

**THE CHILDREN'S ADVOCACY CENTER
OF HAMILTON COUNTY, INC.**

FINANCIAL STATEMENTS

June 30, 2011

Draft

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Children's Advocacy Center of Hamilton County, Inc.
Chattanooga, Tennessee

We have audited the accompanying statement of financial position of The Children's Advocacy Center of Hamilton County, Inc., (a nonprofit organization) (the "Center") as of June 30, 2011 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Children's Advocacy Center of Hamilton County, Inc., as of June 30, 2011, 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.

November 7, 2011

THE CHILDREN'S ADVOCACY CENTER OF HAMILTON COUNTY, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2011

ASSETS	
CURRENT ASSETS	
Cash	\$ 303,780
Grants receivable	39,818
Promises to give	5,170
Total Current Assets	<u>348,768</u>
PROPERTY AND EQUIPMENT	
Land	30,000
Buildings and improvements	502,727
Equipment	148,464
Furniture and fixtures	22,891
	<u>704,082</u>
Less accumulated depreciation	(340,598)
Property and Equipment, Net	<u>363,484</u>
OTHER ASSETS	
Permanently restricted investment	<u>11,323</u>
Total Assets	<u>\$ 723,575</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accrued expenses	\$ 402
Total Current Liabilities	<u>402</u>
NET ASSETS	
Unrestricted	696,350
Temporarily restricted	15,500
Permanently restricted	11,323
Total Net Assets	<u>723,173</u>
Total Liabilities and Net Assets	<u>\$ 723,575</u>

The accompanying notes are an integral part of these financial statements.

THE CHILDREN'S ADVOCACY CENTER OF HAMILTON COUNTY, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Contributions	\$ 135,692	\$ -	\$ -	\$ 135,692
Fundraising	119,737	15,500	-	135,237
Grant income	371,129	-	-	371,129
Investment income	145	-	-	145
Net assets released from restrictions:				
Satisfaction of time restrictions	10,500	(10,500)	-	-
Total Revenues and Support	637,203	5,000	-	642,203
EXPENSES				
Program services	466,371	-	-	466,371
Management and general	41,643	-	-	41,643
Fundraising	95,028	-	-	95,028
Total Expenses	603,042	-	-	603,042
Change in Net Assets	34,161	5,000	-	39,161
Net assets, beginning of year	662,189	10,500	11,323	684,012
Net Assets, End of Year	\$ 696,350	\$ 15,500	\$ 11,323	\$ 723,173

The accompanying notes are an integral part of these financial statements.

THE CHILDREN'S ADVOCACY CENTER OF HAMILTON COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2011

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total</u>
EXPENSES				
Bank charges	\$ -	\$ 1,169	\$ -	\$ 1,169
Continuing education	1,050	-	-	1,050
Conferences	4,944	160	340	5,444
Depreciation	23,688	1,239	1,594	26,521
Dues	3,258	-	800	4,058
Employee benefits	40,362	3,952	5,089	49,403
Equipment maintenance and rental	3,317	-	-	3,317
Insurance	18,548	-	-	18,548
Miscellaneous	7,065	-	450	7,515
Office supplies	6,546	-	280	6,826
Payroll taxes	23,029	2,255	2,903	28,187
Postage	2,003	-	672	2,675
Printing and publications	3,405	-	933	4,338
Professional fees	-	5,500	-	5,500
Program supplies	11,913	-	45,520	57,433
Rent	1,200	-	-	1,200
Repairs and maintenance	11,152	-	-	11,152
Salaries	279,500	27,368	35,236	342,104
Telephone	6,821	-	-	6,821
Travel	9,163	-	1,211	10,374
Utilities	9,407	-	-	9,407
Total Expenses	\$ 466,371	\$ 41,643	\$ 95,028	\$ 603,042

The accompanying notes are an integral part of these financial statements.

