For the year ending August 31, 2013, all of the Organization's deposits were cash held in bank demand deposit checking or savings accounts or highly liquid cash investments, all of which are subject to custodial credit risk.

Cash on deposit at August 31, 2013 is summarized as follows:

Operating account	\$ 159,500
Money Market / Savings account	34,831
Petty Cash	<u>1,327</u>
Total cash on deposit	<u>\$ 195,658</u>

During the year ended August 31, 2007, the Organization purchased \$50,000 in Wake County, North Carolina municipal bonds. The bonds are rated AAA by both Moody's and S&P and bear the interest rate of 3.62%. The bonds are due in October 2022 and the fair market value at year end is the same as the purchase price.

For the year ended August 31, 2013, the net appreciation or depreciation (including realized gains and losses on investments that were both bought and sold during the year) in fair value for each significant class of investments is as follows (disclosed as interest income):

Municipal bonds	\$ 44
Certificates of deposit	<u>24</u>
Total net appreciation in fair value of investments	<u>\$ 68</u>

The investment is held in custody by LPL Financial (Custodian) and is managed by and accessible to the Board of the Organization. The Board will have sole authority for purchases and sales, investment selection and implementation of investment strategies. The Custodian shall be a fiduciary of the Organization's assets with respect to its discretionary duties including safekeeping the Organization's assets. The Custodian shall establish and maintain a custodial account to hold, or direct its agents to hold, for the account of the Organization all assets that the Board shall from time to time deposit with the Custodian. All rights, title and interest in and to the Organization's assets shall at all times be vested with the Organization's Board. In holding all Organization investment assets, the Custodian shall act with the same care, skill, prudence and diligence under the prevailing circumstances that a prudent person acting in like capacity and familiar with matters of this type would use in the conduct of an enterprise with a like character and with like aims. Further, the Custodian shall hold, manage and administer the Organization's investment for the exclusive purpose of providing the benefits to the Organization.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Organization does not have a formal policy limiting investment credit risk, but management believes it is not exposed to any significant investment credit risk.

Custodial Credit Risk – Investments

For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Organization, and are held by either the counterparty or the counterparty's trust department or agent but not in the Organization's name.

Note D - Partnership Interests

Four closely held limited partnership interests were donated to the Organization and were recorded at fair value. The portion of the capital originally donated to the Organization reverts to the donors at the end of the partnership term. Distributions from the partnerships have been recorded as reductions in the carrying value of the assets. During the year ended August 31, 2012, a partnership distribution was received which effectively reduced the value of the partnership interest to \$0.

Note E - Temporarily Restricted Net Assets

For the years ended August 31, 2012 and 2013, temporarily restricted net assets consisted of the following:

	2012	2013
Alternatives for Angels	\$ -	\$ 22,220
Hearing Aids - Individuals	1,078	5,054
Jo Kelly Playground	55,995	-
Respite	4,910	-
Golf Ball Drop	1,100	-
SUCCESS Golf Program	-	21,117
	<u>\$ 63,083</u>	<u>\$ 48,391</u>

Note F - Office Facilities

During the year ended August 31, 2009, the Organization purchased a portable building for use as an office. The total cost was \$ 74,471. Aldine Independent School District provides space for the building at no charge. Certain schools and students in the Aldine Independent School District are beneficiaries of some of the Organization's programs. For the year ended August, 31, 2013, \$13,200 has been recorded as in-kind contributions for rent and utilities.

Note G - Inventory

Inventory donated to the Organization's resale shop is valued at the fair value to the Organization when received, and carried at the lower of cost (fair value) or market (FIFO). Cost of Sales is determined based on a 0.00% markup which approximates the fair value of the inventory sold. In March 2013, the lease for the resale shop was not renewed. The store closed and its entire inventory was donated to various non-profit organizations.

Note H - Operating Lease

Through March 2013, the Organization leased space for use as the Be An Angel Resale Shop. The space was rented month-to-month at a monthly rent amount of \$1,500. The Organization decided to close the resale shop effective March 31, 2013. The lease agreement was canceled. In March 2013, the lease for the resale shop was not renewed.

Note I - Advertising Costs

The Organization expenses advertising costs as incurred. Expenses incurred were \$60,637 and \$50,416 for years ended August 31, 2012 and 2013, respectively.

