

THE CHILDREN'S ADVOCACY CENTER OF DELAWARE, INC.

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

June 30, 2009 and 2008

**WHEELER • WOLFENDEN • DWARES**  
Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
The Children's Advocacy Center of Delaware, Inc.  
Dover, Delaware

We have audited the accompanying statements of financial position of The Children's Advocacy Center of Delaware, Inc. as of June 30, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the management of The Children's Advocacy Center of Delaware, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Children's Advocacy Center of Delaware, Inc. as of June 30, 2009 and 2008, and the change in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Wheeler, Wolfenden & Dwares, PA*

October 21, 2009  
Wilmington, Delaware

THE CHILDREN'S ADVOCACY CENTER OF DELAWARE, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2009 and 2008

ASSETS

	<u>2009</u>	<u>2008</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 327,011	\$ 339,355
Accounts receivable	63,961	40,094
Prepaid expenses	<u>12,151</u>	<u>23,428</u>
Total current assets	403,123	402,877
<b>NON-CURRENT ASSETS</b>		
Leasehold improvements and equipment – net	85,635	119,988
Security deposits	<u>4,049</u>	<u>4,049</u>
Total non-current assets	<u>89,684</u>	<u>124,037</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 492,807</u></b>	<b><u>\$ 526,914</u></b>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 13,557	\$ 47,654
Loans payable – current portion	3,771	7,825
Compensated absences payable	53,194	48,085
Total current liabilities	<u>70,522</u>	<u>103,564</u>
<b>NON-CURRENT LIABILITIES</b>		
Loans payable – long-term portion	<u>9,427</u>	<u>27,750</u>
Total liabilities	79,949	131,314
<b>NET ASSETS</b>		
Unrestricted	370,166	392,262
Temporarily restricted	<u>42,692</u>	<u>3,338</u>
Total net assets	<u>412,858</u>	<u>395,600</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 492,807</u></b>	<b><u>\$ 526,914</u></b>

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

THE CHILDREN'S ADVOCACY CENTER OF DELAWARE, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2009 and 2008

	2009		
	Unrestricted	Temporarily Restricted	Total
<b>PUBLIC SUPPORT AND REVENUE</b>			
Public support			
Grants	\$ 1,296,763	\$ 39,433	\$ 1,336,196
Contributions and donations	255,977	-	255,977
Total public support	<u>1,552,740</u>	<u>39,433</u>	<u>1,592,173</u>
Revenue			
Interest	9,659	-	9,659
Other income	690	-	690
Loss on disposal of asset	(3,358)	-	(3,358)
Total revenue	<u>6,991</u>	<u>-</u>	<u>6,991</u>
Net assets released from restricted – funds expended for restricted purposes	<u>79</u>	<u>(79)</u>	<u>-</u>
Total public support and revenue	1,559,810	39,354	1,599,164
<b>EXPENSES</b>			
Program services	1,266,848	-	1,266,848
Management and general	315,058	-	315,058
Total expenses	<u>1,581,906</u>	<u>-</u>	<u>1,581,906</u>
Change in net assets	(22,096)	39,354	17,258
Net assets – beginning of year	<u>392,262</u>	<u>3,338</u>	<u>395,600</u>
Net assets – end of year	<u>\$ 370,166</u>	<u>\$ 42,692</u>	<u>\$ 412,858</u>

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

2008		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 1,454,649	\$ -	\$ 1,454,649
242,657	-	242,657
<u>1,697,306</u>	<u>-</u>	<u>1,697,306</u>
23,114	-	23,114
1,421	-	1,421
-	-	-
<u>24,535</u>	<u>-</u>	<u>24,535</u>
<u>36,772</u>	<u>(36,772)</u>	<u>-</u>
1,758,613	(36,772)	1,721,841
1,393,188	-	1,393,188
347,111	-	347,111
<u>1,740,299</u>	<u>-</u>	<u>1,740,299</u>
18,314	(36,772)	(18,458)
<u>373,948</u>	<u>40,110</u>	<u>414,058</u>
<u>\$ 392,262</u>	<u>\$ 3,338</u>	<u>\$ 395,600</u>

THE CHILDREN'S ADVOCACY CENTER OF DELAWARE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2009 and 2008

	2009		
	Program Services	Management and General	Total
Salaries	\$ 516,877	\$ 172,292	\$ 689,169
Benefits	135,074	45,025	180,099
Payroll taxes	39,316	13,105	52,421
Total salaries and related expenses	691,267	230,422	921,689
Contract services	298,908	9,245	308,153
Occupancy	130,539	43,512	174,051
Vehicle	6,278	2,441	8,719
Supplies	1,278	925	2,203
Training and education	60,916	9,103	70,019
Telephone	9,014	3,005	12,019
Printing and copying	375	390	765
Equipment rental and repairs	24,197	4,269	28,466
Advertising	1,852	-	1,852
Dues	2,934	978	3,912
Insurance	9,395	1,044	10,439
Bank service charges	1,091	121	1,212
Miscellaneous	74	25	98
Depreciation	28,732	9,577	38,309
Total expenses	\$ <u>1,266,848</u>	\$ <u>315,058</u>	\$ <u>1,581,906</u>