THE CHILDREN'S ADVOCACY CENTER OF HAMILTON COUNTY, INC.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 39,161
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	26,521
Changes in assets and liabilities:	
Grants receivable	(5,927)
Pledges receivable	3,530
Accrued expenses	(1,880)
Net Cash Provided by Operating Activities	<u>61,405</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(15,598)
Net Cash Used by Investing Activities	<u>(15,598)</u>
Net Increase in Cash	45,807
Cash at beginning of year	<u>257,973</u>
Cash at End of Year	<u>\$ 303,780</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Amount paid for:	
Interest	\$ -
Taxes	\$ -

The accompanying notes are an integral part of these financial statements.

THE CHILDREN'S ADVOCACY CENTER OF HAMILTON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1. ORGANIZATION

The Children's Advocacy Center of Hamilton County, Inc. (the "Center") is a nonprofit organization that provides comprehensive and humane response for children and families victimized by child abuse in its various forms in the Chattanooga, Tennessee area.

In 1995, The Children's Advocacy Center of Hamilton County, Inc. became a full member of the National Network of Children's Advocacy Center. It now stands as one of almost three hundred nationwide providing similar services for abused children.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented in accordance with current professional standards for reporting as applicable to nonprofit organizations. Under current professional standards, a nonprofit organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The ultimate classification of the Center's net assets into the three classes of net assets is based upon the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets

The part of the Center's net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily Restricted Net Assets

The part of the Center's net assets resulting (a) from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Center pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Center pursuant to those stipulations.

THE CHILDREN'S ADVOCACY CENTER OF HAMILTON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Permanently Restricted Net Assets

The part of the Center's net assets resulting (a) from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise be removed by actions of the Center, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations.

Basis of Accounting

Revenues and expenses are recorded on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized in the period incurred. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support in the accompanying statement of activities. Donated investments are recorded as contributions at their market value at date of receipt.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers all investment instruments purchased with a maturity of three months or less to be cash equivalents. At June 30, 2011, the Center had no cash equivalents.

Investments

Investments in certificates of deposit with maturities greater than 90 days are valued at original cost plus accrued interest, which approximates fair market value.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property, Equipment, and Depreciation

Property and equipment are recorded at cost for purchased assets and at fair market value at the date of the gift for donated assets. Depreciation is provided on the straight-line method based upon the estimated useful lives of the respective assets. The estimated lives range from 5 years for furniture and equipment to 40 years for the building. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. Expenditures for property

THE CHILDREN'S ADVOCACY CENTER OF HAMILTON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Property, Equipment, and Depreciation - Continued

and equipment over \$500 are capitalized. When items of property or equipment are sold or retired the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

Contributed Services

The Center receives a significant amount of contributed services from unpaid volunteers who assist in various projects. No amounts have been recognized in the statement of activities because criteria for recognition under current applicable professional standards have not been satisfied.

Income Taxes

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Center qualifies for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Under current standards, a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

As of June 30, 2011, the Center has accrued no interest or penalties related to uncertain tax positions. It is the Center's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Center's Form 990, Return of Organization Exempt From Income Tax, for the years ended June 30, 2010, 2009 and 2008 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Functional Expenses

The cost of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions

THE CHILDREN'S ADVOCACY CENTER OF HAMILTON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Estimates - Continued

that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Compensated Absences

Employees of the Center are entitled to paid vacation and sick days, depending on length of service and other factors. Management has determined the amount is immaterial to the Center's financial position and accordingly, the Center's policy is to recognize the costs of compensated absences when actually paid to employees.

Advertising

The Center expenses advertising and promotional costs as incurred.

Subsequent Events

Subsequent events have been evaluated through November 7, 2011, which is the date the financial statements were available to be issued.

NOTE 3. INVESTMENTS

During a prior year, the Center received a contribution that is permanently restricted and currently invested in a certificate of deposit that has a thirteen month maturity. The certificate of deposit was renewed in the subsequent period at an interest rate of 0.45%. As of June 30, 2011, the certificate of deposit had a balance of \$11,323.

