ORANGE COUNTY CHILD ABUSE PREVENTION CENTER, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

WITH INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Orange County Child Abuse Prevention Center, Inc.
Anaheim, California

Report on Financial Statements

We have audited the accompanying financial statements of the Orange County Child Abuse Prevention Center, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 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.

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 and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. 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 auditors' 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 auditors consider internal control relevant to the Organization'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 Organization'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.

2875 Michelle Drive, Suite 300, Irvine, CA 92606 • Tel: 714.978.1300 • Fax: 714.978.7893

Offices located in Orange and San Diego Counties

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Orange County Child Abuse Prevention Center, Inc. as of June 30, 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.

Report on Summarized Comparative Information

We have previously audited the Orange County Child Abuse Prevention Center, Inc.'s 2016 financial statements, and our report dated September 26, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2017, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

White Nelson Diehl Evans LLP

Irvine, California
October 19, 2017

ORANGE COUNTY CHILD ABUSE PREVENTION CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
(With Summarized Comparative Totals as of June 30, 2016)

ASSETS

	2017	2016
Current Assets:		
Cash and cash equivalents	$ 783,361	$ 1,000,274
Investments	-	600,000
Receivables from government agencies	1,137,452	692,842
Prepaid expenses	128,549	111,902
Total Current Assets	2,049,362	2,405,018
Equipment and Furniture, Net of accumulated depreciation of $118,555 and $115,643 at June 30, 2017 and 2016, respectively	154,798	188,447
Other Assets:		
Deposits	33,405	32,958
Total Other Assets	33,405	32,958
Total Assets	$ 2,237,565	$ 2,626,423

LIABILITIES AND NET ASSETS

	2017	2016
Current Liabilities:		
Accounts payable	$ 64,944	$ 35,978
Accrued liabilities	568,904	678,389
Deferred revenue	70,075	22,500
Total Current Liabilities	703,923	736,867
Net Assets:		
Unrestricted	1,248,063	1,576,934
Temporarily restricted	281,628	308,671
Permanently restricted	3,951	3,951
Total Net Assets	1,533,642	1,889,556
Total Liabilities and Net Assets	$ 2,237,565	$ 2,626,423

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

ORANGE COUNTY CHILD ABUSE PREVENTION CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017
(With Summarized Comparative Totals for the Year Ended June 30, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Grand Totals 2017	Grand Totals 2016
Support and Revenue:					
Contributions	$ 37,419	$ -	$ -	$ 37,419	$ 103,401
Special Events:					
Revenues	511,060	-	-	511,060	759,319
Direct expenses	(197,891)	-	-	(197,891)	(212,910)
Total Net Special Events	313,169	-	-	313,169	546,409
Other Support:					
Grants	6,418,081	-	-	6,418,081	6,272,302
Donated goods	460,922	-	-	460,922	385,588
In-kind services	190,135	-	-	190,135	186,219
Targeted case management	115,322	22,131	-	137,453	121,301
Interest income	3,380	-	-	3,380	2,050
Total Other Support	7,187,840	22,131	-	7,209,971	6,967,460
Total Support and Revenue	7,538,428	22,131	-	7,560,559	7,617,270
Net Assets Released from Restrictions	49,174	(49,174)	-	-	-
	7,587,602	(27,043)	-	7,560,559	7,617,270
Expenses:					
Program Services:					
In-home	2,521,521	-	-	2,521,521	2,462,031
Mental health	2,245,735	-	-	2,245,735	2,116,806
Child Abuse Service Team ("CAST")	329,035	-	-	329,035	317,782
Outreach and education	1,385,470	-	-	1,385,470	1,303,277
Goods	895,900	-	-	895,900	843,344
Total Program Services	7,377,661	-	-	7,377,661	7,043,240
Support Services:					
Fundraising	332,705	-	-	332,705	363,927
General and administrative	206,107	-	-	206,107	362,577
Total Support Services	538,812	-	-	538,812	726,504
Total Expenses	7,916,473	-	-	7,916,473	7,769,744
Decrease in Net Assets	(328,871)	(27,043)	-	(355,914)	(152,474)
Net Assets, Beginning of Year	1,576,934	308,671	3,951	1,889,556	2,042,030
Net Assets, End of Year	$ 1,248,063	$ 281,628	$ 3,951	$ 1,533,642	$ 1,889,556

