

DAVID G. FAW
CERTIFIED PUBLIC
ACCOUNTANT

SUPPORT CENTER FOR CHILD ADVOCATES

FINANCIAL STATEMENTS

June 30, 2016

SUPPORT CENTER FOR CHILD ADVOCATES
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(with comparative totals for the year ended June 30, 2015)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Support Center for Child Advocates
Philadelphia, Pennsylvania

Report on the Financial Statements

I have audited the accompanying financial statements of Support Center for Child Advocates (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows and functional expenses 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Support Center for Child Advocates as of June 30, 2016, 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.

Report on Summarized Comparative Information

I have previously audited Support Center for Child Advocates 2015 financial statements, and my report dated November 11, 2015, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountant
Wayne, Pennsylvania

November 9, 2016

SUPPORT CENTER FOR CHILD ADVOCATES
STATEMENT OF FINANCIAL POSITION
June 30, 2016
(with comparative totals as of June 30, 2015)

	2016	2015
<u>Assets</u>		
Cash and equivalents	\$ 1,028,779	\$ 1,129,116
Grant contracts receivable	360,220	287,046
Prepaid expenses	133,794	74,792
Unconditional promises to give	289,608	300,932
Investments (Note 8)	4,706,225	4,631,000
Security deposits	24,818	1,902
Property and equipment, net (Note 9)	51,068	33,571
Total assets	\$ 6,594,512	\$ 6,458,359
<u>Liabilities</u>		
Accounts payable	\$ 59,633	\$ 48,519
Accrued expenses	111,663	30,019
Total liabilities	171,296	78,538
<u>Net assets</u>		
Unrestricted - Operations	910,923	892,183
Unrestricted - Short-term fund (Note 10)	2,008,950	1,999,388
Unrestricted - Long-term fund (Note 10)	2,675,597	2,697,933
Total unrestricted net assets	5,595,470	5,589,504
Temporarily restricted (Note 5)	827,746	790,317
Total net assets	6,423,216	6,379,821
Total liabilities and net assets	\$ 6,594,512	\$ 6,458,359

The accompanying notes are an integral part of these financial statements.

SUPPORT CENTER FOR CHILD ADVOCATES
STATEMENT OF ACTIVITIES
For the year ended June 30, 2016
(with comparative totals for the year ended June 30, 2015)

	Unrestricted	Temporarily Restricted	Total 2016	Total 2015
<u>Support and revenue</u>				
Foundations and corporations	\$ 350,727	\$ 406,590	\$ 757,317	\$ 997,849
Contributed services	5,295,451	-	5,295,451	5,361,058
Contributed facilities	120,000	-	120,000	70,000
Events	842,900	-	842,900	735,623
Less: cost of direct donor benefits	(174,567)	-	(174,567)	(160,559)
Annual fund	289,167	-	289,167	309,262
Government	1,283,652	-	1,283,652	1,075,525
Interest and investment gain	3,577	721	4,298	17,678
Other	16,040	-	16,040	9,300
Net assets released from restrictions:				
Satisfaction of program or time restrictions	369,882	(369,882)	-	-
 Total support and revenue	 8,396,829	 37,429	 8,434,258	 8,415,736
<u>Expenses</u>				
Program	7,424,805	-	7,424,805	7,242,771
Management and general	488,702	-	488,702	455,958
Fundraising	477,356	-	477,356	484,754
 Total expenses	 8,390,863	 -	 8,390,863	 8,183,483
 Change in net assets before gain on sale of property	 5,966	 37,429	 43,395	 232,253
 Gain on sale of property (Note 10)	 -	 -	 -	 3,622,201
 Change in net assets after gain on sale of property	 5,966	 37,429	 43,395	 3,854,454
 Net assets at beginning of year	 5,589,504	 790,317	 6,379,821	 2,525,367
 Net assets at end of year	 <u>\$ 5,595,470</u>	 <u>\$ 827,746</u>	 <u>\$ 6,423,216</u>	 <u>\$ 6,379,821</u>

The accompanying notes are an integral part of these financial statements.

