

**CHILD ADVOCACY SERVICES CENTER, INC.**

FINANCIAL STATEMENTS  
with  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2017

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# CUDNEY, ECORD, McENROE & MULLANE L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
Child Advocacy Services Center, Inc.  
Kansas City, Missouri

We have audited the accompanying financial statements of Child Advocacy Services Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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.

### **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. 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 Child Advocacy Services Center, Inc. as of December 31, 2017, 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.

*Cudney, Ecord, McEnroe & Mullane LLC*

April 24, 2018

**CHILD ADVOCACY SERVICES CENTER, INC.**

STATEMENT OF FINANCIAL POSITION

December 31, 2017

**ASSETS**

Cash	\$ 135,216
Accounts receivable:	
Governmental agencies (Note 5)	87,039
Accrued investment income and other	1,026
Prepaid expenses	20,487
Unconditional promises to give (Note 6)	321,328
Cash restricted for building and program expansion	1,124,109
Long-term investments (Notes 1 and 2)	1,512,858
Property and equipment, less accumulated depreciation	<u>748,598</u>
 Total assets	 <u><u>\$ 3,950,661</u></u>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Accounts payable and accrued expenses	\$ 77,453
Advances	17,242
Accrued vacation pay	<u>45,519</u>
 Total liabilities	 <u>140,214</u>
 Net assets:	
Unrestricted:	
Operating	452,297
Board-designated endowment	1,166,459
Property and equipment	<u>748,598</u>
 Total unrestricted	 2,367,354
 Temporarily restricted	 <u>1,443,093</u>
 Total net assets	 <u>3,810,447</u>
 Total liabilities and net assets	 <u><u>\$ 3,950,661</u></u>

See the accompanying notes.

**CHILD ADVOCACY SERVICES CENTER, INC.**

STATEMENT OF ACTIVITIES

For the year ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Support:			
Contributions (Note 1)	\$ 347,344	\$ -	\$ 347,344
Special events (Note 1):			
Revenues	966,841	535,783	1,502,624
Less direct donor benefits	(528,303)	-	(528,303)
United Way	39,152	75,308	114,460
Restricted grants and contributions	-	147,165	147,165
Total support	<u>825,034</u>	<u>758,256</u>	<u>1,583,290</u>
Revenue:			
Fees and grants from governmental and other agencies (Note 5)	1,380,182	-	1,380,182
Client fees and other	5,276	-	5,276
Investment return (Note 2)	163,923	-	163,923
Total revenues	<u>1,549,381</u>	<u>-</u>	<u>1,549,381</u>
Net assets released from restrictions:			
Satisfaction of usage restrictions	517,553	(517,553)	-
Satisfaction of time restrictions	74,002	(74,002)	-
Total net assets released from restrictions	<u>591,555</u>	<u>(591,555)</u>	<u>-</u>
Total support and revenue	<u>2,965,970</u>	<u>166,701</u>	<u>3,132,671</u>
Expenses:			
Program services:			
Day Treatment Services	1,745,255	-	1,745,255
Parenting Support Services	118,682	-	118,682
Clinical Services	611,862	-	611,862
Total program services	<u>2,475,799</u>	<u>-</u>	<u>2,475,799</u>
Supporting services:			
Management and General	303,416	-	303,416
Resource Development	154,686	-	154,686
Total supporting services	<u>458,102</u>	<u>-</u>	<u>458,102</u>
Total expenses	<u>2,933,901</u>	<u>-</u>	<u>2,933,901</u>
Change in net assets	32,069	166,701	198,770
Net assets, beginning of year	<u>2,335,285</u>	<u>1,276,392</u>	<u>3,611,677</u>
Net assets, end of year	<u>\$ 2,367,354</u>	<u>\$ 1,443,093</u>	<u>\$ 3,810,447</u>

See the accompanying notes.

