

AUDITED FINANCIAL STATEMENTS

CHILDREN'S ADVOCACY CENTER FOR
THE 31ST JUDICIAL DISTRICT, INC.
McMINNVILLE, TENNESSEE

June 30, 2016

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C O N T E N T S

Audited Financial Statements:

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Children's Advocacy Center
for the 31st Judicial District, Inc.
McMinnville, Tennessee

I have audited the accompanying financial statements of the Children's Advocacy Center for the 31st Judicial District, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Children's Advocacy Center for the 31st Judicial District, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

David Melton, CPA

Certified Public Accountant
McMinnville, Tennessee
February 2, 2017

STATEMENT OF FINANCIAL POSITION

CHILDREN'S ADVOCACY CENTER FOR THE 31ST JUDICIAL DISTRICT, INC.

June 30, 2016

| <u>ASSETS</u> | | | |
|--|-------------------|------------------------------------|-----------------------------|
| <u>CURRENT ASSETS</u> | | | |
| Cash - unrestricted | | \$ 7,633 | |
| Cash - restricted | | <u>16,929</u> | \$ 24,562 |
| Certificate of Deposit | | | 60,368 |
| Grants receivable | | | 79,832 |
| Interest receivable | | | 146 |
| Prepaid insurance | | | 4,198 |
| Utility deposit | | | <u>50</u> |
| TOTAL CURRENT ASSETS | | | \$ 169,156 |
| <u>FIXED ASSETS</u> | | | |
| | <u>Cost</u> | <u>Allowances for Depreciation</u> | <u>Cost, less Allowance</u> |
| Land | \$ 96,600 | | \$ 96,600 |
| Building | 247,721 | 38,128 | 209,593 |
| Furniture and fixtures | <u>40,456</u> | <u>36,836</u> | <u>3,620</u> |
| | <u>\$ 384,777</u> | <u>\$ 74,964</u> | <u>309,813</u> |
| TOTAL ASSETS | | | <u>\$ 478,969</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | | |
| <u>CURRENT LIABILITIES</u> | | | |
| Accounts payable | | | \$ 3,361 |
| Accrued and withheld payroll taxes | | | 1,937 |
| Accrued interest | | | 531 |
| Accrued compensated absences | | | 4,828 |
| Current portion of long term debt | | | <u>4,057</u> |
| TOTAL CURRENT LIABILITIES | | | \$ 14,714 |
| <u>LONG-TERM DEBT</u> | | | |
| USDA Note payable (net of current portion) | | | <u>158,991</u> |
| TOTAL LIABILITIES | | | \$ 173,705 |
| <u>NET ASSETS</u> | | | |
| Unrestricted | | | 288,335 |
| Temporarily restricted | | | <u>16,929</u> |
| TOTAL NET ASSETS | | | <u>305,264</u> |
| TOTAL LIABILITIES AND NET ASSETS | | | <u>\$ 478,969</u> |

See independent auditor's report and notes to financial statements.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

CHILDREN'S ADVOCACY CENTER FOR THE 31ST JUDICIAL DISTRICT, INC.

For the year ended June 30, 2016

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|----------------|
| <u>SUPPORT AND REVENUE</u> | | | |
| Fundraising events (net of expenses of \$16,794) | \$ 21,942 | | \$ 21,942 |
| Governmental grant income | 95,957 | | 95,957 |
| Contributions | 20,112 | \$ 18,672 | 38,784 |
| Victim's assistance assessment | 48,150 | | 48,150 |
| In-Kind Contributions (not including fundraising contributions of \$15,077) | 10,233 | | 10,233 |
| Interest income | 317 | 5 | 322 |
| Miscellaneous | 2,023 | | 2,023 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL REVENUE | \$ 198,734 | \$ 18,677 | \$ 217,411 |
| <u>EXPENSES</u> | | | |
| Program services: | | | |
| Children's services | \$ 174,190 | 3,547 | \$ 177,737 |
| Supporting service: | | | |
| Management and general | 43,978 | | 43,978 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL EXPENSES | \$ 218,168 | 3,547 | \$ 221,715 |
| CHANGE IN NET ASSETS | \$ (19,434) | \$ 15,130 | (4,304) |
| | <hr/> | <hr/> | <hr/> |
| NET ASSETS AT END OF YEAR | <u>\$ 288,335</u> | <u>\$ 16,929</u> | <u>305,264</u> |

See independent auditor's report and notes to financial statements.

