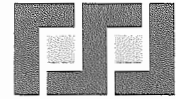


**Partners For Harris County Children, Inc. (BEAR)**

**Required Auditor Communication With  
Those Charged With Governance**

**September 30, 2017**



February 12, 2018

To the Audit Committee of the Board of Directors  
Partners For Harris County Children, Inc. (BEAR)

We have audited the financial statements of Partners For Harris County Children, Inc. (BEAR) for the year ended September 30, 2017, and have issued our report thereon dated February 12, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 24, 2017 (Schedule 1). Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings**

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Partners For Harris County Children, Inc. (BEAR) are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the Organizations during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the value of in-kind donations for items that do not have a readily determinable value-

*Estimate is based on the reasonable assessment of items' value from past experience. We evaluated the key factors and assumptions used to develop the value of in-kind donations for items that do not have a readily determinable value in determining that it is reasonable in relation to the financial statements taken as a whole.*

Management's estimate of the allocation of expenses on the statement of functional expenses-

*Estimate is based on management's familiarity with the Organization's programs and activities. We evaluated the key factors and assumptions used to develop the allocation of expenses on the statement of functional expenses in determining that it is reasonable in relation to the financial statements taken as a whole.*

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

NOTE 3 – IN-KIND CONTRIBUTIONS is a sensitive disclosure because the Organization has significant in-kind contributions including, but not limited to, direct assistance to individuals, personnel, office space, network technical support and other miscellaneous contributions. The Organization would need to raise significantly more revenues to cover the expenses these in-kind contributions provide for the charitable purpose of the Organization.

NOTE 8 – CONCENTRATION OF CREDIT RISK is a sensitive disclosure because BEAR has cash and cash equivalent accounts that exceeded federally insured limits by \$308,342 as of September 30, 2017.

The financial statement disclosures are neutral, consistent and clear.

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We are pleased to communicate there were no adjustments.

***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated February 12, 2017 (Schedule 2).

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

There is little segregation of duties in the area of inventory control. Warehouse procedures, such as the receipt and distribution of inventory to caseworkers and BEAR rooms, and the transference of inventory on the QuickBooks Point-of-Sale software, are often performed by the same person. All personnel of the Organization were very committed to the purpose to the Organization; however, the lack of oversight with warehouse staff could potentially lead to fraudulent activity.

Partners For Harris County Children, Inc. (BEAR)  
February 12, 2018

The size of the Organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the Organization to provide oversight and independent review functions.

We wish to thank Tammy Hetmaniak and Lari Paradee for their assistance and support during the audit.

This information is intended solely for the use of the Board of Directors and management of Partners For Harris County Children, Inc. (BEAR) and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you may have regarding this report. We appreciate the opportunity to continue to be of service to Partners For Harris County Children, Inc. (BEAR).

Very truly yours,

*Frierson, Solá, Simonton, Kutac, PLLC*

Frierson, Solá, Simonton & Kutac, PLLC

July 24, 2017

Partners for Harris County Children, Inc.  
Audit Committee  
Attn: Lari Paradee  
6300 Chimney Rock Road  
Houston, Texas 77081

Dear Audit Committee:

We are pleased to confirm our understanding of the services we are to provide for Partners for Harris County Children, Inc. (BEAR) for the year ended September 30, 2017.

We will audit the financial statements of BEAR, which comprise the statements of financial position as of September 30, 2017, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

#### **Audit Objective**

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. We will issue a written report upon completion of our audit of BEAR's financial statements. Our report will be addressed to the Audit committee of BEAR. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or withdraw from this engagement.

#### **Audit Procedures**

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Organization or to acts by management or employees acting on behalf of the Organization.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our audit will include obtaining an understanding of the Organization and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under professional standards.

### **Management Responsibilities**

You are responsible for designing, implementing, and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles. You are also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the organization from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Organization involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring the Organization complies with applicable laws and regulations.

### **Engagement Administration, Fees, and Other**

We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing.

