



# Child Advocates of San Bernardino County

(A Nonprofit Organization)

**Financial Statements and  
Independent Auditors' Report**

**For the Year Ended June 30, 2020**

**SM&Co**

**Child Advocates of San Bernardino County**

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For the Year Ended June 30, 2020

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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, 2020, and the related statements of activities, 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.

#### **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, 2020, 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.

November 30, 2020

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Child Advocates of San Bernardino County

Statement of Financial Position

June 30, 2020

**ASSETS**

**Current Assets**

Cash & cash equivalents	\$	119,785
Grants receivable		177,795
Prepays & security deposit		14,895
Other receivables		1,150
<b>Total Current Assets</b>		<u>313,625</u>

**Other Assets**

Equipment & furniture		64,062
Leasehold improvements		6,000
Less: accumulated depreciation		(45,294)
<b>Total Other Assets</b>		<u>24,768</u>
<b>Total Assets</b>	\$	<u>338,393</u>

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$	27,851
Accrued payroll & benefits		45,309
Short term note payable		6,384
<b>Total Current Liabilities</b>		<u>79,544</u>

**Non-Current Liabilities**

PPP loan		134,525
<b>Total Non-Current Liabilities</b>		<u>134,525</u>

**Net Assets**

Without donor restriction		124,324
With donor restriction		-
<b>Total Net Assets</b>		<u>124,324</u>
<b>Total Liabilities &amp; Net Assets</b>	\$	<u>338,393</u>

**Child Advocates of San Bernardino County**

Statement of Activities

For the Year Ended June 30, 2020

	Without Donor Restriction	With Donor Restriction	Total
<b>INCOME</b>			
Donations	\$ 22,665	\$ -	\$ 22,665
Foundations	274,100	-	274,100
United Way support	10,883	-	10,883
Government grants	607,996	-	607,996
Special events (net of direct expenses)	14,143	-	14,143
Miscellaneous income	57,037	-	57,037
Net assets released from restriction	-	-	-
<b>TOTAL INCOME</b>	<b>986,824</b>	<b>-</b>	<b>986,824</b>
<b>EXPENSES</b>			
<b>Program Services:</b>			
Recruiting & training	221,961	-	221,961
CASA services	600,843	-	600,843
<b>Total Program Services</b>	<b>822,804</b>	<b>-</b>	<b>822,804</b>
<b>Supporting services:</b>			
Management & general	104,705	-	104,705
Fundraising	47,240	-	47,240
<b>Total Supporting Services</b>	<b>151,945</b>	<b>-</b>	<b>151,945</b>
<b>TOTAL EXPENSES</b>	<b>974,749</b>	<b>-</b>	<b>974,749</b>
<b>Change in Net Assets</b>	<b>12,075</b>	<b>-</b>	<b>12,075</b>
<b>Beginning Net Assets</b>	<b>112,249</b>	<b>-</b>	<b>112,249</b>
<b>Ending Net Assets</b>	<b>\$ 124,324</b>	<b>\$ -</b>	<b>\$ 124,324</b>

**Child Advocates of San Bernardino County**

Statement of Functional Expenses

For the Year Ended June 30, 2020

EXPENSES	Program Services			Supporting Services			Grand Total
	Recruiting & Training	CASA Services	Total	Management & General	Fund Raising	Total	
<b>Personnel Expense</b>							
Salary expenses	\$ 171,304	\$ 328,448	\$ 499,752	\$ 53,085	\$ 15,799	\$ 68,884	\$ 568,636
Payroll taxes & fees	5,376	43,008	48,384	4,838	538	5,376	53,760
Employee benefits	7,817	62,538	70,355	7,036	782	7,818	78,173
<b>Total Personnel Expense</b>	<b>184,497</b>	<b>433,994</b>	<b>618,491</b>	<b>64,959</b>	<b>17,119</b>	<b>82,078</b>	<b>700,569</b>
Conferences & meetings	2,260	1,093	3,353	414	-	414	3,767
Children's services	-	15,352	15,352	-	-	-	15,352
Insurance	2,101	16,804	18,905	1,891	210	2,101	21,006
Outreach/training	10,811	4,831	15,642	3,910	3,450	7,360	23,002
Miscellaneous program expenses	424	6,647	7,071	-	-	-	7,071
Occupancy	5,448	43,587	49,035	4,904	545	5,449	54,484
Office expense	6,401	32,004	38,405	8,370	2,462	10,832	49,237
Grant writer	-	-	-	-	18,868	18,868	18,868
Professional fees	-	-	-	11,768	-	11,768	11,768
Info technology	4,183	33,467	37,650	3,765	418	4,183	41,833
Travel & meals	4,885	10,932	15,817	3,954	3,489	7,443	23,260
Depreciation	563	1,262	1,825	456	402	858	2,683
Staff & volunteer appreciation	388	870	1,258	314	277	591	1,849
<b>TOTAL EXPENSES</b>	<b>\$ 221,961</b>	<b>\$ 600,843</b>	<b>\$ 822,804</b>	<b>\$ 104,705</b>	<b>\$ 47,240</b>	<b>\$ 151,945</b>	<b>\$ 974,749</b>

