Friends of the Child Advocacy Center, Inc.
(A Nonprofit Organization)
Independent Auditor's Report
And
Financial Statements
June 30, 2015

Contents

Mueller Yuva Osterman Powers LLP
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Friends of the Child Advocacy Center, Inc.
Eugene, Oregon

We have audited the accompanying financial statements of Friends of the Child Advocacy Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the years 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 conformity with the accrual basis of accounting; 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of the Child Advocacy Center, Inc. as of June 30, 2015, and 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.

Mueller Yuva Osterman Powers LLP

Mueller Yuva Osterman Powers LLP
Eugene, Oregon
January 20, 2016

Friends of the Child Advocacy Center, Inc.
Statement of Financial Position
June 30, 2015

Assets	
Cash and cash equivalents	$ 891,007
Investments	15,502
Receivables	169,514
Prepaid expenses	9,095
Property and equipment, net of accumulated depreciation	45,877
Total assets	$ 1,130,995
Liabilities and Net Assets	
Accounts payable	$ 356,917
Other current liabilities	8,372
Deferred revenue	15,177
Total liabilities	380,466
Net Assets	
Unrestricted	528,798
Temporarily restricted	221,731
Total net assets	750,529
Total liabilities and net assets	$ 1,130,995

Friends of the Child Advocacy Center, Inc.
Statement of Activities
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue, gains, and other support:			
Government financial assistance	$ 760,587	$ -	$ 760,587
Private grants	5,596	4,370	9,966
Contributions	1,050	300	1,350
Fundraising	7,937	-	7,937
In kind contributions	31,948	-	31,948
Investment income	2,933	1,321	4,254
Net assets released from restrictions	5,199	(5,199)	-
Total revenues, gains, and other support	815,250	792	816,042
Expenses:			
Program services	908,060	-	908,060
Management and general	63,966	-	63,966
Fundraising	1,904	-	1,904
Total expenses	973,930	-	973,930
Change in net assets	(158,680)	792	(157,888)
Net assets, beginning of year, as previously reported	139,633	220,939	360,572
Prior period adjustment	547,845	-	547,845
Net assets, beginning of year, as restated	687,478	220,939	908,417
Net assets, end of year	$ 528,798	$ 221,731	$ 750,529

Friends of the Child Advocacy Center, Inc.
Statement of Functional Expenses
Year Ended June 30, 2015

	Program Services	Management and General	Fundraising	Total
Personnel costs	$ 624,278	$ 46,989	$ -	$ 671,267
Advocacy	4,395	-	-	4,395
Conferences and training	35,241	-	-	35,241
Depreciation	6,740	507	-	7,247
Dues and subscriptions	5,791	-	-	5,791
Equipment rental	1,740	131	-	1,871
Fundraising event	-	-	1,904	1,904
In-kind donations	1,310	-	-	1,310
Insurance	8,972	675	-	9,647
Interest	1,169	-	-	1,169
Miscellaneous	7,552	568	-	8,120
Occupancy				
Building	42,988	3,236	-	46,224
Utilities	6,978	525	-	7,503
Janitorial	5,845	440	-	6,285
Building repairs and maintenance	209	16	-	225
Office supplies	4,968	374	-	5,342
Operating	96,212	7,242	-	103,454
Postage and shipping	427	-	-	427
Printing and publications	1,678	126	-	1,804
Professional fees	22,455	1,690	-	24,145
State taxes	-	169	-	169
Telephone	10,163	765	-	10,928
Travel and meals	12,392	513	-	12,905
Volunteer recognition	1,358	-	-	1,358
Released from restrictions	5,199	-	-	5,199
Total expenses	$ 908,060	$ 63,966	$ 1,904	$ 973,930

Friends of the Child Advocacy Center, Inc.
Statement of Cash Flows
Year Ended June 30, 2015