STATEMENT OF CASH FLOWS

CHILDREN'S ADVOCACY CENTER FOR THE 31ST JUDICIAL DISTRICT, INC.

For the year ended June 30, 2016

| | | |
|---|-------------------|-----------------------|
| <hr/> | | |
| Cash flows from operating activities: | | |
| Change in net assets | | \$ (4,304) |
| Adjustments to reconcile net increase in unrestricted net assets to net cash provided by operating activities: | | |
| Depreciation | 7,857 | |
| (Increase) Decrease in operating assets: | | |
| Grants receivable | (17,828) | |
| Interest receivable | (13) | |
| Prepaid expenses | (1,302) | |
| Increase (Decrease) in operating liabilities: | | |
| Accounts payable | 375 | |
| Payroll taxes | 5 | |
| Accrued interest | 333 | |
| Accrue compensated absences | 263 | |
| | <hr/> | |
| | Total adjustments | <hr/> (10,310) |
| NET CASH USED BY OPERATING ACTIVITIES | | \$ (14,614) |
| Cash flows from investing activities: | | |
| Purchase of certificate of deposit | | (10,179) |
| Cash flows from financing activities: | | |
| Payments on note payable | | <hr/> (7,782) |
| NET INCREASE (DECREASE) IN CASH | | \$ (32,575) |
| CASH AT BEGINNING OF YEAR | | <hr/> 57,137 |
| CASH AT END OF YEAR | | <hr/> <hr/> \$ 24,562 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the year for interest, none was capitalized. | | <hr/> <hr/> \$ 5,852 |

See independent auditor's report and notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CHILDREN'S ADVOCACY CENTER FOR THE 31ST JUDICIAL DISTRICT, INC.

June 30, 2016

Note A – Summary of Significant Accounting Policies

- (1) The Children's Advocacy Center for the 31st Judicial District, Inc. serves to provide a comprehensive and humane response for children and families victimized by child sexual and physical abuse in it various forms in McMinnville, TN and the surrounding area. The Center provides evaluation, intervention, evidence gathering, and victim advocacy for children and their non-offending family members. They also bring education and awareness of abuse to the community through school programs and civic club and other organization presentations. The Center is funded primarily through local and state government grants.
- (2) The financial statement of Children's Advocacy Center for the 31st Judicial District, Inc. are prepared on the accrual basis of accounting.
- (3) The Center is a not-for-profit organization that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Center had no significant deferred income tax assets or liabilities as of the end of the fiscal year.
- (4) The Center has evaluated tax positions for all open tax years. Currently, the tax years open and subject to examination by the Internal Revenue Service are the 2013, 2014, and 2015 tax years. However, the Center is not currently under audit nor has the Center been contacted by any jurisdiction. Based on the evaluation of the Center's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the fiscal year ended June 30, 2016.
- (5) Expenditures for property and equipment are capitalized at cost. Donated assets are capitalized at their fair market value on the date of gift. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Items costing less than \$500 are expensed rather than capitalized. Depreciation expense for the year was \$7,857.
- (6) The costs of providing the various programs and other activities are shown on the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
- (7) Advertising costs are charged to expense as incurred. Total advertising costs amounted to \$4,015 for the year.
- (8) As required by accounting principles for Not-For-Profits, the Center is required to report information regarding its financial position and activities according to the three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

NOTES TO FINANCIAL STATEMENTS

CHILDREN'S ADVOCACY CENTER FOR THE 31ST JUDICIAL DISTRICT, INC.

June 30, 2016

Note A– Summary of Significant Accounting Policies (continued)

- (9) The costs of providing the various programs and other activities of the Center have been summarized on a functional basis in the statement of activity and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.
- (10) For purposes of the statements of cash flows, the Center considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Fair value approximates carrying amounts.
- (11) The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- (12) Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. Contributions whose restrictions are met in the same reporting period are shown as unrestricted contributions.

Note B – Certificate of Deposit

The center has a certificate of deposit which matures December 16, 2016. The interest rate on this certificate is .45%.

Note C – Donated Goods and Services

Donated goods and services for the year amounted to \$25,310. They were added to expense as follows: fund raising expense \$15,077, supplies \$5,557, legal fees \$2,475, rent \$250, repairs \$100, meals \$125 and advertising \$1,726.