Raymond C. Frierson is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.


We estimate that our fees for these services will be \$10,500. You will also be billed for travel and other out-of-pocket costs such as report production, word processing, postage, etc. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered semi-monthly as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

Our fixed fee quote is based on the following assumptions:

1. All requested documents will be provided to the auditors by November 3, 2017.
2. Fieldwork will begin and end during the time period of November 6, 2017 to December 17, 2017.
3. Adjusting and reclass entries will be minimal.
4. There will be full and prompt cooperation and response by your personnel with respect to auditor requests.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

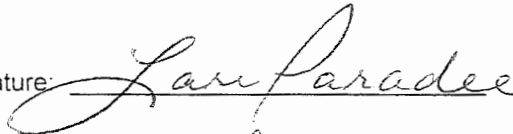
Sincerely,



Frierson, Sola, Simonton & Kutac, PLLC

RESPONSE: This letter correctly sets forth the understanding of BEAR:

Officer signature:



Print Name:

LARI PARADEE

Title:

TREASURER

Date:

9/1/2017

# **BEAR**

**BE A RESOURCE**  
for CPS Kids

6300 Chimney Rock Rd.  
Houston, Texas 77081  
(832) 927-7193

P.O. Box 27701-501  
Houston, Texas 77227

February 12, 2018

Frierson, Solá, Simonton & Kutac, PLLC  
801 Travis Street, Suite 1900  
Houston, TX 77002

This representation letter is provided in connection with your audit of the financial statements of Partners For Harris County Children, Inc. (BEAR) which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of February 12, 2018, the following representations made to you during your audit.

### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 24, 2017, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. We are in agreement that there are no adjustments necessary in order for the financial statements to be presented fairly, in all material respects, in accordance with U.S. GAAP.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
10. Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.

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MISSION STATEMENT

BEAR...BE A Resource for CPS Kids offers help and hope for abused and neglected children and the caseworkers who protect them.

BEAR is a 501(c)(3) public/private partnership that provides emergency goods and services directly to children under the care of Children's Protective Services (CPS) in Harris County.


[www.bearresourcehouston.org](http://www.bearresourcehouston.org)



11. Guarantees, whether written or oral, under which the organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

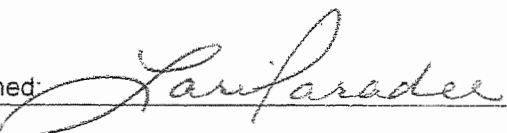
**Information Provided**

12. We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the organization from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
14. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
15. We have no knowledge of any fraud or suspected fraud that affects the organization and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
16. We have no knowledge of any allegations of fraud or suspected fraud affecting the organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
17. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
18. We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements.
19. We have disclosed to you the identity of the organization's related parties and all the related party relationships and transactions of which we are aware.
20. The organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
21. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
22. Partners For Harris County Children, Inc. is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
23. We acknowledge our responsibility for presenting the statements of functional expenses in accordance with U.S. GAAP, and we believe the statements of functional expenses, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the statements of functional expenses have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

Signed: 

Print name: Tammy Hetmaniak

Title: Director

Signed: 

Print name: Lari Paradee

Title: Treasurer

**BEAR**  
**Partners For Harris County Children, Inc.**  
**Financial Statements**  
**For the Years Ended**  
**September 30, 2017 and 2016**

*(With Independent Auditor's Report Thereon)*

**BEAR**  
**Partners For Harris County Children, Inc.**

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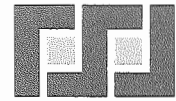
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FRIERSON SOLÁ  
SIMONTON KUTAC

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
BEAR  
Partners For Harris County Children, Inc.

We have audited the accompanying financial statements of Partners For Harris County Children, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2017 and 2016, 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 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 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 Partners For Harris County Children, Inc. as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in United States of America.