**Child Advocates of San Bernardino County**

Statement of Cash Flows  
For the Year Ended June 30, 2020

**NET CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$	12,075
<i>Adjustments to reconcile change in net assets to net cash provided by operations:</i>		
Depreciation		2,683
<i>(Increase) decrease in cash due to:</i>		
Accounts receivable		(107,450)
Deposits & prepaid expenses		(588)
<i>Increase (decrease) in cash due to:</i>		
Accounts payable		5,731
Accrued payroll expense		20,665
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		<b>(66,884)</b>

**NET CASH FLOW FROM INVESTING ACTIVITIES**

Purchases of equipment & furniture		(16,194)
<b>CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>		<b>(16,194)</b>

**NET CASH FLOW FROM FINANCING ACTIVITIES**

Proceeds from PPP loan		134,525
Proceeds from short term note payable		50,000
Payments on short term note payable		(43,616)
<b>CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>		<b>140,909</b>

<b>Net Increase (Decrease) in Cash</b>		57,831
Beginning cash and cash equivalents		61,954
<b>Ending Cash and Cash Equivalents</b>	<b>\$</b>	<b>119,785</b>

**SUPPLEMENTAL DATA:**

Interest paid		\$ 3,874
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**Note 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 Colton, 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 financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

**Basis of Presentation**

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The following provides an explanation of net assets categories included in the accompanying financial statements:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net Assets with Donor Restriction – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**Concentrations of Credit and Market Risk**

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash and cash equivalents investments. The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

The Organization maintains cash at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC fully insures all funds up to \$250,000.

As of June 30, 2020 the Organization had \$0 in excess of the insured amount.

**Cash, Cash Equivalents, and Restricted Cash**

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to other long-term purposes are excluded from this definition.

**Grants Receivable**

Grants receivable represent consideration from state and local government agencies, of which the Organization has an unconditional right to receive. Accounts receivable are stated at the amount management expects to be collected from the outstanding balance. As of June 30, 2020, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

**Other Assets**

Acquisitions to property and equipment in excess of \$500, with useful lives greater than one year, 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.

**Revenue Recognition**

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A portion of the Organization’s revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for Profit Entities: Clarifying the Scope and the Accounting guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Organization’s financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

**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, 2020, the Organization had a total of 8,436 volunteer hours.

**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.

## Child Advocates of San Bernardino County

Notes to Financial Statements  
For the Year Ended June 30, 2020

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### Use of 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 of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

### Income Tax Status

The Organization is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

### Note 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	\$ 119,785
Grants receivable	177,795
Other receivable	<u>1,150</u>
Total	<u>\$ 298,730</u>

Our funds consist of donor-restricted funds. Income from donor-restricted funds are restricted for specific purposes, with the exception of the amounts available for general use.

### Note 3 - Operating Lease Obligations

The Organization entered into a lease agreement for office space in Colton commencing on July 1, 2020, with a lease term of 5 years and 2 months. Per the lease agreement, the monthly base rent is \$2,260 and is subject to change based on scheduled increases. 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, 2020 amounted to \$52,127.

Future minimum lease payments are as follows:

For the year ended June 30:		
	2021	\$ 22,600
	2022	27,936
	2023	28,776
	2024	29,640
	2025	<u>35,616</u>
		<u>\$ 144,568</u>

### Note 4 - Short Term Notes Payable

In August 2019, the Organization engaged in a 12-month loan agreement with Nonprofits Alliance of California in the amount of \$50,000 in order to help finance operating cash flow. The loan has a fixed 6% interest rate with minimum monthly payments of \$3,000 beginning on September 1<sup>st</sup>, 2019. As of June 30, 2020, the balance of the short term note payable is \$6,384.

**Note 5 - 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.

**Note 6 - 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, 2020 consisted of:

Accrued compensation	\$ 16,179
Accrued vacation	<u>29,130</u>
	<u>\$ 45,309</u>

**Note 7 - 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 employee's 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 \$20,578.

**Note 8 - Concentration of Revenue**

During the year, approximately 62% 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  
Cal OES

**Note 9 - 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:

Special events	\$ 22,919
Less: Direct expenses	<u>(8,776)</u>
Net Special Events	<u>\$ 14,143</u>

**Note 10 - Contingencies**

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the orders. The Organization has adapted its methods for providing services in order to continue operations and serve its constituents. Management is carefully monitoring the situation and evaluating its options during this time. It is possible that this matter may negatively impact the Organization, however, the ultimate financial impact and duration cannot be estimated at this time, and no adjustments have been made to these financial statements as a result of this uncertainty.

**Note 11 - PPP Loan**

In April 2020, the Organization applied for and was approved a \$134,525 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

**Note 12 - Subsequent Events**

Management has evaluated subsequent events through November 30, 2020, 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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