**CHILD ADVOCACY SERVICES CENTER, INC.**

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2017

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total
	Day Treatment Services	Parenting Support Services	Clinical Services		Management and General	Resource Development		
Salaries	\$ 894,510	\$ 91,485	\$ 419,173	\$ 1,405,168	\$ 122,483	\$ 93,972	\$ 216,455	\$ 1,621,623
Employee benefits	74,848	7,715	35,113	117,676	12,439	12,688	25,127	142,803
Payroll taxes	69,284	7,093	32,396	108,773	9,440	7,264	16,704	125,477
<b>Total personnel</b>	<b>1,038,642</b>	<b>106,293</b>	<b>486,682</b>	<b>1,631,617</b>	<b>144,362</b>	<b>113,924</b>	<b>258,286</b>	<b>1,889,903</b>
Occupancy	82,950	1,762	10,340	95,052	8,193	5,688	13,881	108,933
Professional and contract fees	92,095	1,157	55,106	148,358	101,461	5,648	107,109	255,467
Equipment rental and repair	7,376	179	1,391	8,946	2,956	816	3,772	12,718
Food	42,930	-	-	42,930	-	-	-	42,930
Insurance	32,094	2,909	13,525	48,528	8,461	4,956	13,417	61,945
Printing	228	133	171	532	280	4,533	4,813	5,345
Postage	19	-	8	27	3,024	85	3,109	3,136
Staff development and recruiting	27,871	-	13,585	41,456	12,776	3,106	15,882	57,338
Technology and training	26,846	2,643	12,171	41,660	5,063	5,698	10,761	52,421
Supplies	34,711	321	6,863	41,895	4,725	2,454	7,179	49,074
Transportation	255,356	-	-	255,356	-	-	-	255,356
Travel	1,163	1,903	1,600	4,666	1,026	1,292	2,318	6,984
Public relations	-	-	-	-	2	721	723	723
Personnel expenses	1,986	-	-	1,986	1,007	874	1,881	3,867
Uncollectible accounts	-	-	-	-	2,000	-	2,000	2,000
Depreciation	100,988	1,382	10,420	112,790	8,080	4,891	12,971	125,761
<b>Total functional expenses</b>	<b>\$ 1,745,255</b>	<b>\$ 118,682</b>	<b>\$ 611,862</b>	<b>\$ 2,475,799</b>	<b>\$ 303,416</b>	<b>\$ 154,686</b>	<b>\$ 458,102</b>	<b>2,933,901</b>
Special events - direct donor benefits								528,303
<b>Total expenses</b>								<b>\$ 3,462,204</b>

See the accompanying notes.

**CHILD ADVOCACY SERVICES CENTER, INC.**

STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

Cash flows from operating activities:	
Change in net assets	\$ 198,770
Adjustments to reconcile the change in net assets to net cash used by operating activities:	
Depreciation	125,761
Contributions restricted for long-term purposes	(535,783)
Reinvested dividends and bond premium amortization	2,852
Net realized and unrealized gain on investments	(118,477)
(Increase) decrease in operating assets:	
Unconditional promises to give	111,067
Accounts receivable	6,011
Prepaid expenses	(4,764)
Increase (decrease) in operating liabilities:	
Accounts payable and advances	(17,032)
Accrued vacation pay	3,815
Net cash used by operating activities	<u>(227,780)</u>
Cash flows from investing activities:	
Acquisition of property and equipment	(35,917)
Acquisition of cash restricted for building and service expansion	(653,418)
Purchase of investment securities	(181,645)
Proceeds from redemption of investment securities	141,432
Net cash used by investing activities	<u>(729,548)</u>
Cash flows from financing activities:	
Proceeds from contributions restricted for building and service expansion	<u>679,861</u>
Decrease in cash and cash equivalents	(277,467)
Cash and cash equivalents, beginning of year	<u>412,683</u>
Cash and cash equivalents, end of year	<u>\$ 135,216</u>
Noncash investing activities:	
Unrealized gain on investments	<u>\$ 114,093</u>

See the accompanying notes.

