

THE CHILDREN'S ADVOCACY CENTER  
OF DELAWARE, INC.

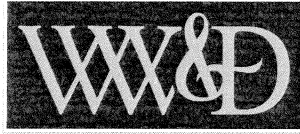
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

June 30, 2011 and 2010

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

## C O N T E N T S

	Page
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	4
STATEMENTS OF ACTIVITIES	5
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	9



WHEELER • WOLFENDEN • DWARES

Certified Public Accountants

## 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, 2011 and 2010, 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, 2011 and 2010, 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.

October 25, 2011  
Wilmington, Delaware

THE CHILDREN'S ADVOCACY CENTER OF DELAWARE, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2011 and 2010

ASSETS

	<u>2011</u>	<u>2010</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 420,239	\$ 403,130
Accounts receivable	110,173	90,989
Prepaid expenses	<u>2,504</u>	<u>6,456</u>
Total current assets	532,916	500,575
<b>NON-CURRENT ASSETS</b>		
Leasehold improvements and equipment – net	204,517	134,125
Investments	11,022	9,224
Security deposits	<u>4,049</u>	<u>4,049</u>
Total non-current assets	<u>219,588</u>	<u>147,398</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 752,504</u></b>	<b><u>\$ 647,973</u></b>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 12,928	\$ 27,013
Loan payable – current portion	-	3,770
Compensated absences payable	<u>77,744</u>	<u>66,793</u>
Total current liabilities	90,672	97,576
<b>NON-CURRENT LIABILITIES</b>		
Loan payable – long-term portion	<u>-</u>	<u>5,657</u>
Total liabilities	90,672	103,233
<b>NET ASSETS</b>		
Unrestricted	612,631	467,480
Temporarily restricted	<u>49,201</u>	<u>77,260</u>
Total net assets	<u>661,832</u>	<u>544,740</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 752,504</u></b>	<b><u>\$ 647,973</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, 2011 and 2010

	2011		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE</b>			
Public support			
Grants	\$ 1,391,934	\$ 4,415	\$ 1,396,349
Contributions and donations	333,420	-	333,420
Total public support	<u>1,725,354</u>	<u>4,415</u>	<u>1,729,769</u>
Revenue			
Interest	5,825	-	5,825
Other income	481	-	481
Realized gain (loss) on investments	1,811	-	1,811
Gain on disposal of asset	2,141	-	2,141
Total revenue	<u>10,258</u>	<u>-</u>	<u>10,258</u>
Net assets released from restricted – funds expended for restricted purposes	<u>32,474</u>	<u>(32,474)</u>	<u>-</u>
Total public support and revenue	1,768,086	(28,059)	1,740,027
<b>EXPENSES</b>			
Program services	1,287,109	-	1,287,109
Management and general	335,826	-	335,826
Total expenses	<u>1,622,935</u>	<u>-</u>	<u>1,622,935</u>
Change in net assets	145,151	(28,059)	117,092
Net assets – beginning of year	<u>467,480</u>	<u>77,260</u>	<u>544,740</u>
Net assets – end of year	<u>\$ 612,631</u>	<u>\$ 49,201</u>	<u>\$ 661,832</u>

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

2010		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 1,271,901	\$ 41,101	\$ 1,313,002
268,210	-	268,210
<u>1,540,111</u>	<u>41,101</u>	<u>1,581,212</u>
6,281	-	6,281
250	-	250
(751)	-	(751)
-	-	-
<u>5,780</u>	<u>-</u>	<u>5,780</u>
6,533	(6,533)	-
1,552,424	34,568	1,586,992
1,159,126	-	1,159,126
295,984	-	295,984
<u>1,455,110</u>	<u>-</u>	<u>1,455,110</u>
97,314	34,568	131,882
370,166	42,692	412,858
<u>467,480</u>	<u>77,260</u>	<u>544,740</u>

THE CHILDREN'S ADVOCACY CENTER OF DELAWARE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2011 and 2010

	2011		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 592,265	\$ 197,422	\$ 789,687
Benefits	107,749	35,916	143,665
Payroll taxes	43,459	14,486	57,945
Total salaries and related expenses	743,473	247,824	991,297
Contract services	307,907	9,523	317,430
Occupancy	141,776	47,258	189,034
Vehicle	1,045	407	1,452
Supplies	11,052	8,004	19,056
Training and education	4,797	717	5,514
Telephone	1,842	614	2,456
Printing and copying	2,040	2,122	4,162
Equipment rental and repairs	7,082	1,249	8,331
Advertising	838	-	838
Dues	8,488	2,831	11,319
Insurance	9,200	1,022	10,222
Bank service charges	1,211	135	1,346
Legal	4,003	1,335	5,338
Miscellaneous	181	60	241
Travel	17,650	4,551	22,201
Depreciation	24,524	8,174	32,698
Total expenses	<u>\$ 1,287,109</u>	<u>\$ 335,826</u>	<u>\$ 1,622,935</u>