*Frierson, Solá, Simonton, Kutac, P.C.*

Houston, Texas  
February 12, 2018

Accounting • Auditing • Tax  
Financial, Retirement & Estate Planning

**BEAR**  
**Partners For Harris County Children, Inc.**  
**Statements of Financial Position**  
**September 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 558,364	\$ 513,674
Pledges receivable	200,000	3,000
Inventory	285,011	167,014
Prepaid expenses	13,795	14,727
<b>TOTAL CURRENT ASSETS</b>	<b>1,057,170</b>	<b>698,415</b>
<b>PROPERTY AND EQUIPMENT, NOTE 2</b>	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,057,170</b>	<b>\$ 698,415</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 47,685	\$ 13,888
<b>TOTAL CURRENT LIABILITIES</b>	<b>47,685</b>	<b>13,888</b>
<b>NET ASSETS</b>		
Unrestricted	985,424	638,967
Temporarily restricted	24,061	45,560
<b>TOTAL NET ASSETS</b>	<b>1,009,485</b>	<b>684,527</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,057,170</b>	<b>\$ 698,415</b>

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

**BEAR**  
**Partners For Harris County Children, Inc.**  
**Statements of Activities**  
**For the Years Ended September 30, 2017 and 2016**

	2017			2016		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
<b>REVENUES</b>						
Contributions - cash	\$ 414,929	\$ 307,675	\$ 722,604	\$ 11,664	\$ 231,662	\$ 243,326
Contributions - in-kind	402,373	489,006	891,379	371,580	320,487	692,067
Special events	314,672	-	314,672	322,875	-	322,875
Cost of direct benefits provided to donors	(85,900)	-	(85,900)	(39,754)	-	(39,754)
Interest income	39	-	39	40	-	40
<b>TOTAL REVENUES</b>	1,046,113	796,681	1,842,794	666,405	552,149	1,218,554
Net assets released from restrictions:						
Expenditures for program purposes	818,180	(818,180)	-	597,506	(597,506)	-
<b>TOTAL</b>	1,864,293	(21,499)	1,842,794	1,263,911	(45,357)	1,218,554
<b>EXPENSES</b>						
Program services:						
BEAR Necessities	659,270	-	659,270	621,621	-	621,621
BEARing Gifts	534,811	-	534,811	456,502	-	456,502
BEAR Graduation Celebration	27,187	-	27,187	24,475	-	24,475
BEAR Back to School	117,333	-	117,333	119,353	-	119,353
Total program services	1,338,601	-	1,338,601	1,221,951	-	1,221,951
Management and general	72,784	-	72,784	51,536	-	51,536
Fundraising and marketing	106,451	-	106,451	100,108	-	100,108
<b>TOTAL EXPENSES</b>	1,517,836	-	1,517,836	1,373,595	-	1,373,595
<b>CHANGE IN NET ASSETS</b>	346,457	(21,499)	324,958	(109,684)	(45,357)	(155,041)
<b>NET ASSETS - BEGINNING OF YEAR</b>	638,967	45,560	684,527	748,651	90,917	839,568
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 985,424</u>	<u>\$ 24,061</u>	<u>\$ 1,009,485</u>	<u>\$ 638,967</u>	<u>\$ 45,560</u>	<u>\$ 684,527</u>

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

**BEAR**  
**Partners For Harris County Children, Inc.**  
**Statements of Functional Expenses**  
**For the Years Ended September 30, 2017 and 2016**

	2017						Total
	BEAR Necessities	BEARing Gifts	BEAR Graduation Celebration	BEAR Back to School	Management and General	Fundraising and Marketing	
<b>EXPENSES</b>							
Direct assistance to individuals	\$ 344,746	\$ 434,949	\$ 14,168	\$ 97,320	\$ -	\$ -	\$ 891,183
Salaries and related costs	184,022	83,985	13,019	16,228	23,976	39,396	360,626
Rent and other warehouse expenses	101,364	315	-	2,615	253	64	104,611
Event and marketing costs	-	-	-	-	-	64,043	64,043
Office expense and supplies	17,334	9,027	-	722	7,221	1,805	36,109
Professional services	-	-	-	-	36,761	-	36,761
Telecommunications	9,742	5,074	-	406	4,059	1,015	20,296
Other	2,062	1,461	-	42	514	128	4,207
<b>TOTAL EXPENSES</b>	<b>\$ 659,270</b>	<b>\$ 534,811</b>	<b>\$ 27,187</b>	<b>\$ 117,333</b>	<b>\$ 72,784</b>	<b>\$ 106,451</b>	<b>1,517,836</b>
Cost of direct benefits provided to donors							85,900
<b>TOTAL</b>							<b>\$ 1,603,736</b>

