

**CHILD ABUSE NETWORK, INC.**

Financial Statements

June 30, 2017 and 2016

(With Independent Auditor's Report Thereon)



# **CHILD ABUSE NETWORK, INC.**

June 30, 2017 and 2016

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Child Abuse Network, Inc.:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Child Abuse Network, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, cash flows and functional expenses for the years 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 audits. We conducted our audits 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 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 Abuse Network, Inc. at June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters – Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules of state awards and state revenues and expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by “Government Auditing Standards”**

In accordance with “Government Auditing Standards,” we have also issued our report dated November 22, 2017 on our consideration of Child Abuse Network, Inc.’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 the 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 Child Abuse Network, Inc.’s internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Creason & Associates, P.L.L.C." with a stylized flourish at the end.

Tulsa, Oklahoma  
November 22, 2017

# CHILD ABUSE NETWORK, INC.

## Statements of Financial Position

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current assets:		
Cash	\$ 2,210,172	\$ 1,036,218
Restricted cash (note 4)	508,237	1,776,017
Pledges and grants receivable (notes 2, 4 and 8)	472,404	943,619
Prepaid expenses	24,143	29,475
Total current assets	<u>3,214,956</u>	<u>3,785,329</u>
Assets held by others (notes 3 and 8)	61,622	58,462
Pledges receivable (notes 2, 4 and 8)	210,817	1,382,996
Property and equipment:		
Land	485,000	485,000
Building	1,062,757	1,061,239
Furniture and fixtures	218,416	201,952
Medical equipment	56,666	56,666
	<u>1,822,839</u>	<u>1,804,857</u>
Accumulated depreciation	<u>(432,870)</u>	<u>(387,601)</u>
Net property and equipment	<u>1,389,969</u>	<u>1,417,256</u>
Total assets	<u>\$ 4,877,364</u>	<u>\$ 6,644,043</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and other	\$ 76,696	\$ 90,140
Accrued liabilities (note 4)	1,050,000	-
Total current liabilities	<u>1,126,696</u>	<u>90,140</u>
Commitments and contingencies (notes 5 and 6)		
Net assets (note 4):		
Unrestricted	2,591,266	2,540,535
Temporarily restricted	1,159,402	4,013,368
Total net assets	<u>3,750,668</u>	<u>6,553,903</u>
Total liabilities and net assets	<u>\$ 4,877,364</u>	<u>\$ 6,644,043</u>

See accompanying notes to financial statements.

# CHILD ABUSE NETWORK, INC.

## Statements of Activities

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Changes in unrestricted net assets:</b>		
Support and revenue:		
Federal and state grants	\$ 151,919	\$ 141,830
Contributions and private grants	243,043	293,235
Investment income	3,160	699
Other income	265,482	341,235
Total support and revenue	663,604	776,999
Net assets released from restrictions (note 4)	3,625,510	841,509
Total support, revenue and reclassifications	4,289,114	1,618,508
Expenses:		
Program services:		
Child Abuse Team	958,754	965,585
Community Awareness	128,505	181,071
Capital Campaign	2,809,278	112,881
	3,896,537	1,259,537
Supporting services:		
Management and general	178,690	175,833
Fundraising	163,156	237,711
	341,846	413,544
Total expenses	4,238,383	1,673,081
Change in unrestricted net assets	50,731	(54,573)
<b>Changes in temporarily restricted net assets:</b>		
Contributions	261,856	1,139,359
State of Oklahoma CAMA distribution	509,688	508,693
Net assets released from restriction (note 4)	(3,625,510)	(841,509)
Change in temporarily restricted net assets	(2,853,966)	806,543
Change in net assets	(2,803,235)	751,970
Net assets, beginning of year	6,553,903	5,801,933
Net assets, end of year	\$ 3,750,668	\$ 6,553,903