SUPPORT CENTER FOR CHILD ADVOCATES
STATEMENT OF CASH FLOWS
For the year ended June 30, 2016
(with comparative totals for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 43,395	\$ 3,854,454
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	18,869	43,056
Loss on investments	38,067	16,568
Gain on sale of property	-	(3,622,201)
<u>Changes in assets and liabilities:</u>		
Grant contracts receivable	(73,175)	(40,028)
Unconditional Promises to give	11,324	(188,048)
Prepaid expenses	(59,002)	(14,541)
Security deposits	(22,917)	-
Accounts payable	11,114	5,424
Accrued expenses	81,646	3,350
Net cash provided by operating activities	<u>49,321</u>	<u>58,034</u>
<u>Cash flows from investing activities</u>		
Purchase of equipment	(36,366)	(11,281)
Purchase of marketable securities	(113,292)	(4,639,684)
Proceeds from sale of building	-	5,092,291
Net cash (used in) provided by investing activities	<u>(149,658)</u>	<u>441,326</u>
<u>Cash flows from financing activities</u>		
Principal payments on mortgage	-	(416,818)
Net cash used in financing activities	<u>-</u>	<u>(416,818)</u>
Net (decrease) increase in cash	(100,337)	82,542
Cash and equivalents at beginning of year	<u>1,129,116</u>	<u>1,046,574</u>
Cash and equivalents at end of year	<u>\$ 1,028,779</u>	<u>\$ 1,129,116</u>
<u>Supplemental Disclosures of cash flow information:</u>		
Interest paid	<u>\$ -</u>	<u>\$ 8,645</u>

The accompanying notes are an integral part of these financial statements.

SUPPORT CENTER FOR CHILD ADVOCATES
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2016
(with comparative totals for the year ended June 30, 2015)

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total 2016</u>	<u>Total 2015</u>
Personnel	\$ 1,432,416	\$ 299,405	\$ 236,587	\$ 1,968,408	\$ 1,819,012
Payroll taxes	120,567	25,201	19,913	165,681	158,032
Health insurance and other benefits	185,254	38,722	30,598	254,574	232,363
Retirement plan	55,549	11,611	9,175	76,335	71,852
Total personnel and related expenses	1,793,786	374,939	296,273	2,464,998	2,281,259
Auditing	-	11,000	-	11,000	11,000
Bad debt expense	-	-	-	-	6,345
Contributed services	5,217,836	-	77,615	5,295,451	5,361,058
Contributed facilities	87,324	18,253	14,423	120,000	70,000
Depreciation	13,731	2,870	2,268	18,869	43,056
Equipment rental and maintenance	21,102	4,411	3,485	28,998	31,557
Insurance	18,138	3,791	2,996	24,925	21,624
Interest expense	-	-	-	-	8,645
Investment fee	-	17,451	-	17,451	9,453
Miscellaneous	5,036	-	-	5,036	7,248
Occupancy	42,215	8,824	6,972	58,011	76,498
Office expense	95,222	19,903	15,728	130,853	99,932
Postage	5,762	1,204	8,423	15,389	15,424
Printing	38,111	7,966	34,879	80,956	43,223
Staff development	18,376	3,841	3,036	25,253	17,496
Staff travel	42,090	8,798	6,952	57,840	47,280
Subscriptions and dues	4,510	943	744	6,197	7,714
Telephone	18,331	3,832	3,028	25,191	20,522
Trash removal	3,235	676	534	4,445	4,149
Total expenses	<u>\$ 7,424,805</u>	<u>\$ 488,702</u>	<u>\$ 477,356</u>	<u>\$ 8,390,863</u>	<u>\$ 8,183,483</u>

The accompanying notes are an integral part of these financial statements.

SUPPORT CENTER FOR CHILD ADVOCATES
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 - General

The Support Center For Child Advocates (“Child Advocates”), founded in 1977, is a nonprofit agency providing legal and social work services to abused and neglected children in Philadelphia. Child Advocates teams staff social workers and attorneys with volunteers from the Philadelphia legal community in a multi-disciplinary model for child advocacy. Child Advocates also engages in community education to increase public awareness of the problem of child abuse. Its mission is to advocate for victims of child abuse and neglect in Philadelphia with the goal of securing a permanent, nurturing environment for every child. Child Advocates is funded by a variety of grants and contributions, both private and public.

Note 2 - Summary of Significant Accounting Policies

Promises to Give

Contributions are recognized when the donor makes a promise to give to Child Advocates that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions, including portions of grants intended as multi-year funding for special projects, are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction or the time period of all or a portion of the multi-year grant expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Child Advocates has no permanently restricted net assets.

