

CHILDREN'S FUND, INC.

FINANCIAL STATEMENTS

June 30, 2013 and 2012

CHILDREN'S FUND, INC.

June 30, 2013 and 2012

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Children's Fund, Inc.
San Bernardino, California

Report on Financial Statements

We have audited the accompanying financial statements of Children's Fund, Inc. (a nonprofit organization), which are comprised of the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements. The prior year summarized information was derived from the Organization's 2012 financial statements. In our report dated November 21, 2012, we expressed an unqualified opinion on those prior year 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 and with *Government Auditing Standards*, issued by the U.S. Comptroller General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

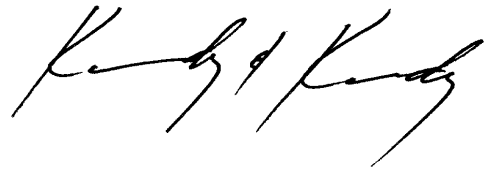
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Fund, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report, dated November 5, 2013, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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November 5, 2013
San Bernardino, California

CHILDREN'S FUND, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2013
(Summarized Totals for 2012)

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash	\$ 826,114	\$ 1,293,461
Certificates of Deposit	600,000	300,000
Accounts Receivable	304,382	224,625
Pledges Receivable	151,139	35,330
Program Inventory	1,838	17,333
Prepaid Expenses	7,250	4,482
Total Current Assets	<u>1,890,723</u>	<u>1,875,231</u>
Property and Equipment		
Furniture	144,898	139,398
Computer Equipment	26,017	22,545
Tenant Improvements	5,088	2,393
	<u>176,003</u>	<u>164,336</u>
Accumulated Depreciation	(44,344)	(18,840)
Total Property and Equipment	<u>131,659</u>	<u>145,496</u>
Other Assets		
Security Deposit	<u>4,672</u>	<u>4,672</u>
Total Assets	<u><u>\$ 2,027,054</u></u>	<u><u>\$ 2,025,399</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable and Accrued Expenses	<u>\$ 94,543</u>	<u>\$ 22,762</u>
Total Liabilities	<u>94,543</u>	<u>22,762</u>
Net Assets		
Unrestricted	1,901,611	1,977,199
Temporarily Restricted	30,900	25,438
Total Net Assets	<u>1,932,511</u>	<u>2,002,637</u>
Total Liabilities and Net Assets	<u><u>\$ 2,027,054</u></u>	<u><u>\$ 2,025,399</u></u>

See Accompanying Notes to Financial Statements.

CHILDREN'S FUND, INC.

STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2013
(Summarized Totals for 2012)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	2013 <u>Total</u>	2012 <u>Total</u>
Revenues and Support				
Fundraising Event Revenue	\$ 832,295	\$ 30,900	\$ 863,195	\$ 1,200,510
Direct Event Costs	(191,731)	-	(191,731)	(90,170)
Net Fundraising Events	640,564	30,900	671,464	1,110,340
Contributions	1,188,974	-	1,188,974	1,043,545
In-Kind Contributions	716,899	-	716,899	132,347
County Contracts	566,687	-	566,687	659,756
First 5 Contracts	322,906	-	322,906	11,000
Other Contracts	14,000	-	14,000	-
Interest Income	1,856	-	1,856	3,289
	3,451,886	30,900	3,482,786	2,960,277
Released From Restriction	25,438	(25,438)	-	-
Total Revenues and Support	3,477,324	5,462	3,482,786	2,960,277
Expenses				
Program Services				
Community Services	3,171,282	-	3,171,282	2,677,233
Support Services				
Management and General	264,966	-	264,966	243,196
Fundraising	116,664	-	116,664	235,216
Total Expenses	3,552,912	-	3,552,912	3,155,645
Change in Net Assets	(75,588)	5,462	(70,126)	(195,368)
Net Assets - Beginning	1,977,199	25,438	2,002,637	2,198,005
Net Assets - Ending	\$ 1,901,611	\$ 30,900	\$ 1,932,511	\$ 2,002,637

See Accompanying Notes to Financial Statements.

CHILDREN'S FUND, INC.

STATEMENT OF CASH FLOWS

For The Year Ended June 30, 2013

(Summarized Totals for 2012)

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ (70,126)	\$ (195,368)
Noncash Items Included in Revenues and Expenses -		
Depreciation	25,504	18,840
Change in Cash Resulting From Changes In:		
Accounts Receivable	(79,757)	(43,655)
Pledges Receivable	(115,809)	(27,790)
Program Inventory	15,495	(555)
Prepaid Expenses	(2,768)	(2,180)
Accounts Payable and Accrued Expenses	71,781	(40,437)
Deferred Revenue	-	(62,176)
Cash (Used) By Operating Activities	<u>(155,680)</u>	<u>(353,321)</u>
Cash Flows From Investing Activities		
Transfer (to) from Certificates of Deposit	(300,000)	998,663
Purchase of Property and Equipment	<u>(11,667)</u>	<u>(69,252)</u>
Cash Provided (Used) By Investing Activities	<u>(311,667)</u>	<u>929,411</u>
Increase (Decrease) in Cash	(467,347)	576,090
Cash – Beginning	<u>1,293,461</u>	<u>717,371</u>
Cash – Ending	<u><u>\$ 826,114</u></u>	<u><u>\$ 1,293,461</u></u>

Supplemental Cash Flow Information

Operating activities included no payments for interest or income taxes in 2013 and 2012.

