

**AVANCE - DALLAS**

**FINANCIAL STATEMENTS  
and  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2008**

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**Avance - Dallas**  
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**June 30, 2008**

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**SALMON SIMS THOMAS**

*Accountants and Consultants*

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Avance - Dallas

We have audited the accompanying statement of financial position of Avance - Dallas (a nonprofit organization) as of June 30, 2008, and the related statements of activities and changes in net assets, 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.

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 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 Avance - Dallas as of June 30, 2008, the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

  
Salmon Sims Thomas & Associates  
A Professional Limited Liability Company

Dallas, Texas  
August 11, 2008

**Avance - Dallas**  
**Statement of Financial Position**  
**June 30, 2008**

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**ASSETS**

Cash	\$ 415,950
Investments	130,120
Grants receivable	50,477
Due from National, net	20,558
Property and equipment, net	<u>13,466</u>
 TOTAL ASSETS	 <u><u>\$ 630,571</u></u>

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable and accrued expenses	<u>\$ 42,309</u>
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**Net Assets**

Unrestricted	519,870
Temporarily restricted	<u>68,392</u>
Total Net Assets	<u><u>588,262</u></u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 630,571</u></u>
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The accompanying notes are an integral part of this financial statement.

**Avance - Dallas**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues and Support</b>			
Government, state and local grants	\$ -	\$ 367,348	\$ 367,348
Other contributions and grants	406,654	413,500	820,154
United Way funding	393,751	-	393,751
In-kind support	156,447	-	156,447
Special events	12,850	-	12,850
Interest	11,808	-	11,808
	<u>981,510</u>	<u>780,848</u>	<u>1,762,358</u>
Net assets released from restriction	735,170	(735,170)	-
Total Revenues and Support	<u>1,716,680</u>	<u>45,678</u>	<u>1,762,358</u>
<b>Expenses</b>			
Program services	1,463,028	-	1,463,028
Supporting services	191,650	-	191,650
Fundraising	44,421	-	44,421
Total Expenses	<u>1,699,099</u>	<u>-</u>	<u>1,699,099</u>
Increase in Net Assets	17,581	45,678	63,259
<b>Net Assets, beginning of year</b>	<u>502,289</u>	<u>22,714</u>	<u>525,003</u>
<b>Net Assets, end of year</b>	<u>\$ 519,870</u>	<u>\$ 68,392</u>	<u>\$ 588,262</u>

The accompanying notes are an integral part of this financial statement.

**Avance - Dallas**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2008**

	<u>Program</u>	<u>Supporting</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 839,782	\$ 92,839	\$ 11,883	\$ 944,504
Employee benefits	113,212	8,894	-	122,106
Payroll taxes	98,998	8,329	-	107,327
Professional fees	65,116	23,925	22,419	111,460
Accounting and legal fees	6,045	10,202	-	16,247
Advertising	607	20	-	627
Supplies	64,151	5,051	55	69,257
Communications	11,827	4,581	-	16,408
Postage / shipping	188	595	-	783
Occupancy	134,918	18,564	-	153,482
Rental / maintenance of equipment	11,748	236	-	11,984
Printing / publications	623	570	9,869	11,062
Travel / transportation	22,840	2,757	-	25,597
Graduation / programs	7,469	37	-	7,506
Client emergency funds	12,853	-	-	12,853
Scholarships	2,656	-	-	2,656
Conferences / meetings	-	1,750	-	1,750
Staff development	36,425	1,432	-	37,857
Insurance	18,313	1,666	-	19,979
Bank fees and interest	-	732	-	732
Affiliation fees	15,207	1,565	-	16,772
Depreciation	-	6,663	-	6,663
Miscellaneous	50	1,242	195	1,487
	<u>\$ 1,463,028</u>	<u>\$ 191,650</u>	<u>\$ 44,421</u>	<u>\$ 1,699,099</u>

The accompanying notes are an integral part of this financial statement.

**Avance - Dallas**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2008**

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**Cash Flows From Operating Activities**

Increase in Net Assets	\$ 63,259
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation expense	6,663
Decrease (increase) in assets	
Grants receivable	61,431
Due from National	(13,217)
Decrease in liabilities	
Accounts payable and accrued expenses	(5,905)
Net Cash Provided by Operating Activities	<u>112,231</u>

**Cash Flows From Investing Activities**

Purchase of investments	<u>(5,120)</u>
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Net Increase in Cash 107,111

**Cash, beginning of year** 308,839

**Cash, end of year** \$ 415,950

**SUPPLEMENTAL INFORMATION**

Interest paid	<u><u>\$ -</u></u>
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The accompanying notes are an integral part of this financial statement.

**Avance-Dallas**  
**Notes to Financial Statements**  
**June 30, 2008**

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**NOTE 1: NATURE OF ORGANIZATION**

Avance - Dallas (Organization) 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., which was established in 1973 as a Texas nonprofit corporation. Avance - Dallas was established in 1996.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The summary of significant accounting policies of the Organization is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for the fairness and objectivity embodied in the financial statements.