	2016						Total
	BEAR Necessities	BEARing Gifts	BEAR Graduation Celebration	BEAR Back to School	Management and General	Fundraising and Marketing	
<b>EXPENSES</b>							
Direct assistance to individuals	\$ 347,030	\$ 364,936	\$ 12,382	\$ 101,340	\$ -	\$ -	\$ 825,688
Salaries and related costs	170,935	78,012	12,093	15,074	22,270	36,594	334,978
Rent and other warehouse expenses	79,997	249	-	2,064	200	50	82,560
Event and marketing costs	-	-	-	-	-	61,218	61,218
Office expense and supplies	13,601	7,084	-	567	5,667	1,417	28,336
Professional services	-	-	-	-	20,083	-	20,083
Telecommunications	4,835	2,518	-	201	2,014	504	10,072
Other	5,223	3,703	-	107	1,302	325	10,660
<b>TOTAL EXPENSES</b>	<b>\$ 621,621</b>	<b>\$ 456,502</b>	<b>\$ 24,475</b>	<b>\$ 119,353</b>	<b>\$ 51,536</b>	<b>\$ 100,108</b>	<b>1,373,595</b>
Cost of direct benefits provided to donors							39,754
<b>TOTAL</b>							<b>\$ 1,413,349</b>

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



**BEAR**  
**Partners For Harris County Children, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 324,958	\$ (155,041)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) Decrease in accounts receivable	-	19,585
(Increase) Decrease in pledges receivable	(197,000)	47,000
(Increase) Decrease in inventory	(117,997)	1,259
(Increase) Decrease in prepaid expenses	932	(1,732)
Increase (Decrease) in accounts payable	33,797	7,914
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>44,690</u>	<u>(81,015)</u>
 <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 44,690	 (81,015)
 <b>TOTAL CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	 <u>513,674</u>	 <u>594,689</u>
 <b>TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	 <u>\$ 558,364</u>	 <u>\$ 513,674</u>

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

**BEAR**  
**Partners For Harris County Children, Inc.**  
**Notes to the Financial Statements**  
**September 30, 2017**

**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Partners for Harris County Children, Inc., which does business as BEAR - BE A Resource for CPS Kids (BEAR), is a Texas nonprofit organization. BEAR was formed to initiate, develop and support projects that enable caseworkers from Harris County Protective Services (HCPS) to make the most positive impact on the victims of child physical abuse and neglect in Harris County, and on those children who are at risk of abuse.

Services are provided primarily through the following programs:

*BEAR Necessities:* This program operates nine supply rooms that provide necessities such as clothing, hygiene items, household supplies, furniture (primarily baby cribs and car seats), toys and food for HCPS children.

*BEARing Gifts:* This program provides Christmas gifts to children under HCPS care.

*BEAR Graduation Celebration:* This program ensures that youth aging out of foster care who are graduating from high school or obtaining their GED are provided items that will assist them with living independently.

*BEAR Back to School:* This program helps ensure that children currently under the care of HCPS have the school supplies and uniforms they need to go back to school each fall.

**Basis of presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or nature of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

**Unrestricted** - Net assets that are not subject to donor-imposed stipulations.

**Temporarily restricted** - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time. 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.

**Permanently restricted** - Net assets subject to donor-imposed stipulations requiring that they be maintained permanently by the organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes. BEAR had no permanently restricted net assets as of September 30, 2017 and 2016.

