

# Child Advocates of San Bernardino County

(A Nonprofit Organization)



**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDED JUNE 30, 2018**

**CHILD ADVOCATES OF SAN BERNARDINO COUNTY**  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDED JUNE 30, 2018

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To the Board of Directors  
Child Advocates of San Bernardino County  
Colton, CA

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Child Advocates of San Bernardino County, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expense 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.

### Auditors' 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 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 the 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 the Child Advocates of San Bernardino County as of June 30, 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

December 20, 2018

## **FINANCIAL INFORMATION**

# CHILD ADVOCATES OF SAN BERNARDINO COUNTY

## STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

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### ASSETS

#### Current Assets

Cash & cash equivalents	\$ 107,725
Grants & pledges receivable	70,169
Accounts Receivable	5,000
Prepays & security deposit	12,396
<b>Total Current Assets</b>	<u>195,290</u>

#### Equipment & Furniture

Equipment & furniture (net)	-
<b>Total Equipment &amp; Furniture</b>	<u>-</u>
<b>Total Assets</b>	<u><u>\$ 195,290</u></u>

### LIABILITIES AND NET ASSETS

#### Current Liabilities

Accounts payable	\$ 61,111
Accrued payroll & benefits	22,293
<b>Total Current Liabilities</b>	<u>83,404</u>

#### Net Assets

Without Donor Restriction	111,886
With Donor Restriction	-
<b>Total Net Assets</b>	<u>111,886</u>
<b>Total Liabilities &amp; Net Assets</b>	<u><u>\$ 195,290</u></u>

**CHILD ADVOCATES OF SAN BERNARDINO COUNTY**

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

	Without Donor Restriction	With Donor Restriction	Total
<b>INCOME</b>			
Donations	\$ 69,641	\$ -	\$ 69,641
Foundations	246,876	-	246,876
United Way support	45,763	-	45,763
Government grants	363,234	-	363,234
Special events (net of direct expenses)	30,082	-	30,082
Miscellaneous income	5	-	5
<b>TOTAL INCOME</b>	<b>755,601</b>	<b>-</b>	<b>755,601</b>
<b>EXPENSES</b>			
Program Services:			
Recruiting & training	165,838	-	165,838
CASA services	463,821	-	463,821
Total Program Services	629,659	-	629,659
Supporting Services:			
Management & general	82,518	-	82,518
Fundraising	56,013	-	56,013
Total Supporting Services	138,531	-	138,531
<b>TOTAL EXPENSES</b>	<b>768,190</b>	<b>-</b>	<b>768,190</b>
<b>Change in net assets</b>	<b>(12,589)</b>	<b>-</b>	<b>(12,589)</b>
Beginning net assets	124,475	-	124,475
<b>Ending net assets</b>	<b>\$ 111,886</b>	<b>\$ -</b>	<b>\$ 111,886</b>

**CHILD ADVOCATES OF SAN BERNARDINO COUNTY**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

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**NET CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ (12,589)
<i>Adjustments to reconcile change in net assets to net cash provided by operations:</i>	
Depreciation	915
<i>(Increase) decrease in cash due to:</i>	
Accounts receivable	(55,669)
Deposits & prepaid expenses	(5,485)
<i>Increase (decrease) in cash due to:</i>	
Accounts payable	58,324
Accrued payroll expense	4,917
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(9,587)</u>

**NET CASH FLOW FROM INVESTING ACTIVITIES**

Purchases of equipment & furniture	<u>-</u>
<b>CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>-</u>

**NET CASH FLOW FROM FINANCING ACTIVITIES**

<b>CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>-</u>
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<b>Net Increase (decrease) in Cash</b>	(9,587)
Beginning cash and cash equivalents	<u>117,312</u>
<b>Ending Cash and Cash Equivalents</b>	<u>\$ 107,725</u>

**SUPPLEMENTAL DATA:**

Interest paid	<u>\$ 1,340</u>
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# CHILD ADVOCATES OF SAN BERNARDINO COUNTY