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

ORANGE COUNTY CHILD ABUSE PREVENTION CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017
(With Summarized Comparative Totals for the Year Ended June 30, 2016)

	Program Services						Support Services			Grand Totals	
	In-Home	Mental Health	CAST	Outreach and Education	Goods	Total Program Services	Fundraising	General and Administrative	Total Support Services	2017	2016
Salaries, benefits and payroll taxes	$ 1,913,284	$ 1,862,052	$ 130,511	$ 1,101,554	$ 293,565	$ 5,300,966	$ 293,908	$ 84,056	$ 377,964	$ 5,678,930	$ 5,533,798
Donated goods	226,578	25,474	6,105	49,685	151,602	459,444	-	-	-	459,444	385,589
In-kind services	-	-	184,363	-	5,772	190,135	-	-	-	190,135	186,219
Audit	10,707	8,637	729	6,129	1,525	27,727	1,112	329	1,441	29,168	35,000
Dues and subscriptions	254	358	653	149	36	1,450	25	4,333	4,358	5,808	15,566
Insurance	8,992	7,264	612	5,160	1,281	23,309	927	-	927	24,236	25,583
Auto and mileage	95,379	66,295	220	22,398	909	185,201	1,355	362	1,717	186,918	166,649
Basic Needs leases / goods	-	-	-	-	406,930	406,930	-	-	-	406,930	386,500
Office supplies	24,310	17,413	1,514	12,908	5,557	61,702	1,540	6,892	8,432	70,134	78,319
Program expenses	12,650	13,873	1,087	17,748	762	46,120	421	30,260	30,681	76,801	172,502
Rent	148,113	99,136	965	55,317	13,359	316,890	9,514	2,939	12,453	329,343	327,548
Equipment, leases, and maintenance	30,327	71,413	306	44,224	6,239	152,509	3,034	408	3,442	155,951	155,171
Telephone	38,415	34,615	893	30,645	7,659	112,227	3,413	3,253	6,666	118,893	92,593
Travel and education	10,350	20,939	-	8,088	335	39,712	-	1,296	1,296	41,008	57,709
Depreciation	-	-	-	-	-	-	-	68,649	68,649	68,649	68,823
Loss on disposal of assets	-	-	-	-	-	-	-	779	779	779	9,319
Fundraising	-	-	40	-	-	40	9,858	46	9,904	9,944	9,861
Newsletter	1,023	17,388	1,013	30,743	19	50,186	3,346	-	3,346	53,532	36,983
Postage	1,083	878	24	722	345	3,052	405	254	659	3,711	4,814
Miscellaneous	56	-	-	-	5	61	3,847	2,251	6,098	6,159	21,198
Total Functional Expenses	$ 2,521,521	$ 2,245,735	$ 329,035	$ 1,385,470	$ 895,900	$ 7,377,661	$ 332,705	$ 206,107	$ 538,812	$ 7,916,473	$ 7,769,744

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

ORANGE COUNTY CHILD ABUSE PREVENTION CENTER, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017
(With Summarized Comparative Totals for the Year Ended June 30, 2016)

	2017	2016
Cash Flows from Operating Activities:		
Decrease in net assets	$ (355,914)	$ (152,474)
Adjustment to reconcile change in net assets to net cash used in operating activities:		
Depreciation	68,649	68,823
Loss on disposal of assets	779	9,319
Donated property and equipment received	(1,477)	-
Changes in:		
Receivables from government agencies	(444,610)	(42,927)
Prepaid expenses	(16,647)	(74,198)
Pledges receivable	-	78,729
Deposits	(447)	230
Accounts payable	28,966	(5,755)
Accrued liabilities	(109,485)	72,623
Deferred revenue	47,575	(47,100)
Net Cash and Cash Equivalents Used in Operating Activities	(782,611)	(92,730)
Cash Flows from Investing Activities:		
Purchase of equipment and furniture	(34,302)	(29,981)
Net change in investments	600,000	200,000
Net Cash and Cash Equivalents Provided by (Used in) Investing Activities	565,698	170,019
Net Decrease in Cash and Cash Equivalents	(216,913)	77,289
Cash and Cash Equivalents at Beginning of Year	1,000,274	922,985
Cash and Cash Equivalents at End of Year	$ 783,361	$ 1,000,274
Noncash Investing Activities:		
Disposal/write-off of fully depreciated equipment	$ 66,516	$ 20,328

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

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

Nature of Operations

Orange County Child Abuse Prevention Center, Inc. (the "Organization") is a California nonprofit public benefit corporation incorporated in 1983. The Organization is committed to preventing and breaking the generational cycle of child abuse, domestic violence, and teen pregnancy in Orange County, California. The Organization is primarily funded by grants from government agencies, contributions, and fundraising from special events.

