

AUDITED FINANCIAL STATEMENTS

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

June 30, 2014

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## C O N T E N T S

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**Bratcher, Horton, Melton & Associates, PLLC**

***Certified Public Accountants***

P.O. Box 169  
100 Mullican Street  
McMinnville, TN 37111

(931) 473-2653 voice

(931) 474-4062 fax

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the Children's Advocacy Center for the 31<sup>st</sup> Judicial District, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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**

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 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 qualified audit opinion.

**Basis for Qualified Opinion**

No accounting controls are exercised over certain cash receipts prior to the initial entry of such cash receipts in the accounting records. Accordingly it was not practicable for us to extend our audit of such receipts beyond the amounts recorded.

**Qualified Opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Children's Advocacy Center for the 31<sup>st</sup> Judicial District, Inc. as of June 30, 2014, 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.

***Bratcher, Horton, Melton & Associates, PLLC***

Certified Public Accountants

February 27, 2015

STATEMENT OF FINANCIAL POSITION

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

June 30, 2014

<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash - unrestricted	\$	62,235	
Cash - restricted		<u>1488</u>	\$ 63,723
Certificate of Deposit			50,000
Grants receivable			55,545
Interest receivable			151
Prepaid insurance			2,528
Utility deposit			<u>50</u>
TOTAL CURRENT ASSETS			\$ 171,997
<u>FIXED ASSETS</u>			
	<u>Cost</u>	<u>Allowances for Depreciation</u>	<u>Cost, less Allowance</u>
Land	\$ 96,599		\$ 96,599
Building	247,721	25,453	222,268
Furniture and fixtures	<u>38,495</u>	<u>33,864</u>	<u>4,631</u>
	<u>\$ 382,815</u>	<u>\$ 59,317</u>	<u>323,498</u>
TOTAL ASSETS			<u>\$ 495,495</u>
<u>LIABILITIES AND NET ASSETS</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable			\$ 1,467
Accrued payroll taxes			2,062
Accrued interest			576
Accrued compensated absences			2,880
Current portion of long term debt			<u>3,464</u>
TOTAL CURRENT LIABILITIES			\$ 10,449
<u>LONG-TERM DEBT</u>			
USDA Note payable (net of current portion)			<u>173,264</u>
TOTAL LIABILITIES			\$ 183,713
<u>NET ASSETS</u>			
Unrestricted			310,294
Temporarily restricted			<u>1,488</u>
TOTAL NET ASSETS			<u>311,782</u>
TOTAL LIABILITIES AND NET ASSETS			<u>\$ 495,495</u>

See independent auditors' 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, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Fundraising events (net of expenses of \$12,451)	\$ 10,639		\$ 10,639
Governmental grant income	98,374		98,374
Contributions	19,270	\$ 3,163	22,433
Victim's assistance assessment	38,842		38,842
In-Kind Contributions	12,360		12,360
Interest income	318	4	322
Miscellaneous income	24		24
Net assets released from restrictions	<u>3,071</u>	<u>(3,071)</u>	<u>0</u>
 TOTAL REVENUE	 \$ 182,898	 \$ 96	 \$ 182,994
 <u>EXPENSES</u>			
Program services:			
Children's services	\$ 125,727		\$ 125,727
Supporting service:			
Management and general	<u>51,706</u>		<u>51,706</u>
 TOTAL EXPENSES	 <u>\$ 177,433</u>	 <u>0</u>	 <u>\$ 177,433</u>
 CHANGE IN NET ASSETS	 \$ 5,465	 \$ 96	 5,561
 Net assets at beginning of year	 311,133	 1,392	 312,525
 Prior period Adjustment	 <u>(6,304)</u>	 <u>0</u>	 <u>(6,304)</u>
 NET ASSETS AT END OF YEAR	 <u><u>\$ 310,294</u></u>	 <u><u>\$ 1,488</u></u>	 <u><u>311,782</u></u>

See independent auditors' report and notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

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

For the year ended June 30, 2014

	<u>Program Service</u>	<u>Support Services</u>	
	Children's Services	Management and General	Total Expenses
Salaries	\$ 63,372	\$ 23,756	\$ 87,128
Payroll tax expense	4,690	1,758	6,448
Dues, licenses, and subscriptions	2,187		2,187
Professional services		7,800	7,800
Travel and conferences	7,904		7,904
Maintenance and security	1,127	281	1,408
Utilities	5,674	1,418	7,092
Insurance	7,772	4,701	12,473
Depreciation	6,360	1,589	7,949
Interest		7,970	7,970
Telephone	1,400		1,400
Supplies	20,612	917	21,529
Advertising	1,558		1,558
Postage		311	311
Contract Labor		1,080	1,080
Miscellaneous		125	125
Special Events	<u>3,071</u>		<u>3,071</u>
TOTAL	<u>\$ 125,727</u>	<u>\$ 51,706</u>	<u>\$ 177,433</u>

See independent auditors' 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, 2014

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Cash flows from operating activities:		
Change in net assets		\$ 5,561
Adjustments to reconcile net increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation	7,949	
(Increase) Decrease in operating assets:		
Grants and other receivables	46,774	
Prepaid expenses	2,376	
Increase (Decrease) in operating liabilities:		
Accounts payable	599	
Accrued taxes	598	
Accrued interest	298	
Accrue compensated absences	(1,128)	
	Total adjustments	<u>57,466</u>
	NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 63,027
Cash flows from investing activities:		
Purchase of equipment	(2,900)	
Purchase of certificate of deposit	(17,625)	
	NET CASH USED BY INVESTING ACTIVITIES	\$ (20,525)
Cash flows from financing activities:		
Payments on note payable		<u>\$ (6,873)</u>
	NET INCREASE (DECREASE) IN CASH	\$ 35,629
	CASH AT BEGINNING OF YEAR	<u>28,094</u>
	CASH AT END OF YEAR	<u><u>\$ 63,723</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest, none was capitalized.		<u><u>\$ 7,970</u></u>

See independent auditors' report and notes to financial statements.