# CHILD ADVOCACY SERVICES CENTER, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

### 1. **Organization and Summary of Significant Accounting Policies**

#### Organization and nature of activities

Child Advocacy Services Center, Inc. (the Organization) is a Missouri not-for-profit corporation. The Organization provides a continuum of services to eliminate child abuse and neglect through prevention and treatment programs for young children and families and is supported primarily through fees from government and other agencies, donor contributions and the United Way. The Organization's current programs are as follows:

Day Treatment Services - provides comprehensive, multi-disciplinary therapeutic services to children ages birth through 6 years in order to remediate severe development delays or behavior/emotional problems typically resulting from abuse, neglect, or prenatal substance abuse.

Parenting Support Services - provides educational opportunities to help adults improve their parenting skills by offering the knowledge and support they need to create a healthy, safe and nurturing environment for children in their care.

Clinical Services - provides quality, comprehensive mental health treatment services to young children and their families in order to improve individual and/or family functioning.

#### Financial statement presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and related changes are classified and reported as follows:

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or 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. At present, there are no permanently restricted net assets.



## 1. **Organization and Summary of Significant Accounting Policies (continued)**

### Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. At December 31, 2017, the Organization has received \$82,800 of conditional promises to give for an event to be held in 2018. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using an appropriate discount rate applicable to the years in which the promises are to be received.

### 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.

### Investments

Investments in marketable securities and mutual funds with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position, with unrealized gains and losses included in the change in net assets. In conformity with accounting principles generally accepted in the United States of America, fair values are determined based on various levels of inputs. The Organization's inputs are all Level 1 valuation inputs which consist of actual quoted prices for identical investments based on an active market.

### Property and equipment

Purchased property and equipment is recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value and are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. 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 by reclassifying temporarily restricted net assets to unrestricted net assets. Depreciation is calculated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building and improvements	10-30
Transportation equipment	5
Other equipment	2-20

### Compensated absences

Annual vacation time earned is based on the length of employment and ranges from 15 to 20 days. Depending on their length of service, employees can accumulate 80 to 120 hours of vacation which may be carried over into the following year. The liability for earned but unused vacation pay at December 31, 2017 is recorded in the financial statements. Sick leave does not accumulate and no accrual is required.

## 1. **Organization and Summary of Significant Accounting Policies (continued)**

### Income taxes and accounting for tax positions

The Organization is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3).

Generally accepted accounting principles prescribe the standards for the recognition, measurement and disclosure of tax positions. For not-for-profit organizations, tax positions include an entity's status as tax exempt, and whether it is subject to tax on unrelated business income. Management does not believe there are any uncertain tax positions that would affect its exempt status or result in any tax on unrelated business income. Accordingly, no tax liability or any related interest and penalties have been reflected in the financial statements.

### Functional expenses

The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural expenditure classification. Other expenditures common to several functions are allocated based on time spent in the function and, in the case of depreciation expense, on square footage used in the program or supporting service.

Costs shared among program and supporting services that are allocated include payroll and related costs, occupancy, insurance, and depreciation.

### Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, except for those included in long-term investments which are designated for endowment use, or donor restricted for long-term purposes. At December 31, 2017, \$1,124,109 of cash restricted for long-term purposes was excluded from cash and cash equivalents in the statement of cash flows.

### Donated services

Generally accepted accounting principles provide for the recording of contributions of donated services at their fair values in the period received if they create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Although a substantial number of volunteers have donated a significant amount of their time to the Organization's programs, no amount has been recorded.

### Concentrations

The Organization receives a significant amount of its revenues from the State of Missouri and other governmental agencies under contracts to provide treatment services to children. Given the nature of these agencies, collateralization of the receivables from this group is not possible.

Cash deposits and investments are maintained with a major financial institution and are invested primarily in mutual funds and governmental agency securities.

## 1. Organization and Summary of Significant Accounting Policies (continued)

### Special events

Direct donor benefits are displayed as reductions of related revenue on the accompanying statement of activities. Direct donor benefits consist primarily of facilities rental, catering and entertainment provided to attendees.

### Allowance for uncollectible receivables

Accounts, promises to give and grants receivable are based on the amounts management expects to collect, and are charged off as they are deemed uncollectible based on a periodic review of the accounts.

### Advances

Advances primarily represent amounts received for special events to be held in 2018.