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

2010		
<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
\$ 510,217	\$ 170,071	\$ 680,288
92,781	30,926	123,707
36,614	12,204	48,818
<u>639,612</u>	<u>213,201</u>	<u>852,813</u>
298,820	9,242	308,062
139,417	46,472	185,889
668	260	928
9,858	7,139	16,997
5,866	877	6,743
1,556	519	2,075
1,889	1,964	3,853
8,007	1,413	9,420
469	-	469
10,192	3,399	13,591
8,213	912	9,125
508	57	565
-	-	-
382	128	510
10,889	2,808	13,697
22,780	7,593	30,373
<u>\$ 1,159,126</u>	<u>\$ 295,984</u>	<u>\$ 1,455,110</u>

THE CHILDREN'S ADVOCACY CENTER OF DELAWARE, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received – grants and contributions	\$ 1,710,585	\$ 1,554,184
Cash received – other income	481	250
Cash paid to suppliers and employees	(1,589,419)	(1,391,987)
Interest income	<u>5,825</u>	<u>6,281</u>
Net cash provided by operating activities	127,472	168,728
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	-	(10,000)
Proceeds from sale of investments	13	25
Proceeds from disposal of asset	7,500	-
Purchase of property and equipment	<u>(108,449)</u>	<u>(78,863)</u>
Net cash utilized by investing activities	(100,936)	(88,838)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of loan payable	<u>(9,427)</u>	<u>(3,771)</u>
Net cash utilized by financing activities	<u>(9,427)</u>	<u>(3,771)</u>
Net increase in cash and cash equivalents	17,109	76,119
Cash and cash equivalents – beginning of year	<u>403,130</u>	<u>327,011</u>
Cash and cash equivalents – end of year	<u><u>\$ 420,239</u></u>	<u><u>\$ 403,130</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 117,092	\$ 131,882
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	32,698	30,373
Gain on sale of asset	(2,141)	-
Realized (gain) loss on investments	(1,811)	751
(Increase) decrease in assets		
Accounts receivable	(19,184)	(27,028)
Prepaid expenses	3,952	5,695
(Decrease) increase in liabilities		
Accounts payable	(14,085)	13,456
Compensated absences payable	10,951	13,599
Total adjustments	<u>10,380</u>	<u>36,846</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 127,472</u>	<u>\$ 168,728</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, 2011 and 2010

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) not-for-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.

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

6. Investments

Investments in equity and debt securities are recorded at fair market value in the statement of financial position. Any unrealized gains and losses on investments are included in investment income and reported in the statement of activities as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations, in which case unrealized gains or losses will affect temporarily restricted net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized. Investments are held in an endowment fund administered by the Delaware Community Foundation.

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 \$838 and \$469 for the years ended June 30, 2011 and 2010, respectively.

10. Retirement Plan

The Organization sponsors a retirement plan for all employees and matches contributions. From July 1, 2009 until December 31, 2009, the Organization matched up to 3% of wages of full-time participating employees. As of January 1, 2010, the Organization reduced the match to up to 2% of wages of full-time participating employees. Effective July 31, 2010, the match was increased to match up to 3% of wages. Organization contributions were \$17,341 and \$13,737 for the years ended June 30, 2011 and 2010, respectively.

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

11. Income Tax

The Organization is a not-for-profit entity that is exempt from income tax under Section 501(c)(3) of the *Internal Revenue Code* and, therefore, has made no provision for federal, state or local income tax in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the *Internal Revenue Code*.

Effective July 1, 2009, the Organization adopted ASC 740-10, *Income Taxes*, as it relates to uncertain tax positions. Management has reviewed its current and past federal income tax positions and has determined, based on clear and unambiguous tax law and regulations, that the tax positions taken are certain and that there is no likelihood that a material tax assessment would be made if a respective government agency examined tax returns subject to audit. Accordingly, no provision for the effects of uncertain tax positions has been recorded.

Currently, the 2007, 2008 and 2009 tax years are open and subject to examination by the Internal Revenue Service. However, the Organization is not currently under audit nor has the Organization been contacted by this jurisdiction. Interest and penalties related to income taxes are included in income tax expense when incurred.