Cash flows from operating activities	
Change in net assets	$ (157,888)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	7,247
Net realized and unrealized investment gain	(734)
Change in accounts receivable	9,254
Change in prepaid expenses	(9,095)
Change in accounts payable	183,097
Change in deferred revenue	(83,307)
Change in other liabilities	8,372
Net cash used in operating activities	(43,054)
Cash flows from investing activities	
Purchases of property and equipment	(27,770)
Net decrease in cash and cash equivalents	(70,824)
Cash and cash equivalents, beginning of year	961,831
Cash and cash equivalents, end of year	$ 891,007

Friends of the Child Advocacy Center, Inc.
Notes to Financial Statements
June 30, 2015

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Nature of operations – Friends of the Child Advocacy Center, Inc. dba Kids First Center (the Organization) was incorporated on June 30, 1994, as a non-profit corporation in the State of Oregon. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code.

The Organization provides intervention and advocacy for children who are victims of, or witnesses to crime.

Funding for the Organization's activities is primarily provided by "Child Abuse Multidisciplinary Intervention" grants from the State of Oregon, and by a "Victims of Crime Act" grant from the Department of Justice.

Basis of accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of presentation – Under accounting standards for not-for-profit organizations, the Organization is required to report information regarding its financial positions and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

> ***Unrestricted net assets*** – Consists of net assets that are not subject to donor-imposed stipulations and revenues and support that are restricted but whose restrictions are met during the fiscal year.
>
> ***Temporarily restricted net assets*** – Net assets subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
>
> ***Permanently restricted net assets*** – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of June 30, 2015, there were no permanently restricted net assets.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Revenue recognition – Contributions and grants received are recorded as support that is unrestricted, temporarily restricted, or permanently restricted. Classification is based on the existence and nature of any donor restrictions imposed on the contribution or grant. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires during the year in which the support is recognized.

Grant revenue is recognized as earned and funds are received. Deferred revenue is recorded when funds are received in advance of being earned.

Use of estimates – The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. For example, the in kind contribution for occupancy costs was based on fair market value. The difference between the fair market value of the occupied space and the amount billed by Lane County to recover the depreciation on the building space represented the in kind contribution estimate. Actual results could differ from those estimates.

Donated services, materials and occupancy- The estimated donated value of building occupancy, in excess of the amount billed for such, is recorded at the estimated fair value at donation. This donated amount for the year ended June 30, 2015 is estimated at $30,000 and allocated across functional expense categories.

Donated materials are recorded at their estimated fair values at the date of donation. Total donations for supplies recorded for the year ended June 30, 2015 is $1,310.

Donated services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated nonprofessional services, not included in the financial statements for the year ended June 30, 2015, is $65,431.

Cash and cash equivalents – For purposes of the financial statements, the Organization considers money market accounts and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Cash consists of amounts on deposit in checking accounts and cash portion of the investment account. The Organization may maintain cash in accounts which exceeds amounts insured by governmental agencies. At June 30, 2015, the Organization's uninsured cash balances totaled $24,996.

Investments –The Organization invests in equity securities. Fair values for investments are determined by reference to quoted market prices for similar investments. Interest, dividends and gains and losses, both realized and unrealized, on investments are included in the statement of activities in revenues, gains and other support. Investment income that is related to funds that are classified as restricted are also considered to have the same classification restriction.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Business risks and uncertainties – As the Organization's investments are comprised of marketable equity securities, significant changes in prevailing interest rates and market conditions may adversely affect the timing and amount of cash flows on such investment and their related values. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in values in the near-term could materially affect the Organization's financial position and the amounts reported in the statement of activities.

Property and equipment – Purchased property and equipment are recorded at cost. Donated equipment is recorded at its estimated fair market value on the date of gift. Assets with a useful life greater than one year are capitalized if more than $5,000 value. Donations are reported as unrestricted support unless the donor has restricted the asset to a specific purpose. Expenditures for maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of assets sold or otherwise disposed of are removed from the accounts and resulting gains or losses are reflected in revenues and expenses. Depreciation is computed over the estimated useful lives of the property and equipment using the straight-line method, with estimated lives of between five and forty years.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Expense allocation – Directly identifiable expenses are charged to program services. Expenses that are considered to have both program and management general cost components are reallocated, on a yearly basis, to reflect proper functional expense categorization. Management and general expenses provide for the overall support and direction of the Organization.