## 2. Investments

Investments at December 31, 2017 consist of the following:

	<u>Cost</u>	<u>Fair value</u>
Equity mutual funds	\$ 663,286	\$ 826,725
Fixed income mutual funds	423,565	419,695
U.S. government securities	50,743	51,131
Corporate bonds	78,613	78,185
Money market funds	<u>137,122</u>	<u>137,122</u>
	<u>\$ 1,353,329</u>	<u>\$ 1,512,858</u>

The investment return for 2018 is summarized as follows:

Interest and dividends	\$ 52,100
Net realized gains	4,384
Unrealized gains	114,093
Investment fees	<u>(6,654)</u>
	<u>\$ 163,923</u>

## 3. Retirement Plan

The Organization maintains a defined contribution retirement plan which covers substantially all employees. Contributions are made at the discretion of the Board of Directors. Retirement plan expense was \$9,602 in 2017 and consists of employer matching contributions.

#### 4. Property and Equipment

Property and equipment at December 31, 2017 consists of the following:

Land	\$	313,379
Building and improvements		1,822,764
Transportation equipment		102,787
Other equipment		<u>478,384</u>
		2,717,314
Less accumulated depreciation		<u>(1,968,716)</u>
	\$	<u>748,598</u>

Depreciation expense in 2017 totaled \$125,761.

#### 5. Fees and Grants From Governmental and Other Agencies

The Organization has entered into various grants and reimbursement arrangements for child treatment, food and other related services it provides under its programs. Accounts receivable from governmental and other agencies represent reimbursements due under these programs. The amounts earned in 2017 and due at December 31, 2017 are as follows:

<u>Program</u>	<u>Earned</u>	<u>Receivable</u>
Child Treatment Services	\$ 388,781	\$ 25,115
Medicaid	723,957	56,491
Child Care Food Program	57,260	3,466
Jackson County Mental Health grant	199,103	-
Other	<u>11,081</u>	<u>1,967</u>
	<u>\$ 1,380,182</u>	<u>\$ 87,039</u>

#### 6. Promises to Give

Unconditional promises to give at December 31, 2017 are as follows:

Due in 2018	<u>\$321,328</u>
Consisting of:	
United Way allocation for 2018	\$ 74,435
Restricted for clinical services	132,893
Building and service expansion	65,000
Day treatment program	25,000
Unrestricted	<u>24,000</u>
	<u>\$321,328</u>

No allowance for uncollectible promises to give was deemed necessary for 2017.

## 7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

Building and service expansion	\$1,189,109
Program activities for 2018	179,508
Equipment and building improvements	41
United Way allocation for 2018	<u>74,435</u>
Total temporarily restricted net assets	<u>\$1,443,093</u>

Net assets released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors were as follows:

Program uses from restricted contributions and grants	\$ 456,696
Building and service expansion	26,443
Equipment and building improvements	34,414
Time restriction on United Way allocation for 2017	<u>74,002</u>
	<u>\$ 591,555</u>

## 8. Enhanced Disclosure for Endowment Funds

The Organization maintains a board-designated endowment fund for the purpose of generating an investment return to support its programs and operations, and to maintain a reserve of approximately six months of the operating budget. The investment objectives are to provide a stable stream of income and to preserve the purchasing power of the assets. To accomplish these objectives, the Organization has established a range and maximum allocation for equity securities and mutual funds, fixed income investments, and cash equivalents.

The amount appropriated for spending is based on the amount budgeted and is subject to various guidelines, primarily a limitation of 100% of the investment return. These guidelines also provide for the utilization of up to 10% of the principal of the fund, subject to approval by two-thirds of the Board of Directors.

The changes in the net assets of the fund for the year ended December 31, 2017 are as follows:

Net assets, beginning of year	\$ 1,003,956
Investment income, net of fees	44,026
Realized gains	4,384
Unrealized gains	<u>114,093</u>
Net assets, end of year	<u>\$ 1,166,459</u>

## 9. Subsequent Events

Management has evaluated subsequent events through April 24, 2018, the date that the financial statements were authorized to be issued.