Grant Contracts Receivable / Unconditional Promises to Give

All grants and contributions, including unconditional promises, are reported as revenue in the net asset class (unrestricted, temporarily restricted or permanently restricted) appropriate to any donor restrictions on the gift at the time of receipt. Child Advocates uses the allowance method to determine uncollectible grants and contributions receivable. The allowance is based on prior years’ experience and management’s analysis of specific amounts due. (See Note 4)

Contributed Services

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial 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 their fair values in the period received. (See Note 7)

Investments

Child Advocates presents its investments in accordance with FASB ASC 958-320, “Accounting for Certain Investments Held by Not-For-Profit Organizations”. Under FASB ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. The fair values of these investments are subject to change based on the fluctuations of market values. Unrealized gains and losses are included in the change in net assets.

SUPPORT CENTER FOR CHILD ADVOCATES
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Property and Equipment

All acquisitions of property and equipment over \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Functional Allocation of Expenses

The costs of providing Child Advocates' various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are charged directly to program, management and general, and fundraising categories based on specific identification. Indirect expenses have been allocated based on salary expenditures.

Statement of Cash Flows

Child Advocates utilizes the indirect method for reporting the increase or decrease in cash and equivalents. Cash equivalents, when applicable, include short term, highly liquid investments with original maturities of three months or less.

Income Taxes

Child Advocates is a not-for-profit corporation and has been recognized as exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and accordingly does not record a provision for income taxes on its related earnings. Management regularly reviews and evaluates its tax positions taken in previously filed information returns and as reflected in its financial statements, with regard to issues affecting its tax exempt status, unrelated business income, and related matters. It believes that in the event of an examination by taxing authorities, its positions would prevail based upon the technical merits of such positions. Therefore, management has concluded that no tax benefits or liabilities are required to be recognized.

Child Advocates' Forms 990, Return of Organization Exempt from Income Tax, for the years ending June 30, 2016, 2015 and 2014 are subject to examination by the IRS, generally for three years after they were filed.

Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Note 3 - Concentration of Credit Risk

Child Advocates maintains temporary cash investments with Morgan Stanley Smith Barney which are not insured by the Federal Deposit Insurance Corporation. Uninsured risk at June 30, 2016 was \$25,354. Child Advocates maintains cash accounts, which, at times, may exceed federally insured limits. As of June 30, 2016, cash balances in excess of insured limits were \$291,670. Management believes that it is not exposed to any significant credit risk on its cash accounts.

SUPPORT CENTER FOR CHILD ADVOCATES
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 4 - Unconditional Promises to Give

Unconditional promises to give as of June 30, 2016 are as follows:

Receivable in less than one year	\$ 159,000
Receivable in one to five years	<u>144,000</u>
Total unconditional promises to give	303,000
Less: discount to net present value at 5%	<u>(13,392)</u>
Net unconditional promises to give	<u>\$ 289,608</u>

All unconditional promises to give are expected to be fully realizable.

Note 5 - Temporarily Restricted Net Assets (TRNA)

Funds classified as temporarily restricted net assets consist of the following as of June 30, 2016:

	TRNA Balance 6/30/2015	Current Grants and Contributions	Released From Restrictions	TRNA Balance 6/30/2016
Capital Fund	\$ 373,317	\$ 721	\$ (20,000)	\$ 354,038
Pew Charitable Trusts (Behavioral Health)	75,000	250,000	(75,000)	250,000
Cummins Foundation (Software Purchase)	-	37,590	(6,882)	30,708
Lincoln Financial (Per SCCA Proposal 2017 Project)	-	10,000	-	10,000
Janssen Biotech (Time Restricted)	-	5,000	-	5,000
Nelson Foundation (Project YES)	7,000	-	(7,000)	-
Huron Foundation (Project YES)	5,000	-	(5,000)	-
Honickman Foundation (Project YES)	2,000	6,000	(4,000)	4,000
November Fund (Time Restricted)	5,000	-	(5,000)	-
Connelly Foundation (Project YES)	20,000	-	(20,000)	-
Horace Goldsmith (Time Restricted)	100,000	-	(100,000)	-
Independence Foundation (Time Restricted)	30,000	-	(15,000)	15,000
United Way (Time Restricted)	122,000	61,000	(61,000)	122,000
Equal Measure (IT Infrastructure)	24,000	-	(24,000)	-
Breaking The Cycle (Victims Assistance)	17,000	17,000	(17,000)	17,000
1675 Foundation (Behavioral Health)	10,000	-	(10,000)	-
The Fridolin Foundation	-	20,000	-	20,000
	<u>\$ 790,317</u>	<u>\$ 407,311</u>	<u>\$ (369,882)</u>	<u>\$ 827,746</u>

The above amounts are restricted by the donor for use in future periods or programs.