## STATEMENT OF FUNCTIONAL EXPENSE

FOR THE YEAR ENDED JUNE 30, 2018

	<b>Program Services</b>			<b>Supporting Services</b>			<b>Grand Total</b>
	<b>Recruiting &amp; Training</b>	<b>CASA Services</b>	<b>Total</b>	<b>Management &amp; General</b>	<b>Fund Raising</b>	<b>Total</b>	
<b>EXPENSES</b>							
Salary expenses	\$ 126,348	\$ 239,977	\$ 366,325	\$ 41,474	\$ 13,346	\$ 54,820	\$ 421,145
Payroll taxes & fees	4,225	33,802	38,027	3,803	422	4,225	42,252
Employee benefits	4,982	39,854	44,836	4,484	498	4,982	49,818
Total personnel expense	135,555	313,633	449,188	49,761	14,266	64,027	513,215
Conferences & meetings	1,216	588	1,804	223	-	223	2,027
Children's services	-	7,605	7,605	-	-	-	7,605
Equipment rental & maintenance	1,545	3,459	5,004	1,251	1,104	2,355	7,359
Insurance	1,595	12,761	14,356	1,436	159	1,595	15,951
Marketing	4,042	1,806	5,848	1,462	1,290	2,752	8,600
Miscellaneous program expenses	1,192	18,682	19,874	-	-	-	19,874
Occupancy	3,857	30,858	34,715	3,471	386	3,857	38,572
Office supplies	5,896	29,479	35,375	7,710	2,268	9,978	45,353
Grant writer	-	-	-	-	30,907	30,907	30,907
Professional fees	-	-	-	8,025	-	8,025	8,025
Internet	3,551	28,410	31,961	3,196	355	3,551	35,512
Travel & meals	4,311	9,649	13,960	3,490	3,079	6,569	20,529
Depreciation	192	430	622	156	137	293	915
Staff & volunteer appreciation	2,886	6,461	9,347	2,337	2,062	4,399	13,746
<b>TOTAL EXPENSES</b>	<b>\$ 165,838</b>	<b>\$ 463,821</b>	<b>\$ 629,659</b>	<b>\$ 82,518</b>	<b>\$ 56,013</b>	<b>\$ 138,531</b>	<b>\$ 768,190</b>

**CHILD ADVOCATES OF SAN BERNARDINO COUNTY**  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDED JUNE 30, 2018

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

Child Advocates of San Bernardino County (the Organization) is a not-for-profit organization incorporated on June 28, 1989, located in San Bernardino, California. It provides advocacy and mentoring services for abused, neglected, and exploited children and youth who are under the jurisdiction of the San Bernardino County Juvenile Court System including Dependency Court. The organization's mission is to improve the quality of life for foster youth, juvenile care youth, and foster care alumni through stable and consistent mentoring, advocacy, and supportive services. The organization recruits, screens, trains, and professionally supports and supervises community volunteers to serve as Court Appointed Special Advocates. It is funded principally by government and foundation grants, donations, private contributions and united Way allocations. It is directed by a volunteer Board of Directors.

**Basis of Accounting**

The Organization prepares its financial statements using generally accepted accounting principles, which involves the application of accrual accounting, consequently, revenues and gains are recognized when earned, and expense and losses are recognized when incurred.

**Basis of Presentation**

The Organization reports information regarding its financial position and activities according to two classes of net assets: Net assets with donor restriction and net assets without donor restrictions.

**Income Tax Status**

Child Advocates of San Bernardino County is classified as an organization exempt from income tax as described in Internal Revenue Code 501(c)(3) and California Revenue and Taxation Code 23701d. The Organization is classified as other than a "private foundation" by the IRS under section 509(a)(1).

In accordance with accounting standards, which provides accounting and disclosure guidance about uncertain tax positions taken by an organization, management believes that all of the positions taken by the Organization in its federal and state tax returns are more likely than not to be sustained upon examination. Child Advocates of San Bernardino County's federal income tax returns for the prior three tax years remain subject to examination by the Internal Revenue Service. The Organization's California income tax returns for the prior four tax years remain subject to examination by the Franchise Tax Board.

**Revenue Recognition**

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**Promises to Give**

We record unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

#### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### **Equipment and Furniture**

Acquisitions to property and equipment in excess of \$500 are capitalized and recorded at cost. Donated property is recorded at the estimated fair value at the date of the gift. All capitalized assets are depreciated using the straight-line method over the estimated useful lives of each class of equipment. Maintenance and repair costs are charged to expense as incurred. The estimated useful lives for significant property and equipment categories are as follows: equipment and furniture – 3 to 10 years.

#### **Donated Materials and Services**

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at the fair values at the date of receipt. The Organization received donations in the form of time and effort from various members of the Board and other community volunteers to further the Organization's programs and objectives. This contribution of time does not meet the criteria under GAAP for reporting and thus is not reflected in the accompanying financial statements. For the year ended June 30, 2018 the Organization had a total of 5,187 volunteer hours.

#### **Estimates**

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.

#### **Cash and Cash Equivalents**

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 and cash equivalents.

