

AUDITED FINANCIAL STATEMENTS

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

June 30, 2013

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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 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, 2013, 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 31st Judicial District, Inc. as of June 30, 2013, 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
December 6, 2013

STATEMENT OF FINANCIAL POSITION

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

June 30, 2013

<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash		\$	28,094
Certificate of Deposit			32,375
Grants receivable			108,638
Interest receivable			135
Prepaid insurance			4,904
Utility deposit			<u>50</u>
TOTAL CURRENT ASSETS		\$	174,196
 <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	19,112	228,609
Furniture and fixtures	<u>35,595</u>	<u>32,256</u>	<u>3,339</u>
	<u>\$ 379,916</u>	<u>\$ 51,368</u>	<u>328,548</u>
TOTAL ASSETS		\$	<u>502,744</u>
 <u>LIABILITIES AND NET ASSETS</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable		\$	869
Accrued payroll taxes			1,464
Accrued interest			278
Accrued compensated absences			4,008
Current portion of long term debt			<u>3,166</u>
TOTAL CURRENT LIABILITIES		\$	9,785
 <u>LONG-TERM DEBT</u>			
USDA Note payable (net of current portion)			<u>180,435</u>
TOTAL LIABILITIES		\$	190,220
 <u>NET ASSETS</u>			
Unrestricted			311,132
Temporarily restricted			<u>1,392</u>
TOTAL NET ASSETS			<u>312,524</u>
TOTAL LIABILITIES AND NET ASSETS		\$	<u>502,744</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, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
<u>SUPPORT AND REVENUE</u>		
Fundraising events (net of expenses of \$18,396)	\$ 21,265	
Governmental grant income	85,707	
Contributions	32,420	\$ 1,392
Victim's assistance assessment	38,795	
In-Kind Contributions	12,546	
Interest income	307	
Miscellaneous income	<u>43</u>	
TOTAL REVENUE	\$ 191,083	\$ 1,392
 <u>EXPENSES</u>		
Program services:		
Children's services	\$ 108,934	
Supporting service:		
Management and general	<u>49,110</u>	
TOTAL EXPENSES	<u>\$ 158,044</u>	<u>0</u>
CHANGE IN NET ASSETS	\$ 33,039	\$ 1,392
Net assets at beginning of year	<u>278,093</u>	<u>0</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 311,132</u></u>	<u><u>\$ 1,392</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, 2013

	<u>Program Service</u>	<u>Support Services</u>	
	Children's Services	Management and General	Total Expenses
Salaries	\$ 52,033	\$ 25,416	\$ 77,449
Payroll tax expense	3,981	2,174	6,155
Dues, licenses, and subscriptions	6,418		6,418
Professional services		5,589	5,589
Travel and conferences	4,271		4,271
Maintenance and security	1,957	489	2,446
Utilities	4,460	1,115	5,575
Insurance	2,697	2,696	5,393
Depreciation	6,162	1,088	7,250
Interest		7,316	7,316
Telephone	2,921		2,921
Supplies	17,111	1,901	19,012
Advertising	1,115		1,115
Postage		326	326
Contract Labor		1,000	1,000
Special Events	<u>5,808</u>	<u></u>	<u>5,808</u>
TOTAL	<u>\$ 108,934</u>	<u>\$ 49,110</u>	<u>\$ 158,044</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, 2013

Cash flows from operating activities:		
Net increase in unrestricted net assets	\$	34,431
Adjustments to reconcile net increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation	7,250	
(Increase) Decrease in operating assets:		
Grants and other receivables	(17,671)	
Interest receivable	132	
Prepaid expenses	(3,247)	
Increase (Decrease) in operating liabilities:		
Accounts payable	156	
Accrued wages	(3,250)	
Accrued taxes	368	
Accrued interest	(362)	
Accrue compensated absences	<u>1,162</u>	
Total adjustments	<u>(15,462)</u>	
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	18,969
Cash flows from investing activities:		
Purchase of equipment	(21,732)	
Reinvestment of interest income in certificate of deposit	<u>(353)</u>	
NET CASH USED BY INVESTING ACTIVITIES	\$	(22,085)
Cash flows from financing activities:		
Payments on note payable	<u>\$</u>	<u>(5,956)</u>
NET INCREASE (DECREASE) IN CASH	\$	(9,072)
CASH AT BEGINNING OF YEAR		<u>37,166</u>
CASH AT END OF YEAR	<u>\$</u>	<u>28,094</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest, none was capitalized.	<u>\$</u>	<u>7,678</u>

See independent auditors' report and notes to financial statements.

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

June 30, 2013

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 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 31st 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 2010, 2011, and 2012 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, 2013.
- (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 \$1,115 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.

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

June 30, 2013

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. Contributions whose restrictions are met in the same reporting period are shown as unrestricted contributions.

Note C – Donated Goods and Services

The amount recognized for donated supplies used in Children Services is \$9,275. 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 \$11,885. There were also in-kind revenue and expenses totaling \$3,271 that were charged to special events.

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 – Grants Receivable

Grants receivable consist of amounts due from local/state governments. All amounts are currently due, except for a total of \$6,304 that is due from the state of Tennessee. These amounts were actually earned during the 2011 – 2012 fiscal year but have never been paid by the State. There was a problem in reconciling the amounts with the State that has caused the delay. Management believes that the amount will eventually get corrected and the Center will eventually receive the funds.

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

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

June 30, 2013

Note E – 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, 2013, all cash and certificates of deposits were insured.

The Center held \$32,375 in a Certificate of Deposit at June 30, 2013. The interest rate on the Certificate is .55%. 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 F – Compensated Absences

The Center provides sick and vacation time to its employees. Compensated absences of \$4,008 have been recorded in the financial statements as of June 30, 2013.

Note G – Fundraising

Fundraising events consists primarily of revenues and expenses associated with two events: the gala and Harlem ambassadors. The revenues and expenses associated with these fundraising activities totaled to \$39,661 and \$18,396, respectively.

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.

NOTES TO FINANCIAL STATEMENTS

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

June 30, 2013

Note I – Special Events

Special events include the Baker Mountain Farm Children's Festival held April 6th in Spencer. It was funded by contribution from local organizations. The other special event was the Kids Funfest and Safety Day on April 20th. 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, 2013 a total of \$1,392 was unspent and shown as a temporally restricted net asset.

Note J – 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>\$183,601</u>	4.25%	United States Dept. of Agriculture

Long-term debt matures as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2014	\$ 3,166
2015	3,303
2016	3,446
2017	3,595
2018	3,751
Beyond five years	<u>166,340</u>
TOTAL	<u>\$ 183,601</u>

The above mortgage is collateralized by a building with a net book value of \$325,209 at June 30, 2013.

NOTES TO FINANCIAL STATEMENTS

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

June 30, 2013

Note K – 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, 2013 and before the date these financial statements were available to be issued, December 6, 2013.