**Financial Statement Presentation** – Net assets and revenues, 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:

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.

Unrestricted Net Assets – Net assets not subject to donor-imposed stipulations

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporarily restricted net assets, if any, (*i.e.*, the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions of assets other than cash are recorded at their estimated fair value.

**Use of Estimates** – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include the assumption in recording depreciation, the realizable value of receivables, and the functional allocation of expenses. It is at least reasonably possible that the significant estimates used will change within the next year.

**Avance-Dallas**  
**Notes to Financial Statements**  
**June 30, 2008**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents** – The Organization considers all short-term investments with an original maturity of ninety days or less to be cash equivalents. There were no cash equivalents at June 30, 2008. 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 corporate bonds, are carried at their current market value. At June 30, 2008, investments totaled \$130,120. Investment return consists of interest income which is included in total interest income on the statement of activities and changes in net assets.

**Grants Receivable** – Grants receivable consist of amounts due from federal awarding agencies.

**Property and Equipment** – Furniture, fixtures and equipment are stated at cost when purchased or fair market 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. Depreciation and amortization has been calculated as follows:

Equipment	5 years
Vehicle	5 years
Software	3 years

**Income Taxes** – The Organization is a nonprofit organization, as defined in Section 501(c)(3) of the Internal Revenue Service Code (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, 2008, the Chapter did not conduct any unrelated business activities that would be subject to federal income taxes.

**NOTE 3: PROPERTY AND EQUIPMENT**

At June 30, 2008, property and equipment consisted of the following:

Equipment	\$ 38,325
Less accumulated depreciation	<u>(24,859)</u>
	<u>\$ 13,466</u>

Depreciation expense for the year ended June 30, 2008 was \$6,663.

**Avance-Dallas**  
**Notes to Financial Statements**  
**June 30, 2008**

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**NOTE 4: TEMPORARILY RESTRICTED NET ASSETS**

At June 30, 2008, temporarily restricted net assets were restricted for the following purposes:

Parenting Education Program	\$ 11,192
Capacity Building Service Project	<u>57,200</u>
	<u><u>\$ 68,392</u></u>

**NOTE 5: COMMITMENTS**

***Operating Lease Obligation***

The Organization leases office equipment under two noncancelable operating leases ending in 2008 and 2010. The future minimum lease payments are approximately as follows:

For the year ending June 30,	
2009	\$ 4,700
2010	3,800
2011	1,700
2012 and thereafter	<u>-</u>
	<u><u>\$ 10,200</u></u>

Lease expense associated with these leases for the year ended June 30, 2008 was approximately \$5,800.

**NOTE 6: DEBT OBLIGATION**

The Organization has a credit line available of up to 65% of the Organization's total investments held by its broker. Any borrowings are secured by the investments held at the institution. At June 30, 2008, there were no borrowings on this line of credit.

**NOTE 7: ADVERTISING**

Advertising is expensed as incurred. During the year ended June 30, 2008, the Organization incurred approximately \$600 in advertising expenses.

**NOTE 8: RELATED PARTY TRANSACTIONS**

The Organization receives pass-through funding from Avance, Inc. (National), who receives funding from the Texas Education Agency (TEA). In addition, the Organization pays for certain educational operating expenses and is subsequently reimbursed on a quarterly basis for these expenses by the TEA, with National serving as pass-through fiscal entity. For the year ended June 30, 2008, the Organization received \$64,327 from National. The Organization also receives funds from National for certain employee benefits paid by National for all chapters. In addition, the Organization pays application fees to National. For 2008, \$51,458 of these costs were incurred. At June 30, 2008, the net amount owed the Organization by National was \$20,558.

**Avance-Dallas**  
**Notes to Financial Statements**  
**June 30, 2008**

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**NOTE 9: DONATED SERVICES**

The Organization received donated services from individuals teaching ESL and GED classes as well as home instruction through the Dallas Independent School District's Adult Basic Education and HIPPIY programs. The Organization also received donated facilities from the Dallas Independent School District. These donated facilities were classrooms that the Organization used for the donated services from individuals teaching ESL and GED classes. For the year ended June 30, 2008, the estimated value of these services totaled approximately \$120,000 which has been recorded in the Statement of Activities.

In addition, the Organization also receives its office space and warehouse space free of charge under a lease which runs until January 2011. The estimated annual value of this space is approximately \$36,400, and this amount has been recorded in the Statement of Activities.

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 fair market value of these services is not readily determinable, and these services do not meet the criteria for recording as revenues.

**NOTE 10: RETIREMENT PLAN**

The Organization has available, for essentially all employees, a 403(b) retirement plan, which is offered through National. Employees can make contributions, subject to certain limitations, on a pretax basis. Further, the Organization will match 25% of the first 5% of employee pay contributed to the Plan through salary deferral. For the year ended June 30, 2008, the Organization contributed approximately \$2,900.