NOTE 4. FAIR VALUE MEASUREMENTS

Current professional standards establish a framework of measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under current professional standards are described below:

THE CHILDREN'S ADVOCACY CENTER OF HAMILTON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

NOTE 4. FAIR VALUE MEASUREMENTS-CONTINUED

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

Level 2

Inputs to valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Certificate of Deposit: Valued at original cost plus accrued interest earned during the year.

The following table sets forth by level, within the fair value hierarchy, the Center's assets and liabilities measured at fair value on a recurring basis as of June 30, 2011:

Assets at Fair Value as of June 30, 2011

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of deposit - restricted	\$ -	\$ 11,323	\$ -	\$ 11,323

THE CHILDREN'S ADVOCACY CENTER OF HAMILTON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

NOTE 5. PLEDGES RECEIVABLE

Unconditional promises to give at June 30, 2011, are as follows:

Receivable in less than one year	\$ <u>5,170</u>
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NOTE 6. GRANTS RECEIVABLE

Amounts receivable in less than one year at June 30, 2011, consist of the following:

Hamilton County	\$ 1,055
Tennessee Department of Children's Services	28,665
Tennessee Department of Finance and Administration:	
Office of Criminal Justice Programs - VOCA	9,439
Office of Criminal Justice Programs - ARRA	<u>659</u>
Total	\$ <u>39,818</u>

NOTE 7. GRANT INCOME

The Center recognized grant income during the year ended June 30, 2011, from the following:

National Children's Alliance	\$ 9,367
City of Chattanooga	19,000
Hamilton County Government	18,000
Tennessee Department of Children's Services	240,483
Tennessee Department of Finance and Administration:	
Office of Criminal Justice Programs - VOCA	66,779
Office of Criminal Justice Programs - ARRA	<u>17,500</u>
Total	\$ <u>371,129</u>

NOTE 8. RETIREMENT PLAN

The Center has implemented a defined contribution plan covering all full time employees with at least twelve months of service. The Center matches employee contributions up to 2% of each participant's compensation. Total Center contributions to the retirement plan for the year ended June 30, 2011 were \$2,898.

NOTE 9. LINES OF CREDIT

The Center maintains a line of credit with a local bank, renewable annually, in the amount of \$65,000, with interest due monthly at 0.15% over the prime rate, as defined. At June 30, 2011, no amount was due on the line of credit.

Also, the Center maintains various credit cards with a combined credit limit of \$18,800.

THE CHILDREN'S ADVOCACY CENTER OF HAMILTON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

NOTE 10. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2011, the Center recognized \$26,295 of revenue from the Board of Directors. The revenue is included in the statement of activities as follows:

Contributions	\$ 21,250
Fundraising	<u>5,045</u>
Total	<u>\$ 26,295</u>

Also, during the year ended June 30, 2011, the Center recognized \$1,645 of contributions that were contributed by employees of the Center.

NOTE 11. CONTINGENCIES, RISKS, UNCERTAINTIES AND CONCENTRATIONS

The Center maintains its cash account in one financial institution. At times the balance exceeds federally insured amounts.

The Center is dependent on grants and contributions from certain agencies and private donors to fund its programs. If these funds were reduced, there would be a reduction in the services provided.

The Center received approximately 37% of its total revenue from the Tennessee Department of Children's Services.

NOTE 12. RESTRICTIONS ON NET ASSETS

Permanently restricted net assets consist of assets received with specific donor restrictions. The original instructions of the donor require that the principal must remain intact and be invested. As of June 30, 2011, the Center maintained a restricted investment of \$11,323 to meet donor requirements.

Temporarily restricted net assets consist of contributions restricted by the donor for specific purposes. Such contributions are reported as temporarily restricted net assets and are reclassified to unrestricted net assets when the restrictions have been satisfied. These contributions are included in the cash balance at June 30, 2011.

During the year ended June 30, 2011, the Center received temporarily restricted funds of \$15,500, which have been specifically designated to be used to fund a special event that is sponsored by the Center on an annual basis.