The Organization is currently licensed to do business as the following:

- Child Abuse Prevention Center
- Exchange Club Child Prevention Center of Orange County
- The Prevention Center
- Welcome Baby

Basis of Presentation

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 for not-for-profit organizations. The accounts of the Organization are maintained in accordance with the principles of net asset accounting. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted: These generally result from revenue generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Temporarily Restricted: The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, 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: These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit the Organization to expend all of the income (or other economic benefits) derived from the donated assets.

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

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include petty cash funds, bank checking accounts used for operating purposes, and investments with maturities of three months or less from the original purchase dates.

Equipment and Furniture

Equipment and furniture are recorded at cost at date of purchase or estimated fair value at date of donation. Equipment and furniture are depreciated over their estimated useful lives (ranging from three to seven years) using the straight-line method. Depreciation expense related to equipment and furniture amounted to $68,649 for the year ended June 30, 2017.

Receivables from Government Agencies

Receivables from government agencies represent the only concentrated group of credit risk for the Organization. Management does not believe that there are any significant credit risks associated with these governmental agencies. Management continually monitors these receivables to address any credit risks that may arise.

Deferred Revenue

Deferred revenue consists principally of registration fees collected in advance from participants for special events. The fees would need to be returned if the scheduled special event is not held.

Donated Service and Goods

Contributions of services are recognized if the services received 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. The Organization's contracts with the County of Orange's (the "County") Social Service Agency require that volunteer services must be utilized and reported to the County. The County has a computed hourly rate of $10.50-$16.50 based on duties for these volunteers, and accordingly, the Organization records the value of these services as both a revenue and corresponding expense. Approximately 5,500 hours of other volunteer services that do not meet these criteria are not recognized in the financial statements. In total, the Organization had approximately 11,600 volunteer hours during the year ended June 30, 2017. Donated goods are recorded at their estimated fair market value at the time of distribution.

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

Gifts and Contributions

Gifts and contributions are recorded upon receipt in amounts equivalent to their estimated fair market value. Unrestricted gifts and revenue are classified as unrestricted. Unconditional promises to give cash and other assets are recognized in the period the promise is made. Conditional promises are recognized when they become unconditional. Restricted gifts, contributions, and other restricted resources are classified as either temporarily or permanently restricted. Although temporarily restricted contributions typically are reported as support that increases temporarily restricted net assets, per FASB ASC 958-605-45-4, they may be reported as unrestricted support if the restrictions are met in the same reporting period. This policy has been applied by the Organization for the year ended June 30, 2017 to be consistently applied in future reporting periods.

Income Taxes

The Organization is exempt from federal incomes taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from California income taxes. The Organization currently has no material unrelated business income. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Management does not believe that the Organization has any uncertain tax positions. The Organization evaluates its tax positions and would recognize a loss contingency associated with an uncertain tax position when it is probable that a liability has been incurred as of the statement of financial position date and the amount of the loss can be reasonably estimated. The amount recognized would be subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. The years open for tax authority examination are 2014-2016 for federal purposes and 2013-2016 for state purposes.

Prior-Year Summarized Information

The financial statements include certain 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 accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Certain reclassifications have been made to the 2016 financial statements in order to conform with the current-year presentation. These reclassifications had no effect on the reported results of operations.

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

Functional Allocation of Expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are not directly associated with providing specific services have been allocated based upon the relative time spent by employees of the Organization providing those services.

Use of Estimates

The process of preparing financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and gains, and expenses and losses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous standards. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize lease assets and lease liabilities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, and early application is permitted. The Organization is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958)*. ASU 2016-14 changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The ASU requires amended presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, and early application is permitted. The Organization is currently evaluating the impact of the provisions of ASU 2016-14 on the presentation of its financial statements.

Note 2: Risks and Uncertainties

The Organization maintains cash balances at multiple financial institutions. At June 30, 2017, accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At June 30, 2017, the Organization's cash balances on deposit at the institutions in excess of federally insured limits totaled approximately $191,000.