*See accompanying notes to financial statements.*

# CHILD ABUSE NETWORK, INC.

## Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Increase (Decrease) in Cash</b>		
Cash flows from operating activities:		
Cash received from CAMA distributions, contributors and grants	\$ 1,260,755	\$ 2,020,313
Cash paid to suppliers and employees	(1,602,081)	(1,609,049)
Other income	257,155	338,400
Interest received	8,327	2,835
	<u>                    </u>	<u>                    </u>
Net cash provided (used) by operating activities	(75,844)	752,499
	<u>                    </u>	<u>                    </u>
Net cash flows used by investing activities – capital expenditures	(17,982)	(17,470)
	<u>                    </u>	<u>                    </u>
Net increase (decrease) in cash	(93,826)	735,029
Cash, beginning of year	2,812,235	2,077,206
	<u>                    </u>	<u>                    </u>
Cash, end of year	\$ 2,718,409	\$ 2,812,235
	<u>                    </u>	<u>                    </u>
<b>Reconciliation of Change in Net Assets to Net Cash Provided (Used) by Operating Activities</b>		
Change in net assets	\$ (2,803,235)	\$ 751,970
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	45,269	52,561
Bad debt expense	270	1,734
Investment earnings	(3,160)	(699)
Cancelled pledges	1,548,875	-
(Increase) decrease in pledges and grants receivable	94,249	(62,804)
Decrease in prepaid assets	5,332	1,471
Increase (decrease) in accounts payable and other	(13,444)	8,266
Increase in accrued liabilities	1,050,000	-
	<u>                    </u>	<u>                    </u>
Net cash provided (used) by operating activities	\$ (75,844)	\$ 752,499
	<u>                    </u>	<u>                    </u>

*See accompanying notes to financial statements.*

## CHILD ABUSE NETWORK, INC.

### Statement of Functional Expenses

For the Year Ended June 30, 2017

	Program Services				Supporting Services			2017 Total Expenses
	Child Abuse Team	Community Awareness	Capital Campaign	Total	Management & General	Fundraising	Total	
Personnel costs	\$ 617,451	\$ 94,685	\$ -	\$ 712,136	\$ 153,224	\$ 44,984	\$ 198,208	\$ 910,344
Professional services	167,034	21,356	-	188,390	6,934	20,615	27,549	215,939
Occupancy expenses	84,348	5,787	-	90,135	5,116	3,995	9,111	99,246
Office expenses	19,164	4,729	-	23,893	6,673	6,615	13,288	37,181
Insurance	1,812	145	-	1,957	1,596	93	1,689	3,646
Information technology	8,206	1,803	-	10,009	1,494	1,158	2,652	12,661
Conferences, conventions & meetings	12,006	-	149	12,155	990	-	990	13,145
Special fundraising event	-	-	-	-	-	82,356	82,356	82,356
Bad debt expense	-	-	-	-	-	270	270	270
Other expenses	2,470	-	-	2,470	535	2,481	3,016	5,486
Special projects	3,711	-	-	3,711	-	-	-	3,711
Capital expansion campaign	-	-	10,254	10,254	-	-	-	10,254
Return of contributions	-	-	1,250,000	1,250,000	-	-	-	1,250,000
Cancelled pledges	-	-	1,548,875	1,548,875	-	-	-	1,548,875
Total expenses before depreciation	916,202	128,505	2,809,278	3,853,985	176,562	162,567	339,129	4,193,114
Depreciation	42,552	-	-	42,552	2,128	589	2,717	45,269
Total expenses	\$ 958,754	\$ 128,505	\$ 2,809,278	\$ 3,896,537	\$ 178,690	\$ 163,156	\$ 341,846	\$ 4,238,383
	92%				8%			