Concentrations – Total support from the federal government for the year ended June 30, 2015 totaled approximately 22%. Total support from the State of Oregon for the year ended June 30, 2015 totaled approximately 71%. Total support from Lane County for the year ended June 30, 2015 totaled approximately 4%. Total government financial assistance, including in-kind contributions represented over 97% of total revenue for the year ended June 30, 2015.

Income taxes – The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law as a charitable organization, except on net income derived from unrelated business activities. The Organization reported no taxable unrelated business income for the year ended June 30, 2015.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Compensated absences – The Organization's policy allows employees to accrue paid time off based on a specific schedule, approved by the Board of Directors, which is payable upon termination.

Note 2 – Cash and Cash Equivalents

Cash and cash equivalents balances at June 30, 2015 consist of the following:

Bank accounts	$	258,225
Cash held by others		613,950
Money market accounts		17,011
Cash portion of investment accounts		1,821
	$	891,007

Note 3 – Receivables

Accounts receivable at June 30, 2015 consist of the following:

Grants receivable	$	164,036
Other receivables		5,478
	$	169,514

Note 4 – Property and Equipment

Property and equipment at June 30, 2015 consist of the following:

Leasehold improvements	$	1,200
Furniture and fixtures		186,035
Vehicles		14,140
		201,375
Less accumulated depreciation		155,498
	$	45,877

Total depreciation expense for the year was $7,247.

Note 5 – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

Purchase of new facility	$	211,433
Purchase of medical supplies		10,000
Other		298
	$	221,731

Note 6 – Prior Period Adjustment

During the year ended June 30, 2015, the Organization changed from the modified cash basis to the accrual basis of accounting in order to better align revenues and expenses with the year of occurrence and to be in conformity with accounting principles generally accepted in the United States of America (GAAP). Beginning net assets for the year ended June 30, 2015 were retroactively adjusted to reflect the change resulting from beginning of year accruals for accounts payable, accounts receivable and prepaid expenses. The result of this change in accounting method is a $75,635 decrease to unrestricted net assets.

During the current year it was determined that Lane County was in possession of funds for the Organization. Accordingly, a prior period adjustment of $623,480 was made as of June 30, 2014 to increase cash held by others and increase unrestricted net assets.

The net increase to beginning unrestricted net assets is as follows:

Modified cash to full accrual (GAAP)	$	(75,635)
Cash held by others - Lane County		623,480
	$	547,845

Note 7 – Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value. The fair value framework requires the categorization of assets and liabilities into three levels based upon the ability to observe the assumption (inputs) used to value the assets and liabilities. Level 1 provides the most reliable and observable measure of fair value, whereas Level 3 generally requires significant judgment. When valuing assets or liabilities, GAAP requires the most observable inputs to be used.

Note 7 – Fair Value of Financial Instruments (Continued)

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Unadjusted, quoted prices in active markets for identical assets and liabilities.

Level 2 – Observable inputs, other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.

Level 3 – Unobservable inputs reflecting assumptions about the inputs used in pricing the asset or liability.

The 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.

2015	Total Carrying/ Fair Value	Level 1	Level 2	Level 3
Equity Securities	$ 15,502	$ 15,502	$ -	$ -

The fair value methodology used by the Organization may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Valuation techniques utilized to determine fair value are consistently applied.

Note 8 – Investment Income

Investment income is classified as unrestricted or restricted on the statement of activities in conformity with the classification of investment. Investment return for the year is summarized as follows:

Interest and dividends	$ 3,520
Net realized and unrealized gains	734
	$ 4,254

Note 12 – Related Party Transactions

Director, Alex Gardner, was the Lane County district attorney who manages all of the employees and employee benefits (except for the executive director and deputy director) that are billed to the Organization by Lane County. These amounts are billed to the Organization as personnel costs and include wages, payroll taxes and any employee benefits offered to other employees of the district attorney's office. He also oversaw and managed the County budget for all overhead and indirect charges billed to the Organization. These charges include occupancy costs, information technology, legal counsel, and general administration.