A substantial number of volunteers have made significant contributions of their time to develop the programs of the Center. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

Note D – Compensated Absences

The Center provides sick and vacation time to its employees. Compensated absences of \$4,828 have been recorded in the financial statements as of June 30, 2016.

NOTES TO FINANCIAL STATEMENTS

CHILDREN'S ADVOCACY CENTER FOR THE 31ST JUDICIAL DISTRICT, INC.

June 30, 2016

Note E – Concentrations

Over 40% of the revenue for the current fiscal year came from grants of the state government.

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of cash, CDs, and receivables.

For cash management purposes, the Center has chosen to invest funds in Certificates of Deposit. Operating cash and certificates of deposit are maintained in a Commercial bank located within its trade area. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2016, all cash and certificates of deposits were insured.

The Center held \$60,368 in a Certificate of Deposit at June 30, 2016. The interest rate on the Certificate is .45%. Certificates of Deposit are stated at their original amounts plus reinvestments.

Grants receivable are due from the State of Tennessee and Warren County. No allowance is considered necessary since the amounts are due from governmental agencies.

Management believes that the Center is not exposed to any significant credit risk related to the above accounts.

Note F – Fundraising

Fundraising events consists primarily of revenues and expenses associated with the gala fundraiser. The revenues and expenses for fundraising activities totaled to \$38,736 and \$16,794, respectively (including \$15,077 in in-kind revenue and expenses).

Note G – Special Events

Special events include the Baker Mountain Farm Children's Festival held April 9th in Spencer. It was funded by contribution from local organizations. The other special event was the Kids Funfest and Safety Day on April 26th. It was held in McMinnville. Most funding was made possible by contributions from local organization and individuals. Besides the Center being involved with this event, there were three other Organizations that helped organize the event. They are Kids of the Community, Families in Crisis and Hamilton Street Activity Center. The Center agreed to take custody of the checking account and all contributions and expenses are reported on the Center's financial statements. Any amount that is unspent is designated for future year events. As of June 30, 2016, a total of \$1,929 was unspent and shown as a temporally restricted net asset.

NOTES TO FINANCIAL STATEMENTS

CHILDREN'S ADVOCACY CENTER FOR THE 31ST JUDICIAL DISTRICT, INC.

June 30, 2016

Note H – Grants Received

Grants received under State of Tennessee via Department of Children Services are subject to audit or review by the grantor organization. Expenditures found to be improper are subject to repayment to the grantor organization.

Note I – A description of long-term debt follows:

| <u>Description</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Payee</u> |
|--------------------------------------|------------------|----------------------|--|
| \$909.00 monthly (includes interest) | <u>\$163,048</u> | 4.25% | United States Dept. of Agriculture |

Long-term debt matures as follows:

| <u>Year ended June 30,</u> | <u>Amount</u> |
|--------------------------------|------------------|
| 2017 | \$ 4,057 |
| 2018 | 4,233 |
| 2019 | 4,416 |
| 2020 | 4,608 |
| 2021 | 4,807 |
| 2022- 2026 | 27,348 |
| 2027- 2031 | 33,810 |
| 2032- 2036 | 41,799 |
| 2037-2040 | 37,970 |
| TOTAL | <u>\$163,048</u> |

The mortgage is collateralized by a building with a net book value of \$306,193 at June 30, 2016. The final installment payment is due on April 1, 2040.

Note J – Commitments and Contingencies

The state of Tennessee has contracted with the Center to provide two grants over five years in the amounts of \$260,000 and \$140,000 to assist with the payment of salaries and other program and overhead expenses. In exchange, the Center will continue to provide services as it has in the past.

NOTES TO FINANCIAL STATEMENTS

CHILDREN'S ADVOCACY CENTER FOR THE 31ST JUDICIAL DISTRICT, INC.

June 30, 2016

Note K – Temporary Restricted Assets and Revenue

Temporary restricted amounts are the result of donors restricting how money they contributed can be spent or other amounts that have been restricted in other ways. As of June 30, 2016, one contributor has restricted their \$15,000 donation to specific programs. In addition, \$1,929 is earmarked for future Kids Funfest and Safety Day events.

Note L – Subsequent Events

The board of directors has earmarked the entire certificate of deposit (\$60,368) plus an additional \$7,136 as restricted for capital improvements. The new certificate of deposit will be labeled the "Capital Investment Fund." Subsequent events have been evaluated through February 2, 2017, the date the financial statements were available to be released.