

**CHILD ABUSE NETWORK, INC.**

Financial Statements

June 30, 2011 and 2010

(With Independent Auditor's Report Thereon)



# **CHILD ABUSE NETWORK, INC.**

June 30, 2011 and 2010

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Child Abuse Network, Inc.:

We have audited the accompanying statements of financial position of Child Abuse Network, Inc. (CAN) as of June 30, 2011 and 2010, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of CAN's management. 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 audit 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 Child Abuse Network, Inc. at June 30, 2011 and 2010, and the changes 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.

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

Tulsa, Oklahoma  
November 18, 2011

# CHILD ABUSE NETWORK, INC.

## Statements of Financial Position

June 30, 2011 and 2010

<b>Assets</b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Current assets:		
Cash	\$ 655,598	\$ 709,015
Restricted cash (note 5)	275,648	435,782
Contributions, grants and pledges receivable (notes 2 and 5)	225,285	90,047
Prepaid expenses	12,137	17,049
Escrow deposit (note 4)	-	<u>123,000</u>
Total current assets	<u>1,168,668</u>	<u>1,374,893</u>
Assets held by others (notes 3 and 5)	47,791	42,195
Pledges receivable (notes 2 and 5)	61,016	62,259
Property and equipment (note 4):		
Land	485,000	-
Building	837,572	-
Furniture and fixtures	125,373	92,808
Leasehold improvements	-	74,363
Medical equipment	<u>23,238</u>	<u>23,238</u>
	1,471,183	190,409
Less accumulated depreciation	<u>121,464</u>	<u>159,210</u>
Net property and equipment	<u>1,349,719</u>	<u>31,199</u>
Total assets	\$ <u>2,627,194</u>	\$ <u>1,510,546</u>
<b>Liabilities and Net Assets</b>		
Current liabilities - accounts payable and accrued liabilities	\$ 77,599	\$ 113,845
Long-term liabilities - note payable (note 4)	<u>568,706</u>	<u>-</u>
Total liabilities	<u>646,305</u>	<u>113,845</u>
Commitments and contingencies (note 6)		
Net assets (note 5):		
Unrestricted	1,393,756	784,903
Temporarily restricted	<u>587,133</u>	<u>611,798</u>
Total net assets	<u>1,980,889</u>	<u>1,396,701</u>
Total liabilities and net assets	\$ <u>2,627,194</u>	\$ <u>1,510,546</u>

*See accompanying notes to financial statements.*

# CHILD ABUSE NETWORK, INC.

## Statements of Activities

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Changes in unrestricted net assets:</b>		
Support and revenue:		
Federal and state grants	\$ 374,415	\$ 40,814
Contributions and private grants	302,011	348,154
Other income	<u>18,027</u>	<u>25,002</u>
Total unrestricted support and revenue	694,453	413,970
Net assets released from restrictions (note 5)	<u>926,361</u>	<u>591,922</u>
Total unrestricted support, revenue and reclassifications	<u>1,620,814</u>	<u>1,005,892</u>
Expenses:		
Program services:		
Child Abuse Team	695,855	675,738
Court School	610	793
Community Awareness	<u>76,015</u>	<u>77,557</u>
	<u>772,480</u>	<u>754,088</u>
Supporting services:		
Management and general	155,931	114,606
Fundraising	<u>83,550</u>	<u>101,475</u>
	<u>239,481</u>	<u>216,081</u>
Total expenses	<u>1,011,961</u>	<u>970,169</u>
Change in unrestricted net assets	<u>608,853</u>	<u>35,723</u>
<b>Changes in temporarily restricted net assets:</b>		
Contributions	416,100	257,070
State of Oklahoma CAMA distribution	480,000	582,599
Investment income	5,596	4,739
Net assets released from restriction (note 5)	<u>(926,361)</u>	<u>(591,922)</u>
Change in temporarily restricted net assets	<u>(24,665)</u>	<u>252,486</u>
Change in net assets	584,188	288,209
Net assets, beginning of year	<u>1,396,701</u>	<u>1,108,492</u>
Net assets, end of year	\$ <u>1,980,889</u>	\$ <u>1,396,701</u>

*See accompanying notes to financial statements.*

# CHILD ABUSE NETWORK, INC.

## Statements of Cash Flows

Years Ended June 30, 2011 and 2010

<b>Increase (Decrease) in Cash</b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Cash flows from operating activities:		
Cash received from CAMA distributions, contributors and grants	\$ 1,438,530	\$ 1,097,114
Cash paid to suppliers and employees	(996,957)	(902,714)
Other income	13,491	22,507
Interest received	4,536	2,495
Interest paid	<u>(16,489)</u>	<u>-</u>
Net cash provided by operating activities	<u>443,111</u>	<u>219,402</u>
Cash flows from investing activities:		
Capital expenditures	(1,225,368)	(18,224)
Escrow deposit	<u>-</u>	<u>(123,000)</u>
Net cash used by investing activities	<u>(1,225,368)</u>	<u>(141,224)</u>
Cash flows from financing activities:		
Proceeds from note payable	700,000	-
Payments on note payable	<u>(131,294)</u>	<u>-</u>
Net cash provided by operating activities	<u>568,706</u>	<u>-</u>
Net increase (decrease) in cash	(213,551)	78,178
Cash, beginning of year	<u>1,144,797</u>	<u>1,066,619</u>
Cash, end of year	\$ <u>931,246</u>	\$ <u>1,144,797</u>