Total billings paid to Lane County for the year ended June 30, 2015 were $559,800. In addition, an estimated $30,000 in kind donation from Lane County for the excess of fair market value occupancy over billing cost was recorded for the year ended June 30, 2015; the Organization acquired $18,545 in vehicles and equipment from the County on June 30, 2015; and the County held cash on behalf of the Organization of $613,950 as of June 30, 2015.

Director, Roger Cox, was a 50% owner of Selectemps, a local personnel company. Selectemps was the employer of the executive director and deputy director for a portion of the year. Billings paid to Selectemps during the year totaled $51,938.

Director, Jason Kunz, was employed by Feynman Group, an IT services company. Feynman Group is creating a website for the Organization and provides IT and network services. Billings paid to Feynman Group during the year totaled $18,939.

Combined, these related party transactions represent a total of approximately 65% of total expenses of the Organization.

Related party payables as of June 30, 2015 consisted of the following:

Feynman Group	$ 9,225
Lane County Finance	321,909
Lane County Legal	1,015
	$ 332,149

Note 13 – Subsequent Events

The Organization has evaluated subsequent events through the date of the independent auditor's report, which date represents the date the financial statements were issued of January 20, 2016. Subsequent events identified as of that date are as follows:

Pursuant to Lane County Board Order #15-06-23-04, Friends of the Child Advocacy Center, Inc. separated from Lane County and became a "stand-alone" nonprofit effective July 1, 2015. The Organization entered into an office space lease agreement with Lane County for the building located at 2675 Martin Luther King Jr. Blvd, Eugene, Oregon. The space is 3796 square feet with a lease term through June 30, 2017. Utilities and service charges for maintenance is paid at $750 per month, with any excess to be billed to the Organization semi-annually.

Cash held by Lane County as of June 30, 2015 in the amounts of $591,966 and $21,984 were disbursed to the Organization on July 10, 2015 and December 18, 2015, respectively.

Effective July 1, 2015, the Organization hired employees that previously worked for the Organization via contract through Lane County.

Note 9 – Leases and Rent Expense

Prior to June 30, 2015, Lane County billed the Organization a cost allocation for depreciation of the office space that it occupied. Rent expense of $46,224, which includes $16,224 of indirect costs related to the depreciation allocation of the building paid to Lane County, and $30,000 for the estimated fair market value of the in-kind donation of facility, were recorded for the year ended June 30, 2015.

Upon separation from the County at June 30, 2015, the Organization entered into a new two year lease agreement for its office located in Eugene, Oregon for a monthly rate of $2,000, which expires June 30, 2017. Minimum future rental payments under the new operating lease for each of the next two years, not including fair market value of the in-kind donation of facility, are as follows:

June 30,		
2016	$	24,000
2017		24,000
	$	48,000

Note 10 – Commitments and Contingencies

The Organization bills various federal, state and county agencies for Title XIX payments for services provided to certain classification of patients. Fees from governmental agencies require the fulfillment of certain conditions as set forth in the contracts. Failure to fulfill the conditions could result in the return of the funds to governmental agencies. Although that is a possibility, the Board deems the contingency remote since by accepting the contract and its terms, it has accommodated the objectives of the Organization to the provisions of the contract.

Note 11 – Accounting for Uncertain Tax Positions

The Organization adopted the provisions of FASB Accounting Standards Codification (ASC) 740-10, *Accounting for Uncertainty in Income Taxes*, on October 1, 2009, which had no significant financial statement impact to the Organization. The Organization recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Organization's income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations. The Organization would recognize interest and penalties related to income tax matters in operating expenses. Management has concluded that there were no uncertain tax positions as of June 30, 2015. Tax year filings for 2012, 2013 and 2014 are open to examination by federal and state tax authorities.