

Bratcher, Horton, Melton & Associates, PLLC

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of the Children's Advocacy Center for the 31st Judicial District, Inc. (a nonprofit organization) as of June 30, 2010 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as disclosed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had cash receipts referred to in the preceding paragraph been susceptible to satisfactory audit tests, the financial statements referred to in the first paragraph 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, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Bratcher, Horton, Melton & Associates, PLLC

Certified Public Accountants
November 17, 2010

STATEMENT OF FINANCIAL POSITION

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

June 30, 2010

ASSETS

CURRENT ASSETS

Cash	\$ 22,481.24
Certificate of Deposit	30,747.99
Grants receivable	38,928.57
Interest receivable	495.81
Utility deposit	<u>50.00</u>

TOTAL CURRENT ASSETS \$ 92,703.61

FIXED ASSETS

	<u>Cost</u>	<u>Allowances for Depreciation</u>	<u>Cost, less Allowance</u>
Land	\$ 96,599.49		\$ 96,599.49
Building	206,514.14	\$ 3,089.86	203,424.28
Furniture and fixtures	<u>40,862.97</u>	<u>33,658.53</u>	<u>7,204.44</u>
	<u>\$ 343,976.60</u>	<u>\$ 36,748.39</u>	<u>307,228.21</u>

TOTAL ASSETS \$399,931.82

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 368.65
Payroll liabilities	1,241.04
Accrued compensated absences	4,033.81
Current portion of long term debt	<u>2,346.53</u>

TOTAL CURRENT LIABILITIES \$ 7,990.03

LONG-TERM DEBT

USDA Note payable	<u>200,147.81</u>
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TOTAL LIABILITIES \$208,137.84

Unrestricted net assets	<u>191,793.98</u>
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TOTAL LIABILITIES AND NET ASSETS \$399,931.82

See accompanying accountants' report.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

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

For the year ended June 30, 2010

SUPPORT AND REVENUE

Fundraising events (net of expenses of \$2,309.31)	\$ 14,706.69
Governmental grant income	214,927.46
Contributions	28,229.93
Interest income	<u>730.87</u>

INCREASE IN UNRESTRICTED NET ASSETS \$258,594.95

EXPENSES

Program services:	
Organization activities	\$ 91,755.68
Supporting service:	
Management and general	<u>46,548.22</u>

DECREASE IN UNRESTRICTED NET ASSETS \$138,303.90

NET INCREASE IN
UNRESTRICTED NET ASSETS \$120,291.05

Net assets at beginning of year (as restated) 71,502.93

NET ASSETS AT END OF YEAR \$191,793.98

See accompanying accountants' report.

STATEMENT OF FUNCTIONAL EXPENSES

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

For the year ended June 30, 2010

	Program Services	Management	Total
Rent	\$ 3,840.00	\$ 960.00	\$ 4,800.00
Maintenance and security	3,016.00	754.00	3,770.00
Utilities	4,906.02	1,226.51	6,132.53
Insurance	2,357.97	2,357.97	4,715.94
Depreciation	5,560.11	981.20	6,541.31
Interest	3,034.40	2,022.94	5,057.34
Telephone	1,024.14	2,079.32	3,103.46
Miscellaneous	1,224.21	.00	1,224.21
Supplies	5,135.26	570.59	5,705.85
Advertising	150.00	.00	150.00
Printing and copying	1,888.01	.00	1,888.01
Salaries	41,342.51	27,561.68	68,904.19
Payroll tax expense	3,093.22	2,062.14	5,155.36
Application fees	3,000.00	.00	3,000.00
Dues, licenses, and subscriptions	3,867.08	78.92	3,946.00
Professional services	.00	4,230.00	4,230.00
Program seminars	3,757.21	.00	3,757.21
Outside contract services	.00	1,662.95	1,662.95
Travel and conferences	4,559.54	.00	4,559.54
TOTAL	<u>\$91,755.68</u>	<u>\$46,548.22</u>	<u>\$138,303.90</u>

See accompanying accountants' report.