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of money market fund deposits at a brokerage firm. The accounts at the brokerage firm contain cash and securities. Balances are insured up to $500,000, with a limit of $250,000 for cash, by the Securities Investor Protection Corporation ("SIPC"). At June 30, 2017, the Organization did not have deposits in excess of SIPC insured limits.

The Organization obtains a substantial portion of its support from three sources. During the year ended June 30, 2017, support received from these sources aggregated approximately $6,200,000. At June 30, 2017, amounts due from these sources in receivables from government agencies were approximately $1,100,000.

From time to time, the Organization becomes a party to litigation resulting from the normal course of operations. Management does not believe that any pending or threatened litigation will have a material adverse effect on its financial statements.

Note 3: Commitments

The Organization leases its office space and a warehouse under the terms of noncancelable operating lease agreements expiring through August 2020. The leases contain rent holidays and stipulated rent increases approximating the consumer price index and require the Organization to pay certain facility expenses. Total rent amounts, after consideration of all rent holidays and escalators, are recognized as rent expense on a straight-line basis over the lease term. The difference between the rent paid and the straight-line expense in the amount of $142,983 as of June 30, 2017, is recorded in accrued liabilities in the accompanying statement of financial position. The Organization also leases certain equipment under the terms of noncancelable operating leases.

Future minimum lease payments under the terms of the agreements are as follows as of June 30, 2017:

2018	$ 388,854
2019	370,035
2020	370,470
2021	62,552
	$ 1,191,911

Rent expense under noncancelable operating leases was approximately $382,000 for the year ended June 30, 2017.

Note 4: Retirement Plan

The Organization contributes to a 403(b) plan in which the contribution is allocated to all full-time employees who are eligible to participate, subject to certain lengths of service and age requirements. Organization contributions to the plan are made at the discretion of the Board of Directors at the end of the fiscal year. Organization contributions vest over four years. During the year ended June 30, 2017, the Organization made no contributions to the plan.

Note 5: Special Events

Revenues and expenses related to special events associated with the Organization's fundraising activities for the year ended June 30, 2017, are as follows:

	Casino Night	Campaigns	Gala	Golf	Total
Revenues	$ 8,020	$ 182,440	$ 198,192	$ 122,408	$ 511,060
Direct expenses	(4,252)	(39,728)	(89,637)	(64,274)	(197,891)
	$ 3,768	$ 142,712	$ 108,555	$ 58,134	$ 313,169

Note 6: Net Assets and Restrictions

Net assets consisted of the following as of June 30, 2017:

Unrestricted Net Assets:	
Invested in equipment and furniture	$ 154,798
Available for programs	1,093,265
	1,248,063
Temporarily Restricted Net Assets:	
Contributions received with unfulfilled purpose restrictions:	
Child Abuse Service Team	242,946
Targeted Case Management	22,131
Other	16,551
	281,628
Permanently Restricted Net Assets:	
Holden Endowment	3,951
Total Net Assets	$ 1,533,642

Note 7: Targeted Case Management

In 2001, the Organization began a service called Targeted Case Management ("TCM"), which qualifies for future reimbursement of costs and is managed by both local and state governments. Since timing and receipt of funding under the TCM program is uncertain, the Organization recognizes these revenues when received, which can lead to fluctuations in total support and revenues between fiscal years.

Note 8: Basic Needs Program

In 2005, the Organization began a program called Basic Needs ("BN"), which is funded by the County. The BN program requires that basic household items, such as beds, refrigerators, car seats, etc., be purchased, housed, and delivered to at risk families. There is also a requirement that the Organization must collect, warehouse and distribute donated goods. Of the approximately $350,000 in purchased items and $152,000 in donated items during the year ended June 30, 2017, approximately $46,000 and $12,000, respectively, has not yet been distributed to program beneficiaries as of June 30, 2017. Based on the terms of the Organization's agreement with the County, items purchased for this program are the property of the County until they are delivered. Since the Organization does not have any ownership of these items and must distribute them to program beneficiaries, no inventory has been reflected in the accompanying statement of financial position.

Note 9: Subsequent Events

Events occurring after June 30, 2017, have been evaluated for possible adjustment to the financial statements or disclosure as of October 19, 2017, which is the date the financial statements were available to be issued.