See Accompanying Notes to Financial Statements.

CHILDREN'S FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2013

(Summarized Totals for 2012)

	Community <u>Services</u>	Management <u>and General</u>	Fund <u>Raising</u>	2013 Total <u>Expenses</u>	2012 Total <u>Expenses</u>
Salaries and Wages	\$ 235,991	\$ 106,739	\$ 92,832	\$ 435,562	\$ 316,398
Payroll Taxes and Benefits	33,805	18,227	12,360	64,392	58,357
Total Salaries and Costs	269,796	124,966	105,192	499,954	374,755
Community Services					
Assessment Center	1,178,555	-	-	1,178,555	877,121
Emergency Needs	1,065,864	-	-	1,065,864	1,087,662
Celebration of Giving	301,524	-	-	301,524	514,044
Scholarship Endowments	-	-	-	-	50,000
Other	-	-	-	-	259
	2,545,943	-	-	2,545,943	2,529,086
Outside Services	188,648	48,006	2,658	239,312	74,134
Promotion	101,915	6,325	4,084	112,324	34,015
Office Rent	25,063	21,942	-	47,005	37,582
Depreciation	12,117	13,387	-	25,504	18,840
Professional Fees	1,343	17,493	-	18,836	11,954
Telephone	8,683	6,634	-	15,317	14,909
Insurance	1,162	9,258	466	10,886	12,414
Printing and Postage	3,662	6,098	950	10,710	5,172
Employee Expenses	7,396	1,611	863	9,870	7,234
Administration	1,799	3,318	2,442	7,559	15,277
Information Technology	3,704	1,622	-	5,326	15,237
Office Supplies	51	4,306	9	4,366	5,036
	355,543	140,000	11,472	507,015	251,804
Total Expenses	\$ 3,171,282	\$ 264,966	\$ 116,664	\$ 3,552,912	\$ 3,155,645

See Accompanying Notes to Financial Statements.

CHILDREN'S FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND OTHER MATTERS

Children's Fund, Inc. is a nonprofit corporation organized in California in 1986. The Organization is a public-private partnership created for the purpose of providing services and products to needy and high-risk children in San Bernardino County. The Organization's principal sources of revenue are from private contributions, fundraising events, and governmental agencies that provide assistance to high-risk children. Community services provided by the Organization include several key programs:

Child Services assist at-risk children with food, shelter, clothing, medical care and educational needs through several methods, including the County Daily Referral program and subgrants and projects with other organizations that work with needy and high-risk children in San Bernardino County.

The Children's Assessment Center is a collaborative partnership with the County of San Bernardino and Loma Linda University Children's Hospital to provide specialized response to child victims of sexual and physical abuse in San Bernardino County. Children's Fund works closely with the Assessment Center to identify and secure funding for these critical services.

The Celebration of Giving is an annual campaign to distribute toys to underprivileged children in San Bernardino County. Toys are donated to the Organization or are purchased with contribution revenues.

The Scholarship Endowment Program sets up endowments with California State University San Bernardino, California Polytechnic University Pomona, Chaffey College, and other regional community colleges to provide annual college scholarships to underprivileged and high-risk children. As of the reporting date, \$602,000 has been transferred into endowments or provided in scholarships.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior Year Information

The financial statements include certain summarized comparative information from the prior year. This information is presented in total and not by net asset class and does not include sufficient detail to be in conformity with generally accepted accounting principles. Such information should be read together with the Organization's financial statements for the year ended June 30, 2012, from which the summarized information was extracted. Certain amounts in the prior year financial statements have been reclassified for comparison purposes to conform to the current year presentation.

Valuation of Accounts and Pledges Receivable

Accounts and pledges receivable are described in Note 8 and are considered by management to be fully collectable.

CHILDREN'S FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for Contributions

Generally accepted accounting principles (GAAP) require that the Organization reports information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted contributions are recognized as an increase in unrestricted net assets when received. Contributions restricted by the donors are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the donor-imposed restriction.

When restrictions are satisfied, either by the passage of time or by accomplishing the purpose, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the activity statement as net assets released from restrictions. When restrictions are satisfied in the same accounting period that the contribution is received, the revenue is reported as unrestricted.