*See accompanying notes to financial statements.*



## CHILD ABUSE NETWORK, INC.

### Statement of Functional Expenses

For the Year Ended June 30, 2016

	Program Services				Supporting Services			<b>2016 Total Expenses</b>
	<b>Child Abuse Team</b>	<b>Community Awareness</b>	<b>Capital Campaign</b>	<b>Total</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total</b>	
Personnel costs	\$ 601,595	\$ 163,750	\$ -	\$ 765,345	\$ 150,550	\$ 122,780	\$ 273,330	\$1,038,675
Professional services	170,933	2,515	-	173,448	6,456	7,356	13,812	187,260
Occupancy expenses	83,760	5,435	-	89,195	4,718	5,284	10,002	99,197
Office expenses	34,260	5,104	200	39,564	1,388	5,128	6,516	46,080
Insurance	1,821	129	-	1,950	1,970	118	2,088	4,038
Information technology	9,228	2,043	-	11,271	1,643	1,892	3,535	14,806
Conferences, conventions & meetings	8,846	95	-	8,941	1,808	-	1,808	10,749
Special fundraising event	-	-	-	-	-	91,051	91,051	91,051
Bad debt expense	-	-	1,804	1,804	(170)	100	(70)	1,734
Other expenses	1,703	2,000	-	3,703	5,000	3,319	8,319	12,022
Special projects	4,031	-	-	4,031	-	-	-	4,031
Capital expansion campaign	-	-	110,877	110,877	-	-	-	110,877
Return of contributions	-	-	-	-	-	-	-	-
Cancelled pledges	-	-	-	-	-	-	-	-
Total expenses before depreciation	916,177	181,071	112,881	1,210,129	173,363	237,028	410,391	1,620,520
Depreciation	49,408	-	-	49,408	2,470	683	3,153	52,561
Total expenses	<u>\$ 965,585</u>	<u>\$ 181,071</u>	<u>\$ 112,881</u>	<u>\$1,259,537</u>	<u>\$ 175,833</u>	<u>\$ 237,711</u>	<u>\$ 413,544</u>	<u>\$1,673,081</u>
	75%				25%			

*See accompanying notes to financial statements.*

# CHILD ABUSE NETWORK, INC.

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

## (1) Summary of Significant Accounting Policies

### (a) Organization

Child Abuse Network, Inc. (CAN) is a not-for-profit corporation incorporated June 1988 in the State of Oklahoma. CAN conducts its principal activities in the Tulsa metro area, to provide collaborative intervention services to child abuse victims, so that they are encouraged to embrace a future driven by hope.

### (b) 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. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CAN and changes therein 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 CAN 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 CAN. Generally, the donors of these assets permit CAN to use all or part of the income earned on any related investments for general or specific purposes. At June 30, 2017 and 2016, CAN did not have any permanently restricted net assets.

Donor restricted assets are reported as increases in unrestricted net assets if the restrictions expire in the same fiscal year recognized.

### (c) Cash and Cash Equivalents

CAN considers all cash on hand, cash in banks and liquid investments with original maturities of three months or less to be cash and cash equivalents. At June 30, 2017 and 2016, CAN did not have any cash equivalents.

# CHILD ABUSE NETWORK, INC.

Notes to Financial Statements, Continued

Years Ended June 30, 2017 and 2016

## (1) Summary of Significant Accounting Policies, Continued

### (d) Pledges Receivable

CAN recognizes pledges at their estimated fair value on the date pledges are received. The fair value is determined by calculating the present value of the estimated future cash flows using the discount rate at the date of the pledge. Allowances for uncollectible pledge amounts are recorded when management identifies amounts that may not be collected.

### (e) Property and Equipment

Property and equipment are recorded at cost if purchased or at fair market value if donated and are depreciated using the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 39 years. Generally, CAN capitalizes all asset purchases over \$1,000 with an estimated useful life greater than one year.

### (f) Income Taxes

CAN is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. CAN is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

At June 30, 2017, CAN had no accrued interest or penalties relating to any tax contingencies. CAN has no federal or state examinations in progress; however, the 2013 through current years are subject to such examinations.