STATEMENT OF CASH FLOWS

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

For the year ended June 30, 2010

Cash flows from operating activities:	
Net increase in unrestricted net assets	\$ 120,291.05
Adjustments to reconcile net increase in unrestricted net assets to net cash provided by operating activities:	
In-kind contribution	(6,000.00)
Depreciation expense	6,541.31
Increase in grants receivable	(26,007.72)
Decrease in interest receivable	17.12
Decrease in prepaid expenses	1,200.00
Decrease in accounts payable	(63.52)
Increase in payroll liabilities	655.85
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NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 96,634.09
Cash flows from investing activities:	
Purchase of building and equipment	\$ (301,301.72)
Purchase of Certificate of Deposit	(747.99)
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NET CASH USED BY INVESTING ACTIVITIES	\$ (302,049.71)
Cash flows from financing activities:	
Proceeds from note payable	\$ 205,000.00
Payments on note payable	(2,505.66)
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NET CASH PROVIDED BY FINANCING ACTIVITIES	\$ 202,494.34
NET DECREASE IN CASH	\$ (2,921.28)
CASH AT BEGINNING OF YEAR	<hr/> 25,402.52
CASH AT END OF YEAR	<hr/> <hr/> \$ 22,481.24
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest all charged to operations	<hr/> \$ 5,057.34
Supplemental disclosure of noncash investing activities:	
In-kind contribution of architect services	<hr/> \$ 6,000.00

See accompanying accountants' report.

NOTES TO FINANCIAL STATEMENTS

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

June 30, 2010

Note A – 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 its various forms in McMinnville, TN and the surrounding area. The Organization is funded primarily through federal and state government grants.

It is the Organization's policy to capitalize property and equipment with a useful life beyond one year. Property and equipment are stated at cost, less accumulated depreciation.

Note B – Summary of Significant Accounting Policies

- (1) The financial statements of Children's Advocacy Center for the 31st Judicial District, Inc. are prepared on the accrual basis of accounting.
- (2) The Organization 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.
- (3) Property and equipment are depreciated using the straight-line method.
- (4) 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.
- (5) Advertising costs are charged to expense as incurred.
- (6) As required by the Not-For-Profit Subtopic of the FASB ASC, the Organization 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. At June 30, 2010, all net assets were unrestricted.
- (7) For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.
- (8) 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.
- (9) Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

June 30, 2010

Note C – Contributions

A substantial number of volunteers have made significant contributions of their time to develop the programs of the Organization. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation. Architectural services of \$6,000.00 were recognized as a contribution and the value was added as part of the cost of the building acquired during the year.

Note D – Grants Receivable

Grants receivable are stated at the amount the Organization expects to collect from state and local government agencies based on grant requests submitted.

Note E – Concentrations

For cash management purposes, the Organization 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, 2010, all cash and certificates of deposits were insured.

The Organization held \$30,747.99 in a Certificate of Deposit at June 30, 2010. Certificates of Deposit are stated at their original amounts plus reinvestments.

Over 80% of the revenue for the current fiscal year came from grants of the State/Federal government. Over 70% of grants receivable are from local governments.

Note F – Compensated Absences

The Organization provides sick and vacation time to its employees. Compensated absences of \$4,033.81 have been recorded in the financial statements as of 6/30/10.

Note G – 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), collateralized by substantially all assets of Organization	<u>\$202,494.34</u>	4.25%	United States Dept. of Agriculture

NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

June 30, 2010

Note G – (Cont'd)

Long-term debt matures as follows:

<u>Year ended</u> <u>June 30,</u>	<u>Amount</u>
2011	\$ 2,346.54
2012	2,448.25
2013	2,554.36
2014	2,665.07
2015	2,780.58
Beyond five years	<u>189,699.54</u>
 TOTAL	 <u>\$ 202,494.34</u>

Note G – 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, 2010 and before the date these financial statements were available to be issued, November 17, 2010, and determined that no additional disclosures are necessary.

Note I – Prior Period Adjustment

Amounts are due from Warren and Van Buren Counties for the benefit of the Organization.

These amounts have been set aside and are due the Organization. Since these amounts have not been received by the Organization, they have been inadvertently left off of the books.

The amount due at the beginning of the year was \$12,920.85 and is being recorded as a prior period adjustment as follows:

Unrestricted net assets (6/30/09)	\$ 58,582.08
Prior Period Adjustment	<u>12,920.85</u>
Restated unrestricted net assets (6/30/09)	<u>\$ 71,502.93</u>