**BEAR**  
**Partners For Harris County Children, Inc.**  
**Notes to the Financial Statements**  
**September 30, 2017**

**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – continued**

**Income taxes**

BEAR is a nonprofit organization that is exempt from income taxes under §501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as a public charity under §170(b)(1)(A)(vi). Therefore, no provision or liability for income taxes has been included in the financial statements. BEAR files income tax returns in the U.S. federal jurisdiction. BEAR is no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for years before September 30, 2014. BEAR is not currently being audited by a tax authority. If BEAR were under tax examination, management does not anticipate a material change in its financial position or tax exempt status.

**Cash and cash equivalents**

For purposes of the statements of cash flows, the organization considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents. Cash received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents.

**Inventory**

Inventory is recorded at the lower of cost or market value. Cost is determined on an average cost basis.

**Pledges receivable**

These unconditional promises to give are recorded at their net realizable value and are deemed fully collectible by management. The carrying amounts of pledges receivable approximate fair value due to the near-term collections of these instruments.

**Property and equipment**

The organization capitalizes property and equipment over \$2,500 with a useful life of more than one year. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Property and equipment are depreciated using the straight-line method over estimated useful lives. All property and equipment is fully depreciated.

**Use of estimates**

Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the reported revenues and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

**BEAR**  
**Partners For Harris County Children, Inc.**  
**Notes to the Financial Statements**  
**September 30, 2017**

**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – continued**

**Contributions**

Contributions received are recorded as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are recorded as restricted support.

Donated materials and services are recorded at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recorded as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**New accounting pronouncements**

BEAR's management considers the applicability and impact of all accounting standards updates (ASU's) issued by the Financial Accounting Standards Board (FASB). Most ASU's were assessed and determined to be either not applicable or are expected to have minimal impact on the financial position and results of operations of BEAR.

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958). This update is a major change for the nonprofit financial statement model and aims to improve the presentation of financial statements of not-for-profit entities such as BEAR. It is intended to provide more useful information to donors, grantors and other users. Management is currently reviewing this new accounting pronouncement and is planning for the implementation. This standard is effective for fiscal years beginning after December 15, 2017.

**NOTE 2 - PROPERTY AND EQUIPMENT**

The following is a summary of the organization's property and equipment at cost less accumulated depreciation and amortization as of September 30, 2017 and 2016:

	<b>2017</b>	<b>2016</b>
Website	\$ -	\$ 32,400
Furniture and fixtures	3,347	3,347
Total property and equipment	3,347	35,747
Less accumulated depreciation and amortization	(3,347)	(35,747)
Property and equipment, net	\$ -	\$ -

For each of the years ended September 30, 2017 and 2016, there was no depreciation expense.

**BEAR**  
**Partners For Harris County Children, Inc.**  
**Notes to the Financial Statements**  
**September 30, 2017**

**NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS**

As of September 30, 2017 and 2016, temporary restricted net assets were comprised of funds received. Temporarily restricted net assets as of September 30, 2017 and 2016 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
BEARing Gifts	\$ 11,312	\$ 31,840
BEAR Graduation Celebration	12,749	13,720
Temporarily restricted net assets	<u>\$ 24,061</u>	<u>\$ 45,560</u>

**NOTE 4 - FUNDRAISING ACTIVITIES**

The organization held several fundraising events in the years ended September 30, 2017 and 2016, which generated the following revenues and incurred the following expenses:

	<u>2017</u>	<u>2016</u>
BEAR the Load with Love Luncheon:		
Revenue	\$ 192,122	\$ 290,697
Expense	(30,352)	(58,128)
Direct benefits provided to donors	(45,972)	(39,754)
Income, net of cost	<u>\$ 115,798</u>	<u>\$ 192,815</u>

	<u>2017</u>	<u>2016</u>
BEAR Clay Shoot:		
Revenue	\$ 133,160	\$ -
Expense	(28,691)	-
Direct benefits provided to donors	(39,928)	-
Income, net of cost	<u>\$ 64,541</u>	<u>\$ -</u>

Included in the revenue and event costs is \$7,970 and \$19,195 of in-kind contributions to benefit the BEAR the Load with Love Luncheon fundraiser for the years ended September 30, 2017 and 2016, respectively. Included in the revenue and event costs is \$5,575 of in-kind contributions to benefit the BEAR Clay Shoot fundraiser for the year ended September 30, 2017.