CAN has adopted the provisions of ASC Topic 740, "Income Taxes," relating to unrecognized tax benefits. This standard requires an entity to recognize a liability for tax positions when there is a 50% or greater likelihood that the position will not be sustained upon examination. CAN is liable for taxes to the extent of any unrelated business income as defined by IRS regulations. Management believes that it has not engaged in any unrelated business income as defined by IRS regulations and that it is more likely than not that this position would be sustained upon examination. As such, there were no liabilities recorded for uncertain tax positions as of June 30, 2017 and 2016.

# CHILD ABUSE NETWORK, INC.

Notes to Financial Statements, Continued

Years Ended June 30, 2017 and 2016

## (1) Summary of Significant Accounting Policies, Continued

### (g) Use of Estimates

The process of preparing financial statements in conformity 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 expenses. 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.

### (h) Functional Expenses

Expenses are classified by a specific program or support service where practical. Expenses not identified with specific programs or support services are allocated based primarily upon management's estimates of staffing levels and time spent in the services and facility usage.

### (i) Fair Value Measurements

CAN uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the "Fair Value Measurements and Disclosures" topic of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 820, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for CAN's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at

# CHILD ABUSE NETWORK, INC.

Notes to Financial Statements, Continued

Years Ended June 30, 2017 and 2016

## (1) Summary of Significant Accounting Policies, Continued

### (i) Fair Value Measurements, Continued

which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value, a reasonable point within the range, is most representative of fair value under current market conditions.

In accordance with this guidance, CAN groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

**Level 1** – Valuation is based on quoted prices in active markets for identical assets or liabilities that CAN has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

**Level 2** – Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

**Level 3** – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial statements whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instruments categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

# CHILD ABUSE NETWORK, INC.

Notes to Financial Statements, Continued

Years Ended June 30, 2017 and 2016

## (1) Summary of Significant Accounting Policies, Continued

### (j) Evaluation of Subsequent Events

In preparing these financial statements, CAN has reviewed and evaluated all events that have occurred after June 30, 2017, through November 22, 2017, the date which the financial statements were available to be issued, for potential recognition or disclosure in the financial statements.

### (k) Reclassifications

Certain 2016 amounts may have been reclassified to conform to current classifications.

## (2) Pledges and Grants Receivable

Below is a summary of the expected periods of collection for outstanding pledges receivable as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Amounts due:		
Within 1 year	\$ 475,556	\$ 948,787
In 1 to 5 years	<u>220,000</u>	<u>1,441,288</u>
	695,556	2,390,075
Less discount to net present value at .98%	<u>(12,335)</u>	<u>(63,460)</u>
Pledges receivable	<u>\$ 683,221</u>	<u>\$ 2,326,615</u>

At both June 30, 2017 and 2016, no allowance for uncollectible amounts was considered necessary.

At June 30, 2017 and 2016, CAN had a conditional promise of \$1,500,000 representing a grant from a private foundation, commencing upon the completion of the \$20 million capital campaign funding.

# CHILD ABUSE NETWORK, INC.

Notes to Financial Statements, Continued

Years Ended June 30, 2017 and 2016

## (3) Assets Held by Others

Assets held by others represent funds held in an agency fund agreement with the Tulsa Community Foundation (the Foundation) for the benefit of CAN. The Board of Trustees of the Foundation has the power to modify any restriction or condition on distributions of these funds for any specific charitable purpose or to specific organizations if, in the sole judgment of the Board of Trustees, the restriction or condition becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs served by the Foundation.

It is the general policy of the Foundation that a substantial part of its agency funds shall remain as a permanent endowment of the Foundation. Consistent with that policy, the money or other property shall be held and administered, and distribution shall be made for the benefit of CAN, in accordance with such procedures for the administration and operation of agency funds of the Foundation and such endowment spending policies of the Foundation as may be in effect from time to time.

CAN's interest in the Foundation is recorded at its proportionate share of the fair value of the investments of the Foundation. The amount CAN will ultimately realize could differ materially from the recorded amount, as significant fluctuations in market values could occur from year to year.