## NOTES TO FINANCIAL STATEMENTS

### CHILDREN'S ADVOCACY CENTER FOR THE 31<sup>ST</sup> JUDICIAL DISTRICT, INC.

June 30, 2014

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Note A – The Children's Advocacy Center for the 31<sup>st</sup> Judicial District, Inc. serves to provide a comprehensive and humane response for children and families victimized by child sexual and physical abuse in its 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.

#### Note B – Summary of Significant Accounting Policies

- (1) The financial statements of Children's Advocacy Center for the 31<sup>st</sup> Judicial District, Inc. are prepared on the accrual basis of accounting.
- (2) 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.
- (3) 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 2011, 2012, and 2013 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, 2014.
- (4) 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.
- (5) 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.
- (6) Advertising costs are charged to expense as incurred. Total advertising costs amounted to \$1,558 for the year.
- (7) As required by the Not-For-Profit Subtopic of the FASB ASC, 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 31<sup>ST</sup> JUDICIAL DISTRICT, INC.

June 30, 2014

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#### Note B – Summary of Significant Accounting Policies (continued)

- (8) 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.
- (9) 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.
- (10) 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.
- (11) Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

#### Note C – Certificate of Deposit

The center has a certificate of deposit which matures September 27, 2014. The interest rate on this certificate is .4%.

#### Note D – Donated Goods and Services

The amount recognized for donated supplies used in Children Services is \$12,360. The amount is included as in-kind contributions and supplies expense. Various supplies, venue and accommodations, radio spots, newspaper announcements, meals, refreshments, books, and other promotional items have been shown as in-kind fundraising events revenue and expenses in the amount of \$7,526

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 E – Compensated Absences

The Center provides sick and vacation time to its employees. Compensated absences of \$2,880 have been recorded in the financial statements as of June 30, 2014.

## NOTES TO FINANCIAL STATEMENTS

### CHILDREN'S ADVOCACY CENTER FOR THE 31<sup>ST</sup> JUDICIAL DISTRICT, INC.

June 30, 2014

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#### Note F – Prior Period Adjustment

The prior year receivables that were due from local/state governments consisted of \$6,304 that was due from the state of Tennessee. These amounts were actually earned during the 2011 – 2012 fiscal year but had never been paid by the State. There was a problem in reconciling the amounts with the State that had caused the delay. Subsequent to the end of the June 30, 2013, it was finally determined that the state of Tennessee did not feel like they owed this amount to the center so the \$6,304 was written off of receivables and shown as a prior period adjustment.

#### Note G – Concentrations

Over 65% of the revenue for the current fiscal year came from grants of the local or 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, 2014, all cash and certificates of deposits were insured.

The Center held \$50,000 in a Certificate of Deposit at June 30, 2014. The interest rate on the Certificate is .40%. Certificates of Deposit are stated at their original amounts plus reinvestments.

Grants receivable are due from the State of Tennessee and Warren County, Tennessee.

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

#### Note H – Fundraising

Fundraising events consists primarily of revenues and expenses associated with the gala fundraiser. The revenues and expenses associated with all fundraising activities totaled to \$23,090 and \$12,451, respectively (including \$7,526 in in-kind revenue and expenses).

#### Note I – 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.

## NOTES TO FINANCIAL STATEMENTS

### CHILDREN'S ADVOCACY CENTER FOR THE 31<sup>ST</sup> JUDICIAL DISTRICT, INC.

June 30, 2014

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#### Note J – Special Events

Special events include the Baker Mountain Farm Children's Festival held April 6<sup>th</sup> in Spencer. It was funded by contribution from local organizations. The other special event was the Kids Funfest and Safety Day on April 20<sup>th</sup>. 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, 2014 a total of \$1,488 was unspent and shown as a temporally restricted net asset.

#### Note K – 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>\$176,728</u>	4.25%	United States Dept. of Agriculture

#### Long-term debt matures as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2015	\$ 3,464
2016	3,614
2017	3,771
2018	3,934
2019	4,105
Beyond five years	157,840
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TOTAL	<u>\$ 176,728</u>

The above mortgage is collateralized by a building with a net book value of \$318,867 at June 30, 2014.

NOTES TO FINANCIAL STATEMENTS

CHILDREN'S ADVOCACY CENTER FOR THE 31<sup>ST</sup> JUDICIAL DISTRICT, INC.

June 30, 2014

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Note L – Subsequent Events

Subsequent events are transactions or events that occur subsequent to the date of the financial statements and before the issuance of those financial statements. Management has evaluated transactions and events that occurred subsequent to June 30, 2014 and before the date these financial statements were available to be issued, February 27, 2015.