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

2008		
<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
\$ 510,254	\$ 170,084	\$ 680,338
187,795	62,598	250,393
38,481	12,826	51,307
<u>736,530</u>	<u>245,508</u>	<u>982,038</u>
283,778	8,777	292,555
124,906	41,635	166,541
17,349	6,747	24,096
1,713	1,240	2,953
133,645	19,970	153,615
9,058	3,020	12,078
1,322	1,375	2,697
34,613	6,107	40,720
4,531	-	4,531
1,670	557	2,227
8,096	899	8,995
3,228	359	3,587
101	34	135
<u>32,648</u>	<u>10,883</u>	<u>43,531</u>
<u>\$ 1,393,188</u>	<u>\$ 347,111</u>	<u>\$ 1,740,299</u>

THE CHILDREN'S ADVOCACY CENTER OF DELAWARE, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received – grants and contributions	\$ 1,568,306	\$ 1,664,712
Cash received – other income	690	1,421
Cash paid to suppliers	(1,561,308)	(1,662,851)
Interest income	<u>9,659</u>	<u>23,114</u>
Net cash provided by operating activities	17,347	26,396
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of asset	12,000	-
Purchase of property and equipment	<u>(19,314)</u>	<u>(25,387)</u>
Net cash utilized by investing activities	(7,314)	(25,387)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of loans payable	<u>(22,377)</u>	<u>-</u>
Net cash utilized by financing activities	<u>(22,377)</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(12,344)	1,009
Cash and cash equivalents – beginning of year	<u>339,355</u>	<u>338,346</u>
Cash and cash equivalents – end of year	<u>\$ 327,011</u>	<u>\$ 339,355</u>
<b>NON-CASH INVESTING AND FINANCING</b>		
Property and equipment acquired	\$ -	\$ (35,575)
Debt incurred	<u>-</u>	<u>35,575</u>
	<u>\$ -</u>	<u>\$ -</u>

Continued . . .

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

THE CHILDREN'S ADVOCACY CENTER OF DELAWARE, INC.

STATEMENTS OF CASH FLOWS – CONTINUED

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 17,258	\$ (18,458)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	38,309	43,531
Loss on sale of asset	3,358	-
Decrease (increase) decrease in assets		
Accounts receivable	(23,867)	(32,594)
Prepaid expenses	11,277	(17,389)
Increase (decrease) in liabilities		
Accounts payable	(34,097)	35,774
Compensated absences payable	5,109	15,532
Total adjustments	<u>89</u>	<u>44,854</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 17,347</u>	<u>\$ 26,396</u>

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

THE CHILDREN'S ADVOCACY CENTER OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

The Children's Advocacy Center of Delaware, Inc. (the Organization) is a 501(c)(3) non-profit organization founded in 1996. The mission of the Organization is to reduce the devastating long-term effects that child abuse has on children, their families and society through coordinated, child focused services, education and advocacy.

2. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

3. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Financial Statement Presentation

The financial statement presentation follows the recommendations of accounting principles generally accepted in the United States of America for Financial Statements of Not-for-Profit Organizations. In accordance with these standards, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. In addition, the Organization is required to present a statement of cash flows.

5. Revenue Recognition

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income that is limited to specific uses by donor restrictions is reported as an increase in unrestricted net assets if the restriction is met in the same reporting period as the income is recognized.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Income Tax

The Organization qualifies as a tax exempt organization under Section 501(c)(3) of the *Internal Revenue Code*. The Organization is subject to tax on unrelated business income.

7. Functional Expenses

The costs of providing the various programs have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

9. Advertising

The Organization expenses advertising when incurred. Advertising expense totaled \$1,852 and \$4,531 for the years ended June 30, 2009 and 2008, respectively.

10. Retirement Plan

The Organization sponsors a retirement plan for all employees and matches contributions up to 3% of wages of full-time participating employees. Employer contributions were \$18,381 and \$16,444 for the years ended June 30, 2009 and 2008, respectively.

11. Subsequent Events

The Organization has evaluated subsequent events through October 21, 2009, which is the date the financial statements were available to be issued.