#### **Grants and Contracts**

Support received under grants and contracts with federal, state and local governments, and private foundations are recorded as public support when the related service is provided. Grants and contracts receivable represent amounts due for services provided which have not been collected by year end. The allowance for bad debts is recorded on the allowance method. Management monitors receivables and if after diligent collection efforts have failed to collect past due amounts, the Organization determines them to be uncollectible. At year end management determined all receivables to be collectible and no allowance necessary.

#### **Change in Accounting Principle**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

**2. LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash & Cash equivalents	\$ 107,725
Grants & Pledges receivable	70,169
Accounts receivable	<u>5,000</u>
Total	<u>\$ 182,894</u>

Our funds consist of donor-restricted funds and funds designated by the board. Income from donor-restricted funds are restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

**3. FUNCTIONAL ALLOCATION OF EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, as well as salaries and wages, benefits, payroll taxes, office expenses, insurance, grant writing, marketing, travels and meals and other expenses, which are allocated on the basis of estimates of time and effort.

**4. EQUIPMENT & FURNITURE**

The following is a summary of equipment & furniture at June 30, 2018:

	Balance at 6/30/2017	Additions	Deletions	Balance at 6/30/2018
Assets:				
Equipment and furniture	\$ 39,797	\$ -	\$ -	\$ 39,797
Total Equipment and Furniture	<u>39,797</u>	<u>-</u>	<u>-</u>	<u>39,797</u>
Accumulated Depreciation	(38,882)	(915)	-	(39,797)
Net Equipment and Furniture	<u>\$ 915</u>	<u>\$ (915)</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation for the year ended June 30, 2018 amounted to: \$ 915

**5. TEMPORARILY RESTRICTED NET ASSETS**

Restrictions on net assets relate to restricted contributions received for specific purposes. There were no temporarily restricted net assets at June 30, 2018.

**6. PERMANENTLY RESTRICTED NET ASSETS**

The Organization had no permanently restricted net assets at June 30, 2018.

**7. OPERATING LEASE OBLIGATIONS**

Child Advocates of San Bernardino County entered into a lease agreement for office space in Colton originally commencing on July 1, 2015 with a lease term of 5 years. Per the lease agreement, the monthly base rent is \$2,933. The Organization is required to pay for utilities used outside of normal business hours as well as insurance. Total rent expense for the year ended June 30, 2018 amounted to \$41,505.

Future minimum lease payments are as follows:

For the year ended June 30,

2019	\$	28,698
2020		29,559
Thereafter		-
	\$	<u>58,257</u>

**8. STATE AND LOCAL GOVERNMENT GRANTS**

Financial awards from state and local government entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or non-compliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any cannot be determined at this date.

**9. ACCRUED PAYROLL AND BENEFITS**

Sick leave and benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of the Organization since payment of such benefits is not probable or estimable. Accrued expenses at June 30, 2018 consisted of:

Accrued compensation	\$	9,622
Accrued vacation		12,671
	\$	<u>22,293</u>

**10. EMPLOYER SPONSORED RETIREMENT PLAN**

Effective January 1, 2017, the Organization adopted an employer sponsored 401(k) plan. The employee directed retirement plan provides an employer matching contribution of up to 100% of the employees contribution up to 3% of compensation. Eligible employees over the age of 21 and having completed 12 months of full-time service can participate in the qualified retirement plan. Employer contributions during the reporting period totaled \$9,624.83.

**11. CONCENTRATION OF RISK**

The Organization maintains a bank account with Union Bank, which is insured by the Federal Deposit Insurance Corporation (FDIC) covering funds up to \$250,000. At various times during the year, the amount on deposit with this financial institution may exceed federal depository insurance limits. At June 30, 2018 the Organization did not have any excess funds on deposit that were not covered by the FDIC.

**12. RELATED PARTY**

The Organization has an unsecured line of credit with a board member in the amount of \$50,000. Borrowings under the line bear no interest. As of June 30, 2018, the outstanding balance on the line of credit was \$50,000. The organization has agreed to repay the amount within a year.

**13. CONCENTRATION OF REVENUE**

During the year approximately 47% of total revenue received by the Organization was in the form of government grants. The following agencies awarded the Organization grants:

Judicial Council  
 County of San Bernardino  
 Superior Court of San Bernardino

**14. SPECIAL EVENTS**

Revenue received in excess of the direct cost for the event is considered a contribution from the participant attending the event and has been classified as such. The Organization's special events consisted of the following:

	<u>Total</u>
Special events	\$ 57,532
Less: Direct expenses	<u>(27,450)</u>
Net Special Events	<u>\$ 30,082</u>

**15. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 20, 2018, the date on which the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

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