Note J - Line of Credit

The Organization has a \$40,000 line of credit available at a local bank. The interest rate is the bank's prime rate (5%) plus 2%. It is collateralized by the certificate of deposit. The line of credit went unused throughout the entirety of the year, and at year end, there was no balance outstanding.

Note K - Retirement Plan

The Organization has a SIMPLE Individual Retirement Account Retirement Plan (SIMPLE IRA) for its employees. A SIMPLE IRA plan is an IRA-based plan that gives small employers (no more than 100 employees who earned \$5,000 or more in compensation) a simplified method to make contributions toward their employees' retirement and their own retirement. Under a SIMPLE IRA plan, employees may choose to make salary reduction contributions and the employer makes matching or nonelective contributions. All contributions are made directly to an Individual Retirement Account or Individual Retirement Annuity set up for each employee. SIMPLE IRA plans are maintained on a calendar-year basis. The Organization will match up to 5% of compensation. During the years ended August 31, 2012 and 2013, the Organization contributed \$5,670 and \$7,174, respectively.

Note L – Endowment

In March 2013, the Board approved the establishment of the “Be An Angel Foundation, Inc” (Foundation). The Foundation currently has no by-laws, no investments, and no governing body, although certain members of the Organization’s Board are listed as the Foundation’s officers on tax filings. The purpose for the formation of the Foundation is to use unrestricted or designated cash balances for future related programs of the Organization. Additionally, the Foundation will offset expenses related to the Organization.

Note M - Income Tax Status

The Organization applied for and received a tax determination letter from the Internal Revenue Service, which exempted the Organization from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization did not conduct unrelated business activities. The Organization is not required to pay income taxes and has made no provision for federal income taxes in the accompanying financial statements. The Organization’s federal tax returns are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Support and donations received are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as an organization not organized for profit but operated exclusively for the promotion of the social welfare of the individuals served and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes.

Note N - Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; personal injury and death; and natural disasters for which the Organization purchases commercial insurance. The Organization has no additional risk or responsibility outside of the payment of insurance premiums. The Organization has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past several years.

The Organization owns and operates motor vehicles and may provide such vehicles to certain employees for business use during the course and scope of their employment. The Organization is insured as to its own property losses, and the liability of loss to others.

Note O - Commitments and Concentrations

Donations from the Organization’s annual Christmas fundraising drive were \$462,011 in 2012 and \$417,687 in 2013. They also received \$77,762 of in-kind contributions in 2012 and \$123,852 in 2013.

A company that board member Dan Patrick has an ownership interest in, donated public service announcements in connection with the Organization's annual Christmas fundraising drive and golf tournament. The Organization does not have any commitments from the aforementioned contributors to continue such activities in the future.

The Organization has entered into various contractual relationships with outside consultants and organizations to provide administrative services, program services, and certain other operational tasks.

Note P - Contingent Liabilities

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

The Organization participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs may be subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Organization had not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of Organization's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

The Organization receives contributions with donor-imposed restrictions as to use. In the opinion of Organization's management, there are no significant contingent liabilities relating to noncompliance with the restrictions governing these contributions; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

Note Q - New Accounting Pronouncements

The FASB has issued *Accounting Standards Update (ASU) 2012-05, Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. The ASU clarifies the statement of cash flows presentation of cash received from the sale of donated financial assets and eliminates the diversity of presentation that currently occurs in practice. Under the ASU, not-for-profit organizations should classify cash receipts from the sale of financial assets, such as donated securities, consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of financial assets that upon receipt are directed for sale without any limitations imposed by the Organization; and were converted nearly immediately into cash.

Accordingly, the cash receipts from the sale of those assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts would be classified as cash flows from financing activities. Otherwise, receipts from the sale of financial assets should be classified as cash flows from investing activities by the not-for-profit Organization. The ASU is effective prospectively for fiscal years beginning after June 15, 2013. The Organization does not expect the provisions of ASU 2012-05 to have a material effect on the financial position, results of operations, or cash flows of the Organization. Other than the above noted ASU, our review indicated that no other recent pronouncement applies to the Organization.

Note R - Subsequent Events

The Organization has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended August 31, 2013 through February 5, 2014 the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.