*See accompanying notes to financial statements.*

# CHILD ABUSE NETWORK, INC.

## Statements of Cash Flows

Years Ended June 30, 2011 and 2010

### Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities

	<u>2011</u>	<u>2010</u>
Change in net assets	\$ 584,188	\$ 288,209
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	29,848	16,984
Investment earnings	(5,596)	(4,739)
Increase in contributions, grants and pledges receivable	(133,995)	(131,523)
(Increase) decrease in prepaid assets	4,912	(5,863)
Increase (decrease) in accounts payable and accrued liabilities	<u>(36,246)</u>	<u>56,334</u>
Net cash provided by operating activities	\$ <u>443,111</u>	\$ <u>219,402</u>

### Noncash Investing and Financing Activities

Escrow deposit applied to land and building acquisition	\$ 123,000	-
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*See accompanying notes to financial statements.*

# CHILD ABUSE NETWORK, INC.

## Statement of Functional Expenses

For the Year Ended June 30, 2011

With Comparative Totals for the Year Ended June 30, 2010

	Program Services				Support Services			2011 Total Expenses	2010 Total Expenses
	Child Abuse Team	Court School	Community Awareness	Total	Management & General	Fundraising	Total		
Personnel costs	\$ 414,932	\$ -	\$ 51,069	\$ 466,001	\$ 107,761	\$ 69,072	\$ 176,833	\$ 642,834	\$ 649,744
Professional services	154,769	610	178	155,557	13,143	2,934	16,077	171,634	182,295
Office and occupancy expenses	78,676	-	8,752	87,428	20,256	8,207	28,463	115,891	79,479
Special projects	-	-	-	-	-	-	-	-	14,791
Insurance	1,538	-	120	1,658	837	48	885	2,543	2,387
Information Technology	8,673	-	-	8,673	5,087	-	5,087	13,760	12,095
Interest	5,316	-	10,564	15,880	609	-	609	16,489	-
Conferences, Conventions & Meetings	5,340	-	862	6,202	420	453	873	7,075	4,963
Other expenses	584	-	2,440	3,024	6,833	2,030	8,863	11,887	7,431
Total expenses before depreciation	<u>669,828</u>	<u>610</u>	<u>73,985</u>	<u>744,423</u>	<u>154,946</u>	<u>82,744</u>	<u>237,690</u>	<u>982,113</u>	<u>953,185</u>
Depreciation	<u>26,027</u>	<u>-</u>	<u>2,030</u>	<u>28,057</u>	<u>985</u>	<u>806</u>	<u>1,791</u>	<u>29,848</u>	<u>16,984</u>
Total expenses	<u>\$ 695,855</u>	<u>\$ 610</u>	<u>\$ 76,015</u>	<u>\$ 772,480</u>	<u>\$ 155,931</u>	<u>\$ 83,550</u>	<u>\$ 239,481</u>	<u>\$1,011,961</u>	<u>\$ 970,169</u>
	76%				24%				

*See accompanying notes to financial statements.*

# CHILD ABUSE NETWORK, INC.

Notes to Financial Statements

Years Ended June 30, 2011 and 2010

## (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, providing support and facilities for a multi-disciplinary team approach to determine abuse and to protect children in crisis.

### (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.

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.

# CHILD ABUSE NETWORK, INC.

Notes to Financial Statements, Continued

Years Ended June 30, 2011 and 2010

## (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, 2011, CAN had no accrued interest or penalties relating to any tax contingencies. CAN has no federal or state examinations in progress; however, the 2007 through current years are subject to such examinations.

### (g) Donated Facilities

Prior to January 1, 2010, CAN received office space, at no charge, in which to operate and conduct its services. No amounts were recorded for donated facilities or occupancy expense because pertinent information was not readily available. Also, management believed that any amount would be immaterial to the financial statements. Pursuant to the purchase of its facility as described in Note 4, CAN incurred retroactive rent expense of \$5,997 and \$35,155 for the years ending June 30, 2011 and 2010, respectively.

# CHILD ABUSE NETWORK, INC.

Notes to Financial Statements, Continued

Years Ended June 30, 2011 and 2010

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

### (h) 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.

### (i) Functional Expenses

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

### (j) 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

# CHILD ABUSE NETWORK, INC.

Notes to Financial Statements, Continued

Years Ended June 30, 2011 and 2010

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

### (j) Fair Value Measurements, Continued

may be appropriate. In such instances, determining the price at 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, 2011 and 2010

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

### **(k) Evaluation of Subsequent Events**

In preparing these financial statements, CAN has reviewed and evaluated all events that have occurred after June 30, 2011 through November 18, 2011, for potential recognition or disclosure in the financial statements.