12. Subsequent Events

The Organization has evaluated subsequent events through October 25, 2011, 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 \$1,000 and have more than two years of estimated useful lives.

NOTE B – LEASEHOLD IMPROVEMENTS, EQUIPMENT AND DEPRECIATION  
(CONTINUED)

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>2011</u>	<u>2010</u>
Automobiles	\$ -	\$ 18,916
Leasehold improvements	108,767	108,767
Furniture and fixtures	28,032	28,032
Office equipment	<u>438,577</u>	<u>330,127</u>
Total property and equipment	575,376	485,842
Less: accumulated depreciation	<u>(370,859)</u>	<u>(351,717)</u>
Leasehold improvements and equipment – net book value	<u>\$ 204,517</u>	<u>\$ 134,125</u>

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, 2011 and 2010 was \$77,744 and \$66,793, respectively.

NOTE D – INVESTMENTS

Investments consisted of the following as of June 30:

	<u>2011</u>	<u>2010</u>
Pooled funds		
Market value	<u>\$ 11,022</u>	<u>\$ 9,224</u>
Cost	<u>\$ 10,000</u>	<u>\$ 10,000</u>

#### NOTE E – DONATED SERVICES

The Organization recognizes donated services that create or enhance the value of non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. For each of the years ended June 30, 2011 and 2010, the Organization received physician and nurse services valued at \$140,820. 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 F – DONATED FACILITIES

The Organization utilizes office space free of charge in Wilmington and Bear, Delaware. This contribution has been recorded in the financial statements at the estimated fair value of \$87,350 and \$86,350 for the years ended June 30, 2011 and 2010, 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 G – FINANCIAL INSTITUTIONS

The Organization maintains its cash balances in one financial institution located in Wilmington, Delaware. These interest-bearing balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. Non-interest bearing accounts are fully insured by the FDIC through December 31, 2012. At times, interest-bearing account balances may exceed federally insured limits. The uninsured amount as of June 30, 2011 and 2010 totaled \$131,760 and \$102,505, respectively.

#### NOTE H – NET ASSETS

	<u>2011</u>	<u>2010</u>
Temporarily restricted net assets		
Child First Program	\$ 46,999	\$ 48,098
Technology	<u>2,202</u>	<u>29,162</u>
	<u>\$ 49,201</u>	<u>\$ 77,260</u>

#### NOTE I – CONCENTRATIONS

During 2011 and 2010, the Organization received 52% of its total revenue and public support from the State of Delaware General Assembly, passed through the Department of Services for Children, Youth and their Families. During 2011 and 2010, the Organization received 17% and 18% of its total revenue and public support, respectively, from the State of Delaware, Criminal Justice Council.

NOTE J – OPERATING LEASES

The Organization leases 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, 2011:

2012	\$ 83,274
2013	66,981
2014	62,787
2015	21,134
2016	-
Thereafter	-
Total	<u>\$ 234,176</u>

Total payments made under the various operating leases totaled \$82,695 and \$66,360 for the years ended June 30, 2011 and 2010, respectively. These amounts are included in occupancy and equipment rental and repairs on the statement of functional expenses.

NOTE K – LOAN PAYABLE - LONG-TERM

Loan payable – long-term consisted of the following at June 30:

	<u>2011</u>	<u>2010</u>
Loan payable to GMAC – paid in full in June 2011, interest rate at 0%, monthly principal payment is \$314, collateralized by a vehicle.	\$ -	\$ 9,427
Less: current portion	<u>-</u>	<u>(3,770)</u>
Long-term loan payable	<u>\$ -</u>	<u>\$ 5,657</u>

NOTE L – FAIR VALUE OF ASSETS

The Organization adopted ASC 820-10, *Fair Value Measurements and Disclosures*, which provides the framework for measuring fair value under accounting principles generally accepted in the United States of America. The Organization’s investments on the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

## NOTE L – FAIR VALUE OF ASSETS (CONTINUED)

Hierarchical levels – defined by ASC-820 and directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities – are as follows:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 – Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 – Inputs that are unobservable, including those that are not derived from market data or which cannot be corroborated by market data. The determination of fair value for investments included in the Level 3 category requires considerable subjectivity and estimation.

The investment's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. At June 30, 2011 and 2010, all investments of the Organization were categorized in Level 2, as all price inputs were based on quoted prices that were observable indirectly. The fair values for investments are determined by reference to relevant information generated by third party providers. The fair value for investments at June 30, 2011 and 2010 was \$11,022 and \$9,224, respectively.