

AUDITED FINANCIAL STATEMENTS

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

June 30, 2017

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DAVID MELTON, CPA
CERTIFIED PUBLIC ACCOUNTANT

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, 2017, 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, 2017, 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 5, 2018

STATEMENT OF FINANCIAL POSITION

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

June 30, 2017

<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash - unrestricted		\$	99,586
Certificate of Deposit			67,776
Grants receivable			30,920
Interest receivable			128
Prepaid insurance			<u>2,525</u>
TOTAL CURRENT ASSETS		\$	200,935
 <u>FIXED ASSETS</u>			
	<u>Cost</u>	<u>Allowances for Depreciation</u>	<u>Cost, less Allowance</u>
Land	\$ 96,600		\$ 96,600
Building	249,569	44,479	205,090
Furniture and fixtures	<u>40,456</u>	<u>38,110</u>	<u>2,346</u>
	<u>\$ 386,625</u>	<u>\$ 82,589</u>	304,036
 <u>OTHER ASSET</u>			
Utility deposit			<u>50</u>
TOTAL ASSETS		\$	<u>505,021</u>
 <u>LIABILITIES AND NET ASSETS</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable		\$	2,736
Accrued and withheld payroll taxes			2,059
Accrued payroll			4,553
Accrued interest			518
Accrued compensated absences			4,221
Current portion of long term debt			<u>4,233</u>
TOTAL CURRENT LIABILITIES		\$	18,320
 <u>LONG-TERM DEBT</u>			
USDA Note payable (net of current portion)			<u>154,758</u>
TOTAL LIABILITIES		\$	173,078
 <u>NET ASSETS</u>			
Unrestricted			264,167
Unrestricted (board designated)			<u>67,776</u>
TOTAL NET ASSETS			<u>331,943</u>
TOTAL LIABILITIES AND NET ASSETS		\$	<u>505,021</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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Fundraising events (net of expenses of \$20,317)	\$ 35,800		\$ 35,800
Governmental grant income	81,530		81,530
Contributions	62,826		62,826
Victim's assistance assessment	43,467		43,467
In-Kind Contributions (not including fundraising contributions of \$16,717)	16,862		16,862
Interest income	423	4	427
Miscellaneous	350		350
Net assets released from restrictions	15,000	(15,000)	.00
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUE	\$ 256,258	\$ (14,996)	\$ 241,262
<u>EXPENSES</u>			
Program services:			
Children's services	\$ 170,405	1,933	\$ 172,338
Supporting service:			
Management and general	42,245		42,245
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENSES	\$ 212,650	1,933	\$ 214,583
	<u> </u>	<u> </u>	<u> </u>
CHANGE IN NET ASSETS	\$ 43,608	\$ (16,929)	\$ 26,679
	<u> </u>	<u> </u>	<u> </u>
NET ASSETS AT END OF YEAR	\$ 331,943	\$ -	\$ 331,943
	<u> </u>	<u> </u>	<u> </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, 2017

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Cash flows from operating activities:		
Change in net assets		\$ 26,679
Adjustments to reconcile net increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation	7,625	
(Increase) Decrease in operating assets:		
Grants receivable	48,912	
Interest receivable	18	
Prepaid expenses	1,673	
Increase (Decrease) in operating liabilities:		
Accounts payable	(625)	
Accrued wages	4,553	
Payroll taxes	122	
Accrued interest	(13)	
Accrue compensated absences	(607)	
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Total adjustments		61,658
		<hr/>
NET CASH USED BY OPERATING ACTIVITIES		\$ 88,337
Cash flows from investing activities:		
Purchase of equipment	(1,848)	
Purchase of certificate of deposit	(7,408)	
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NET CASH USED IN INVESTING ACTIVITIES		(9,256)
Cash flows from financing activities:		
Payments on note payable		(4,057)
		<hr/>
NET INCREASE (DECREASE) IN CASH		\$ 75,024
CASH AT BEGINNING OF YEAR		24,562
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CASH AT END OF YEAR		<u>\$ 99,586</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest, none was capitalized.		<u>\$ 6,851</u>

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, 2017

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 its various forms in Warren and Van Buren counties. 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) 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 \$7,625.
- (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 \$939 for the year.
- (7) 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.
- (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 benefited.

NOTES TO FINANCIAL STATEMENTS

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

June 30, 2017

Note A– Summary of Significant Accounting Policies (continued)

- (9) For purposes of the statement 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.
- (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. 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, 2017. The interest rate on this certificate is .35%.

Note C – Donated Goods and Services

Donated goods and services for the year amounted to \$33,579. They were added to expense as follows: fund raising expense \$16,717, supplies \$6,457 and \$10,400 professional services.

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 \$4,221 have been recorded in the financial statements as of June 30, 2017.

Note E – Fundraising

Fundraising events consists primarily of revenues and expenses associated with the gala fundraiser. The revenues and expenses for the gala totaled to \$46,318 and \$18,590, respectively (including \$16,717 in in-kind revenue and expenses). Other fundraising events produced revenues of \$9,799 and expenses of \$1,727.

NOTES TO FINANCIAL STATEMENTS

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

June 30, 2017

Note F – 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

Note G – Concentrations

Over 50% of the revenue for the current fiscal year came from grants of the state and local governments and over 10% of its revenue from its one main fund-raising event.

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, 2017, all cash and certificates of deposits were insured.

The Center held \$67,776 in a Certificate of Deposit at June 30, 2017. The interest rate on the Certificate is .35%. 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 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. During an audit, some amounts that had been claimed in prior years as expenditures were deemed to be ineligible for purpose of the grant. A total of \$3,040 was withheld from funds disbursed to the Center during the current year to reimburse the state for the error.

Note I – Unrestricted net assets (board designated)

The board of directors has earmarked the entire certificate of deposit (\$67,776) as restricted for capital improvements. The certificate of deposit is labeled the "Capital Investment Fund."

NOTES TO FINANCIAL STATEMENTS

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

June 30, 2017

Note J – 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, 2017, a \$15,000 donation that was received in a prior year and shown as a restricted asset has met its restrictions during the year.

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>\$158,991</u>	4.25%	United States Dept. of Agriculture

Long-term debt matures as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2018	\$ 4,233
2019	4,416
2020	4,608
2021	4,807
2022	5,016
2023- 2027	28,533
2028- 2032	35,275
2033- 2037	43,611
2038-2040	28,492
TOTAL	<u>\$158,991</u>

The mortgage is collateralized by a building with a net book value of \$301,690 at June 30, 2017. The final installment payment is due on April 1, 2040.

Note L – 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. The Center has also received commitments from various organizations in the amount of \$19,723 (restricted) and \$25,500 (unrestricted) to provide services during the 2017 – 2018 year.

NOTES TO FINANCIAL STATEMENTS

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

June 30, 2017

Note M – Copier Lease

The Center leases a copier from Marlin Business Bank. The term of the lease is for a period of 60 months. At that time the copier will be returned to the lessor. Lease payments for the year totaled \$553. The future minimum lease payments are due as follows:

2018	\$900
2019	900
2020	900
2021	900
2022	377
Total	\$3,977

Note N – Subsequent Events

The Center has received commitments from various organizations in the amount of \$19,723 (restricted) and \$25,500 (unrestricted) for providing services during the 2017 – 2018 year. The certificate of deposit was renewed on December 16, 2017 in the amount of \$101,050 for one year at a .70% interest rate.

Subsequent events have been evaluated through February 5, 2018, the date the financial statements were available to be released.