Fair Value Measurements

GAAP provides guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

- Level 1 inputs – quoted prices in active markets for identical assets
- Level 2 inputs – quoted prices in active or inactive markets for the same or similar assets
- Level 3 inputs – estimates using the best information available when there is little or no market

The Organization is required to measure in-kind contributions at fair value. The technique used to measure the fair value of in-kind contributions is described in Note 9.

Income Taxes

The Organization is exempt from income tax liability under Section 501(c)(3) of the Internal Revenue Code and Section 23401 of the California Tax Code. Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income taxes. The Organization uses the same accounting methods for tax and financial reporting.

GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Functional Expense Reporting

The costs of the Organization's activities have been summarized on a functional basis in these financial statements. Based on management estimates, costs have been allocated between programs and supporting services as they relate to those functions.

Program Inventory

Program inventory consists of gift cards purchased from local retailers for Child Services programs.

CHILDREN'S FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation

Property and equipment are reported at cost or donated value and are depreciated by the straight-line method over estimated useful lives of five years. The Organization's policy is to capitalize additions with a cost over \$1,000.

Donated Services

Many individuals have donated significant time and services to advance the Organization's programs and objectives. These services have not been recorded in the financial statements because no objective basis is available to measure the value of such services.

NOTE 3 – TEMPORARY RESTRICTIONS

Temporarily restricted net assets consist of contributions made at the Organization's annual golf event for the purpose of purchasing equipment for the Children's Assessment Center.

NOTE 4 – CERTIFICATES OF DEPOSIT

Certificates of deposit totaling \$600,000 in 2013 and \$300,000 in 2012 are segregated from cash in the accompanying financial statements. The certificates bear interest of 0.1% (0.15% in the prior year) and have original maturities of six months.

NOTE 5 – CONCENTRATIONS

The Organization received approximately 16% of its funding in the current year and 22% in the prior year from contracts with San Bernardino County.

NOTE 6 – RELATED PARTY TRANSACTIONS

The Organization maintains cash balances and certificates of deposit with a local bank. A member of the Board is senior vice president with that bank.

A Board member is the chief financial officer of a regional supermarket chain. The Organization paid the chain \$1,785 in 2013 and \$1,890 in 2012 for food and gift cards to distribute through events and programs.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 5, 2013, the date when the financial statements were available for issuance.

CHILDREN'S FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – ACCOUNTS AND PLEDGES RECEIVABLE

Accounts receivable consist of the following amounts:	<u>2013</u>	<u>2012</u>
First 5 Contract	\$ 177,274	\$ -
County General Fund Contract	113,279	215,692
Children and Family Services Contract	10,454	2,239
Other Receivables	<u>3,375</u>	<u>6,694</u>
	<u>\$ 304,382</u>	<u>\$ 224,625</u>
Pledges receivable consist of the following amounts:	<u>2013</u>	<u>2012</u>
Golf Event Pledges	\$ 61,325	\$ 35,330
Claremont Auxiliary Pledge	51,500	-
NCA Grant Pledge	29,939	-
Other Pledges	<u>8,375</u>	<u>-</u>
	<u>\$ 151,139</u>	<u>\$ 35,330</u>

NOTE 9 – IN-KIND CONTRIBUTIONS

The Organization receives significant in-kind contributions to advance its mission, which include products, services, and facilities. The Organization records these donations when an objective basis is available to measure the value and when services would be purchased if they were not donated. The fair value of contributed products, services, and facilities has been measured on a nonrecurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs). These contributions include:

	<u>2013</u>	<u>2012</u>
Celebration of Giving – Toys	\$ 250,713	\$ 380,136
Golf Event - Supplies	<u>70,962</u>	<u>35,039</u>
In-Kind Contributions Included in Event Revenues	321,675	415,175
Child Services – Supplies	<u>716,899</u>	<u>132,347</u>
Total In-Kind Contributions	<u>\$ 1,038,574</u>	<u>\$ 547,522</u>

NOTE 10 – OPERATING LEASES

The Organization occupies office space under the terms of a five-year non-cancellable operating lease that expires in 2016. Rent expense for the year ended June 30, 2013 was \$43,884. Future minimum rental obligations under this lease are as follows:

<u>June 30,</u>	
2014	\$ 44,125
2015	44,125
2016	<u>44,125</u>
	<u>\$ 132,375</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Children's Fund, Inc.
San Bernardino, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Children's Fund, Inc. as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Organization's financial statements, and have issued our report thereon dated November 5, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

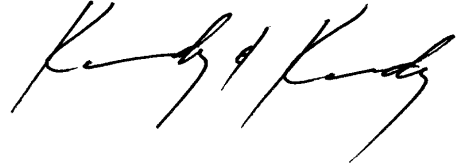
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to be "K. H. K.", written in a cursive style.

November 5, 2013
San Bernardino, California