

**Association of Fundraising Professionals  
Greater Houston Chapter**

Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2016 and 2015

**Independent Auditors' Report**

To the Board of Directors of  
Association of Fundraising Professionals Greater Houston Chapter:

We have audited the accompanying financial statements of Association of Fundraising Professionals Greater Houston Chapter, which comprise the statements of financial position as of December 31, 2016 and 2015 and the related statements of activities and of 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.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Association of Fundraising Professionals Greater Houston Chapter as of December 31, 2016 and 2015 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.

*Blazek & Vetterling*

August 22, 2017

## Association of Fundraising Professionals Greater Houston Chapter

Statements of Financial Position as of December 31, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 229,153	\$ 203,611
Prepaid expenses and other assets	8,335	11,730
Investments ( <i>Note 2</i> )	<u>257,258</u>	<u>235,232</u>
TOTAL ASSETS	<u>\$ 494,746</u>	<u>\$ 450,573</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 5,867	
Deferred revenue	<u>25,000</u>	
Total liabilities	<u>30,867</u>	
Unrestricted net assets	<u>463,879</u>	<u>\$ 450,573</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 494,746</u>	<u>\$ 450,573</u>

*See accompanying notes to financial statements.*

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## Association of Fundraising Professionals Greater Houston Chapter

Statements of Activities for the years ended December 31, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
REVENUE:		
Special event	\$ 234,005	\$ 227,580
Cost of direct donor benefits	(93,619)	(87,248)
Program fees	50,348	68,392
Membership dues	35,946	36,671
Job posting fees	33,025	37,945
Investment return ( <i>Note 2</i> )	<u>22,025</u>	<u>(8,468)</u>
Total revenue	<u>281,730</u>	<u>274,872</u>
EXPENSES:		
Program	133,872	136,805
Management and general	53,915	54,826
Fundraising	<u>80,637</u>	<u>71,907</u>
Total expenses	<u>268,424</u>	<u>263,538</u>
CHANGES IN UNRESTRICTED NET ASSETS	13,306	11,334
Unrestricted net assets, beginning of year	<u>450,573</u>	<u>439,239</u>
Unrestricted net assets, end of year	<u>\$ 463,879</u>	<u>\$ 450,573</u>

*See accompanying notes to financial statements.*

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## Association of Fundraising Professionals Greater Houston Chapter

Statements of Cash Flows for the years ended December 31, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in unrestricted net assets	\$ 13,306	\$ 11,334
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	(15,263)	11,393
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	3,395	7,570
Accounts payable and accrued expenses	5,867	
Deferred revenue	<u>25,000</u>	
Net cash provided by operating activities	<u>32,305</u>	<u>30,297</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(6,763)	(266,785)
Change in money market mutual funds held as investments		32,164
Proceeds from sale of investments		<u>132,876</u>
Net cash used by investing activities	<u>(6,763)</u>	<u>(101,745)</u>
NET CHANGE IN CASH	25,542	(71,448)
Cash, beginning of year	<u>203,611</u>	<u>275,059</u>
Cash, end of year	<u>\$ 229,153</u>	<u>\$ 203,611</u>

*See accompanying notes to financial statements.*

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## Association of Fundraising Professionals Greater Houston Chapter

Notes to Financial Statements for the years ended December 31, 2016 and 2015

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Association of Fundraising Professionals Greater Houston Chapter (the Chapter), is a Texas non-profit corporation formed in July 1968. The Chapter is an affiliate of the Association of Fundraising Professionals, an association of professionals throughout the world which advances philanthropy by enabling people and organizations to practice ethical and effective fundraising. The core activities through which this chapter fulfills this mission include education, training, mentoring, research, credentialing and advocacy.

Federal income tax status – The Chapter is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Cash concentration – Demand deposits exceed the federal insured limit per depositor per institution.

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions. Unrestricted net assets include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.

Contributions are recognized as revenue when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted revenue.

Fees and dues are recognized as revenue when the service is provided.

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 amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncement – In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are the first phase of changes aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions* and underwater endowments will be grouped with *net assets with donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. The ASU is effective for fiscal periods beginning after December 15, 2017, but early adoption is permitted. Implementation of this ASU will impact the presentation and disclosures of the financial statements.

## NOTE 2 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2016 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Exchange-traded funds:				
Large-cap blend	\$ 43,878			\$ 43,878
Large-cap value	33,759			33,759
Mid-cap blend	22,178			22,178
Intermediate-term bond	16,378			16,378
Foreign large blend	11,224			11,224
Mid-cap value	11,172			11,172
Foreign treasury	9,768			9,768
Mid-cap growth	9,574			9,574
Large-cap growth	9,225			9,225
U. S. Treasury	6,522			6,522
Foreign small blend	5,275			5,275
High yield bond	4,060			4,060
Small-cap value	3,536			3,536
Small-cap blend	3,463			3,463
Short-term bond	2,040			2,040
Mutual funds:				
Intermediate-term bond	46,266			46,266
Money market	14,408			14,408
Mid-cap growth	2,741			2,741
Foreign large blend	1,791			1,791
Total assets measured at fair value	<u>\$ 257,258</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 257,258</u>

Assets measured at fair value at December 31, 2015 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Exchange-traded funds:				
Large-cap blend	\$ 39,464			\$ 39,464
Large-cap value	28,440			28,440
Mid-cap blend	18,527			18,527
Intermediate-term bond	15,993			15,993
Foreign large blend	10,707			10,707
Mid-cap value	8,971			8,971
Foreign treasury	9,706			9,706
Mid-cap growth	9,376			9,376
Large-cap growth	8,911			8,911
U. S. Treasury	6,480			6,480
Foreign small blend	4,927			4,927
High yield bond	3,546			3,546
Small-cap value	2,716			2,716
Small-cap blend	2,848			2,848
Short-term bond	2,013			2,013
Mutual funds:				
Intermediate-term bond	43,932			43,932
Money market	14,405			14,405
Mid-cap growth	2,579			2,579
Foreign large blend	<u>1,691</u>			<u>1,691</u>
Total assets measured at fair value	<u>\$ 235,232</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 235,232</u>

Valuation methods used for assets measured at fair value are as follows:

- *Exchange-traded funds* are valued at the closing price reported on the active market on which the funds are traded.
- *Mutual funds* are valued at the reported net asset value of shares held.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Chapter believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investment return includes earnings on cash and consists of the following:

	<u>2016</u>	<u>2015</u>
Net realized and unrealized gain (loss) on investments	\$ 15,263	\$ (11,393)
Interest and dividends	<u>6,762</u>	<u>2,925</u>
Total investment return	<u>\$ 22,025</u>	<u>\$ (8,468)</u>

### NOTE 3 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 22, 2017, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.