At June 30, 2017 and 2016, the assets held and invested with the Foundation were \$61,622 and \$58,462, respectively, and have been adjusted for unrealized gains and losses. For the years ended June 30, 2017 and 2016, CAN recognized \$3,160 and \$699, respectively, in unrealized gains pertaining to these assets.

The Foundation maintains additional non-reciprocal amounts (\$31,765 and \$30,091 at June 30, 2017 and 2016, respectively) on behalf of CAN that are not recorded in CAN's financial statements, in accordance with the "Not-for-Profit Entities – Revenue Recognition" topic of FASB ASC 958-605. The receipt and recognition of these amounts in the financial statements is conditional on their distribution by the Foundation to CAN. During the past five years, CAN has not requested nor does it have any intent of requesting a distribution from these funds.

# CHILD ABUSE NETWORK, INC.

## Notes to Financial Statements, Continued

Years Ended June 30, 2017 and 2016

### (4) Net Assets

Temporarily restricted net assets consists of restricted cash and pledges receivable and are available for the following purposes as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Operations – time restricted	\$ 134,500	\$ 124,500
Capital campaign	769,333	3,565,352
CAMA funds:		
Personnel	115,971	123,200
Professional services	79,848	118,645
Occupancy and other	59,750	67,443
Designated projects	<u>-</u>	<u>14,228</u>
	<u>\$ 1,159,402</u>	<u>\$ 4,013,368</u>

At June 30, 2017 and 2016, temporarily restricted net assets consist of the following:

	<u>2017</u>	<u>2016</u>
Restricted cash	\$ 508,237	\$ 1,776,017
Pledges receivable	<u>651,165</u>	<u>2,237,351</u>
	<u>\$ 1,159,402</u>	<u>\$ 4,013,368</u>

For the years ended June 30, 2017 and 2016, temporarily restricted net assets were released from restriction through expenditure of funds for the purposes for which they were received. See the paragraph below for additional information for 2017 releases of temporarily restricted net assets.

Due to an evaluation of service delivery integration with all partner agencies and the appropriate facilities during fiscal year 2017, CAN suspended its capital campaign plans. With this suspension, CAN's management determined that the organization may have potential losses related to its temporarily restricted capital campaign funds. In June 2017,



# CHILD ABUSE NETWORK, INC.

Notes to Financial Statements, Continued

Years Ended June 30, 2017 and 2016

## (4) Net Assets, Continued

a capital campaign donor requested refund of funds already paid, which was completed by CAN before its fiscal year end. After June 30, 2017, CAN had two other capital campaign donors rescind their remaining pledge balances and requested refunds of funds already paid. Thus, CAN has recorded a \$1,250,000 expense for the return of temporarily restricted campaign contributions in fiscal year 2017 and an accrued liability at June 30, 2017, in the amount of \$1,050,000 for the amount paid after year end. In addition, CAN has also recorded cancelled pledge expenses of approximately \$1,548,000 for the pledge receivables that will no longer be met. As of November 22, 2017, CAN has not been notified from any other donors of any similar intentions.

Voluntary board restrictions on unrestricted net assets include a working capital reserve of \$750,000 as of June 30, 2017 and 2016. In fiscal years 2017 and 2016, the Board also designated and reserved \$300,000 for repairs and maintenance of its facility.

At the regular Board of Director's meeting held in September 2012, CAN's Board approved the creation of a Capital Campaign Committee to raise funds for future capital improvements.

## (5) Commitments and Contingencies

CAN annually receives funding from various federal and state agencies, as well as private foundations. The contract and grant programs may be subject to audit by the awarding agency, the purpose of which is to determine compliance with conditions precedent to the awarding of funds. Liabilities for reimbursement which may arise as the result of audits of contract funds, in the opinion of management, if any, would not be material. Also, grants and contracts with the various awarding agencies are subject to the availability of funds. Grants and contracts may terminate if such funds become unavailable, or if the total amount of funds allocated should become depleted during any budget period. In addition, contracts may terminate if state or federal laws are amended or judicially interpreted such that performance by either party is unreasonable and the parties are unable to agree on amendments to the contracts.