NOTE B – LEASEHOLD IMPROVEMENTS, EQUIPMENT AND DEPRECIATION

Leasehold improvements and equipment are stated at cost if purchased. Donated facilities and equipment are recorded at their fair market values at the date of receipt. When such assets are sold or otherwise disposed of, the cost and accumulated depreciation are removed from their respective accounts, and any gain or loss on such disposition is recognized in the statement of activities. Expenditures for maintenance, repairs, minor renewals and betterments which do not improve or extend the useful life of the respective asset are expensed. All other expenditures for renewals and betterments are capitalized.

Assets are capitalized when they exceed \$750 and have more than two years of estimated useful lives.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The following is a schedule of the estimated useful lives:

Automobiles	5 years
Leasehold improvements	10 years
Furniture and fixtures	7 years
Office equipment	3 - 5 years

Leasehold improvements, equipment and accumulated depreciation consisted of the following at June 30:

	<u>2009</u>	<u>2008</u>
Automobiles	\$ 18,916	\$ 39,858
Leasehold improvements	108,767	97,077
Furniture and fixtures	28,032	28,032
Office equipment	<u>251,264</u>	<u>243,641</u>
Total property and equipment	406,979	408,608
Less: accumulated depreciation	<u>(321,344)</u>	<u>(288,620)</u>
Net book value	<u>\$ 85,635</u>	<u>\$ 119,988</u>

Total depreciation expense for the years ended June 30, 2009 and 2008 amounted to \$38,309 and \$43,531, respectively.

NOTE C – COMPENSATED ABSENCES

The Organization allows employees to accumulate unused vacation that can be utilized at a later time or paid out upon retirement or leaving employment. The balance in this account as of June 30, 2009 and 2008 was \$53,194 and \$48,085, respectively.

#### NOTE D – DONATED SERVICES

The Organization recognizes donated services that create or enhance the value of a non financial asset or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. As of June 30, 2009 and 2008, the Organization received physician and nurse services valued at \$140,820 and \$140,240, respectively. This has been reflected in the statement of activities as a donation and in the statement of functional expenses as part of "contract services".

#### NOTE E – DONATED FACILITIES

The Organization utilizes office space in Wilmington, Delaware. This contribution has been recorded in the financial statements at the estimated fair value of \$84,350 and \$75,317 for the years ended June 30, 2009 and 2008, respectively. This has been reflected in the statement of activities as a donation and in the statement of functional expenses as part of "occupancy".

#### NOTE F – FINANCIAL INSTITUTIONS

The Organization maintains its cash balances in one financial institution located in Wilmington, Delaware. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per depositor. At times, account balances may exceed federally insured limits. The uninsured amount at June 30, 2008 amounted to \$240,846. The federal government temporarily increased the FDIC deposit insurance limit from \$100,000 to \$250,000 per depositor for interest-bearing and sweep accounts through December 31, 2013, at which time it will revert to \$100,000. The uninsured amount as of June 30, 2009 totaled \$93,769.

#### NOTE G – NET ASSETS

Temporarily restricted net assets consist of the amount restricted for the Child First program. As of June 30, 2009 and 2008, the amount restricted for the Child First program was \$42,692 and \$3,338, respectively.

#### NOTE H – CONCENTRATIONS

During 2009 and 2008, the Organization received 61% and 62% of its total revenue and public support, respectively, from the State of Delaware General Assembly, passed through the Department of Services for Children, Youth and their Families. During 2009 and 2008, the Organization received 13% and 14% of its total revenue and public support, respectively, from the State of Delaware, Criminal Justice Council.

## NOTE I – OPERATING LEASES

The Organization leases vehicles, office equipment and office space under non-cancelable operating leases expiring at various dates through December 2014. The future minimum lease payments are as follows at June 30, 2009:

2010	\$ 66,360
2011	65,097
2012	65,163
2013	63,948
2014	62,787
Thereafter	<u>21,134</u>
Total	<u>\$ 344,489</u>

Total payments made under the various operating leases totaled \$77,131 and \$75,438 for the years ended June 30, 2009 and 2008, respectively. These amounts are included in occupancy and equipment rental and repairs on the statement of functional expenses.

## NOTE J – LOANS PAYABLE

Loans payable consisted of the following at June 30:

	<u>2009</u>	<u>2008</u>
Loan payable to GMAC – maturing in December 2012, interest rate at 0%, monthly principal payment is \$314, collateralized by a vehicle.	\$ 13,198	\$ 16,654
Loan payable to GMAC – maturing in December 2012, interest rate at 0%, monthly principal payment is \$338, collateralized by a vehicle. Vehicle was sold in 2009.	<u>-</u>	<u>18,921</u>
	13,198	35,575
Less: current portion	<u>(3,771)</u>	<u>(7,825)</u>
Long-term loans payable	<u>\$ 9,427</u>	<u>\$ 27,750</u>

Future maturities on loans payable are as follows:

2010	\$ 3,771
2011	3,771
2012	3,771
2013	<u>1,885</u>
	<u>\$ 13,198</u>