## **(2) Contributions, Grants and Pledges Receivable**

At June 30, 2011, CAN had temporarily restricted pledges receivable related to its expansion campaign of \$161,389 (approximately \$61,000 from current board members) which are expected to be collected during the next two fiscal years. At June 30, 2010, CAN had temporarily restricted pledges receivable of \$133,821 (approximately \$84,000 from current board members) which were collected during fiscal year 2011 or remain collectible.

In January 2011, CAN received an allocation from the Tulsa Area United Way totaling \$204,600. This amount has been recorded as a temporarily restricted contribution and released from restriction as monthly payments are received. At June 30, 2011, \$102,305 remains to be collected.

In May 2010, CAN entered into an agreement with the City of Tulsa whereas the City of Tulsa granted CAN \$300,000 for the acquisition of an operating facility. This grant was received and used by CAN during the closing of its real estate purchase (see note 4).

## **(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.

# CHILD ABUSE NETWORK, INC.

Notes to Financial Statements, Continued

Years Ended June 30, 2011 and 2010

## **(3) Assets Held by Others, Continued**

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, 2011 and 2010, the assets held and invested with the Foundation were \$47,791 and \$42,195, respectively and have been adjusted for unrealized gains and losses. For the years ended June 30, 2011 and 2010, CAN recognized \$5,596 and \$4,739, respectively, in unrealized gains pertaining to these assets.

The Foundation maintains additional non-reciprocal amounts (\$24,641 and \$21,630 at June 30, 2011 and 2010, 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.

## **(4) Long-term Debt**

On August 3, 2010, CAN entered into an agreement to purchase the facility it occupied as well as adjoining properties for \$1,230,000. Prior to June 30, 2010, CAN had paid \$123,000 into an escrow account to be applied toward the purchase price. The closing of this transaction was completed on September 29, 2010, with funding provided from a \$700,000 promissory note, a \$300,000 Site Acquisition grant from the City of Tulsa with a cash payment for the balance of the purchase price.

The promissory note carries interest at the U.S. Prime Rate published in the Wall Street Journal (3.25% at June 30, 2011) and requires monthly interest payments until maturity. The balance of principal and any unpaid interest on the promissory note is due on September 29, 2012. The note is collateralized by the land and building.

# CHILD ABUSE NETWORK, INC.

## Notes to Financial Statements, Continued

Years Ended June 30, 2011 and 2010

### (5) Net Assets

Temporarily restricted net assets consists of restricted cash, pledges receivable and assets held by others and are available for the following purposes as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Endowment Fund	\$ 47,791	\$ 42,195
Operations - time restricted	102,305	-
Expansion Campaign	161,389	136,550
CAMA funds:		
Personnel	211,495	244,713
Professional services	45,803	99,380
Occupancy	-	3,802
Designated projects	<u>18,350</u>	<u>85,158</u>
	<u>\$ 587,133</u>	<u>\$ 611,798</u>

For the years ended June 30, 2011 and 2010, temporarily restricted net assets were released from restriction through expenditure of funds for the purpose for which they were received.

Voluntary board restrictions on unrestricted net assets include a working capital reserve of \$250,000 as of June 30, 2011 and 2010, and other miscellaneous Board restricted funds of \$6,816 at June 30, 2010.

### (6) 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.

# CHILD ABUSE NETWORK, INC.

Notes to Financial Statements, Continued

Years Ended June 30, 2011 and 2010

**(7) Significant Concentration**

Approximately 32 percent of CAN's 2011 revenues were received from the State of Oklahoma as a distribution pursuant to the Child Abuse Multi-disciplinary Account.

**(8) Fair Value of Assets and Liabilities**

Assets and liabilities measured at fair value on a recurring basis are summarized in the following tables according to FASB ASC 820 pricing levels:

	<b>2011</b>	<b>Fair Value Measurement Using</b>		
		<b>Recorded Value</b>	<b>Quoted Prices in Active Markets of Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>
Assets:				
Pledges receivable	\$ 263,694	\$ -	\$ 263,694	\$ -
Assets held by others	<u>47,791</u>	<u>47,791</u>	<u>-</u>	<u>-</u>
Total assets	<u>311,485</u>	<u>47,791</u>	<u>263,694</u>	<u>-</u>
Total	<u>\$ 311,485</u>	<u>\$ 47,791</u>	<u>\$ 263,694</u>	<u>\$ -</u>
<b>2010</b>				
Assets:				
Pledges receivable	\$ 133,821	\$ -	\$ 133,821	\$ -
Assets held by others	<u>42,195</u>	<u>42,195</u>	<u>-</u>	<u>-</u>
Total assets	<u>176,016</u>	<u>42,195</u>	<u>133,821</u>	<u>-</u>
Total	<u>\$ 176,016</u>	<u>\$ 42,195</u>	<u>\$ 133,821</u>	<u>\$ -</u>

**(9) Subsequent Event**

In August 2011, the City of Tulsa awarded CAN a \$100,000 addition to the Site Acquisition grant utilized for the facility purchase. The additional funds were received in September 2011 and used to pay on the outstanding principal balance of the long-term debt described in Note 4.