Note 6 - Pension

Child Advocates has established a SIMPLE 401K retirement plan for the benefit of its employees who meet certain age and service requirements. Pension expense was \$76,335 in 2016.

SUPPORT CENTER FOR CHILD ADVOCATES
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 7 - Donated Services and Facilities

Child Advocates has recognized the following contributed services, facilities and other in-kind items as of June 30, 2016:

<u>Contributor</u>	<u>Nature of Contribution</u>	<u>Fair Value</u>
Attorneys and Paralegals	Legal services	\$ 5,137,524
Various	Advertising	39,425
Various	Toys, gifts, certificates	80,312
Various	Supplies for fund-raiser	34,550
Reliable Copy Service	Printing	3,640
Liberty Property	Office space	<u>120,000</u>
		<u>\$ 5,415,451</u>

The amount of contributed services recognized as income equals the amount expensed. Therefore, there is no resultant effect on the change in net assets.

Note 8 - Fair Value Measurements

The table below presents the balances of assets measured at fair value on a recurring basis as of June 30, 2016.

	<u>Fair Value Measurements at June 30, 2016 Using</u>			
	Assets Measured at Fair Value <u>June 30, 2016</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Equities	\$ 34,204	\$ 34,204	\$ -	\$ -
Fixed Income:				
US Treasury Bonds and Notes	361,942	361,942	-	-
US Corporate Bonds	1,162,331	-	1,162,331	-
Foreign Bond Fund	74,903	-	74,903	-
Short Term Bond Fund	300,218	-	300,218	-
High Yield Bond Fund	136,955	-	136,955	-
Municipal Bonds	648,750	-	648,750	-
Equity Mutual Funds				
Domestic	1,334,698	1,334,698	-	-
Foreign	356,679	356,679	-	-
Other	<u>295,545</u>	<u>295,545</u>	<u>-</u>	<u>-</u>
Total assets measured at fair value	<u>\$ 4,706,225</u>	<u>\$ 2,383,068</u>	<u>\$ 2,323,157</u>	<u>\$ -</u>

SUPPORT CENTER FOR CHILD ADVOCATES
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 9 - Property and Equipment

Property and equipment as of June 30, 2016 is as follows:

Equipment	\$ 322,212
Less Accumulated Depreciation	<u>(271,144)</u>
Total property and equipment	<u>\$ 51,068</u>

Depreciation expense was \$18,869 for the year ended June 30, 2016.

The estimated useful lives were as follows:

Computers	5 years
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Note 10 - Sale of 1900 Cherry Street and Short-term and Long-term Investments

Child Advocates sold its office facility on December 3, 2014 for a net book gain of \$3,622,201 and has invested the resultant net cash proceeds at sale of \$4,683,344 into two investment portfolios to build and protect capital for future obligations. A revised Investment Policy was adopted on January 14, 2015. The Short-term Fund has a June 30, 2016 balance of \$2,008,950 and is 100% invested in fixed income securities and cash equivalents. The Long-term Fund has a June 30, 2016 balance of \$2,675,597 and is invested 65% in equities, 25% in fixed income and 10% in other. Both funds are fully unrestricted, but have been designated by the Board of Directors and reported as a sub-classification of unrestricted net assets.

On December 8, 2014 Child Advocates formed a sole member, limited liability company, Child Advocates, LLC to use as a vehicle to own the underlying securities contained in these funds. This entity is fully consolidated into the accompanying financial statements as of June 30, 2016 consistent with U.S. Generally Accepted Accounting Principles.

Note 11 - Lease Commitments

Effective July 15, 2016, Child Advocates entered into a lease for its new facility located at 1617 John F. Kennedy Boulevard, Philadelphia, Pennsylvania. This operating lease expires on September 15, 2023. Future minimum rentals over the next five years are as follows:

June 30, 2017	\$ 149,996
2018	254,166
2019	278,260
2020	281,520
2021	284,780
Thereafter	<u>627,889</u>
	<u>\$ 1,876,611</u>

Note 12 - Compensated Absences

The liability for vacation days earned but not taken has been charged to operations. Accrued vacation totaled \$19,651 as of June 30, 2016 and is included in accrued expenses.

SUPPORT CENTER FOR CHILD ADVOCATES
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 13 - Prior Year Information

Certain financial statements contained herein include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Note 14 - Evaluation of Subsequent Events

Child Advocates has evaluated subsequent events through November 9, 2016, the date which the financial statements were available to be issued.