As of June 30, 2017, CAN had entered into vendor agreements to pay for future services in which future minimum payments are \$17,500 for fiscal year 2018.

# CHILD ABUSE NETWORK, INC.

Notes to Financial Statements, Continued

Years Ended June 30, 2017 and 2016

## (6) Employee Benefit Plan

CAN offers a 401(k) plan for all full-time employees that meet eligibility requirements. Beginning in fiscal year 2017, CAN made a matching contribution of \$3,931.

## (7) Significant Concentration

For the fiscal years ended June 30, 2017 and 2016, approximately 36 percent and 13 percent of CAN's revenues were received from the State of Oklahoma as a distribution pursuant to the Child Abuse Multidisciplinary Account (CAMA). For fiscal year ended June 30, 2017 and 2016, approximately 50 percent and 14 percent of CAN's contributions was received from one donor for the capital campaign.

At June 30, 2017 and June 30, 2016, CAN did not have cash balances in financial institutions which exceeded the insurance limits of the Federal Deposit Insurance Corporation.

## (8) Fair Value of Assets and Liabilities

Assets and liabilities measured and recorded at fair value for the years ended June 30, 2017 and 2016, on a recurring and nonrecurring basis are summarized in the following table according to FASB ASC 820 pricing levels.

	Recorded Value	Fair Value Measurement Using		
		Quoted Prices in Active Markets of Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Other Unobservable Inputs (Level 3)
<b>2017</b>				
Recurring fair value measurements:				
Assets – assets held by others	\$ 61,622	\$ 61,622	\$ -	\$ -
Nonrecurring fair value:				
Assets – pledges receivable	\$ 683,221	\$ -	\$ 683,221	\$ -
<b>2016</b>				
Recurring fair value:				
Assets – assets held by others	\$ 58,462	\$ 58,462	\$ -	\$ -
Nonrecurring fair value:				
Assets – pledges receivable	\$ 2,326,615	\$ -	\$ 2,326,615	\$ -



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**Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Board of Directors of  
Child Abuse Network, Inc.:

We have audited, in accordance with the 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, the financial statements of Child Abuse Network, Inc. (a nonprofit organization), which comprise the statement of financial position of as of June 30, 2017, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Child Abuse Network, Inc.’s (the Organization) internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under "Government Auditing Standards."

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cresson & Associates, P.L.L.C.*

Tulsa, Oklahoma  
November 22, 2017

# CHILD ABUSE NETWORK, INC.

Supplemental Schedule of State Award

Year Ended June 30, 2017

<u>Program Title</u>	<u>State Award</u>
<u>Oklahoma Department of Human Services:</u> Child Abuse Multidisciplinary Account	\$ <u>509,688</u>

Note to Schedule:

1. The above schedule was prepared on the accrual basis of accounting and is not a required part of the basic financial statements. The information in this schedule is presented in accordance with the requirements of the Oklahoma Department of Human Services Audit Policy. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

# CHILD ABUSE NETWORK, INC.

## Supplemental Schedule of State Revenues and Expenses

Year Ended June 30, 2017

Revenues:		
State of Oklahoma CAMA distribution	\$	<u>509,688</u>
Expenses:		
Personnel costs		309,927
Professional services		157,531
Office and occupancy		27,582
Insurance		<u>68,368</u>
Total expenses		<u>563,408</u>
Expenses over revenues	\$	<u><u>(53,720)</u></u>

### Note to Schedule:

1. The above schedule was prepared on the accrual basis of accounting and is not a required part of the basic financial statements. The information in this schedule is presented to illustrate the revenues recognized and expenses incurred for the year ended June 30, 2017, for the Child Abuse Multidisciplinary Account monies received from the Oklahoma Department of Human Services.