**BEAR**  
**Partners For Harris County Children, Inc.**  
**Notes to the Financial Statements**  
**September 30, 2017**

**NOTE 5 - IN-KIND CONTRIBUTIONS**

HCPS and Texas Department of Family and Protective Services (TDFPS) provide personnel and office space to BEAR at no charge. BEAR also receives in-kind support from other various sources. BEAR received the following in-kind contributions during the years ended September 30, 2017 and 2016, which are included in revenue and expenses:

**2017**

	Program	Management and General	Fundraising	Total
Direct assistance to individuals	\$ 489,006	\$ -	\$ -	\$ 489,006
Salaries and related costs	297,255	23,975	39,396	360,626
Telecommunications	15,222	4,059	1,015	20,296
Rent	787	210	53	1,050
Event costs	-	-	13,545	13,545
Other	6,840	13	3	6,856
<b>Total</b>	<b>\$ 809,110</b>	<b>\$ 28,257</b>	<b>\$ 54,012</b>	<b>\$ 891,379</b>

**2016**

	Program	Management and General	Fundraising	Total
Direct assistance to individuals	\$ 320,487	\$ -	\$ -	\$ 320,487
Salaries and related costs	276,114	22,270	36,594	334,978
Telecommunications	7,555	2,014	503	10,072
Rent	787	210	53	1,050
Event costs	-	-	19,195	19,195
Other	4,712	1,260	313	6,285
<b>Total</b>	<b>\$ 609,655</b>	<b>\$ 25,754</b>	<b>\$ 56,658</b>	<b>\$ 692,067</b>

**BEAR**  
**Partners For Harris County Children, Inc.**  
**Notes to the Financial Statements**  
**September 30, 2017**

**NOTE 6 - FUTURE LEASE COMMITMENTS**

BEAR leases a warehouse space under a non-cancelable operating lease agreement that ends June 30, 2018. Rent shown on the statements of functional expenses includes \$73,003 and \$61,714 of rent paid under this lease for the years ended September 30, 2017 and 2016, respectively. The rent expense includes both the base rent and monthly escalations. Future minimum lease payments for base rent is \$55,541 for the year ending September 30, 2018.

**NOTE 7 - FAIR VALUE MEASUREMENTS**

Cash and pledge receivables are considered to be reported at fair market value due to the short-term nature of these assets.

**NOTE 8 - CONCENTRATIONS OF CREDIT RISK**

BEAR receives a substantial amount of support from HCPS and TDFPS (see Note 5). The executive director as well as other BEAR staff are employees or independent contractors of HCPS and TDFPS, but work exclusively for BEAR. BEAR does not reimburse Harris County for these costs. These amounts are recognized as in-kind contributions. It is anticipated that Harris County will continue to provide this staffing to BEAR in the future, but BEAR has not assessed the impact that would result from Harris County discontinuing this relationship.

BEAR maintained cash accounts in two financial institutions that insure cash deposits by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of September 30, 2017, BEAR had cash and cash equivalent accounts which exceeded the federally insured limit by \$308,342. Management believes that the credit risk associated with any amounts in excess of the FDIC insured maximum is mitigated by the financial stability of the financial institutions.

**NOTE 9 - SUBSEQUENT EVENT**

Management has evaluated subsequent events through February 12, 2018, which is the date that the financial statements were available for issuance. As a result of this evaluation, no changes were identified that are required to be disclosed or would have an impact on reported net assets or change in net assets.