

Audited Financial Statements

**Child Abuse & Neglect
Council of Saginaw County**

*Years ended December 31, 2009 and 2008
with Report of Independent Auditors*



ANDREWS HOOPER & PAVLIK P.L.C.
Certified Public Accountants

Report of Independent Auditors

Board of Directors
Child Abuse & Neglect Council of Saginaw County
Saginaw, Michigan

We have audited the accompanying statement of net assets of Child Abuse & Neglect Council of Saginaw County (Organization) as of December 31, 2009 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2008 financial statements and, in our report dated March 30, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2009 financial statements referred to above present fairly, in all material respects, the financial position of Child Abuse & Neglect Council of Saginaw County as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Andrews Hooper & Pavlik P.L.C.

Saginaw, Michigan
February 17, 2010

Child Abuse & Neglect Council of Saginaw County

Statements of Net Assets

	December 31	
	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 19,110	\$102,766
Accounts receivable, net of allowance for doubtful accounts of \$2,000 in 2009 and 2008	74,319	48,438
Prepaid expenses and other	6,568	1,500
Promises to give – individuals, current portion, net of allowance	4,454	8,290
Promises to give – other, current portion	22,500	-
Total current assets	<u>126,951</u>	160,994
Property and equipment, net	265,026	286,200
Promises to give – individuals, net of current portion	12,412	13,150
Total assets	<u>\$404,389</u>	<u>\$460,344</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable and other liabilities	\$ 1,726	\$ 2,138
Accrued payroll and related liabilities	10,703	8,535
Line of credit	50,167	-
Deferred revenue	-	10,400
Current portion of mortgage payable	15,215	15,215
Total current liabilities	<u>77,811</u>	36,288
Mortgage payable, net of current portion	44,376	59,591
Total liabilities	<u>122,187</u>	95,879
Net assets:		
Unrestricted	158,820	218,598
Temporarily restricted	123,382	145,867
Total net assets	<u>282,202</u>	364,465
Total liabilities and net assets	<u>\$404,389</u>	<u>\$460,344</u>

See accompanying notes.

Child Abuse & Neglect Council of Saginaw County

Statements of Activities

	Year ended December 31, 2009			Year ended December 31, 2008
	Unrestricted	Temporarily	Total	Comparative Total
		Restricted		
Public support, revenue, and gains:				
Contributions	\$113,092	\$ 7,544	\$120,636	\$105,483
Special events	164,973	20,114	185,087	164,071
Grants	313,879	30,000	343,879	326,534
Fiduciary pass-through grants	157,901	-	157,901	291,982
Medical exam income	6,210	-	6,210	12,150
Interest income	363	-	363	220
Miscellaneous	949	-	949	1,285
Net assets released from restrictions	80,143	(80,143)	-	-
Total public support, revenue, and gains	837,510	(22,485)	815,025	901,725
Expenses:				
Program services:				
CASA	109,724	-	109,724	116,706
Children's Advocacy Center	267,494	-	267,494	239,347
Public awareness and education	285,859	-	285,859	400,707
Support services:				
Management and general	126,033	-	126,033	96,854
Fundraising	108,178	-	108,178	85,327
Total expenses	897,288	-	897,288	938,941
Change in net assets	(59,778)	(22,485)	(82,263)	(37,216)
Net assets at beginning of year	218,598	145,867	364,465	401,681
Net assets at end of year	\$158,820	\$123,382	\$282,202	\$364,465

See accompanying notes.

Child Abuse & Neglect Council of Saginaw County

Statements of Functional Expenses

	For the year ended December 31, 2009						Year ended December 31, 2008	Comparative Total
	Program Services			Support Services				
	CASA	Children's Advocacy Center	Public Awareness and Education	Subtotal	Management and General	Fund- raising		
Employee costs (1)	\$ 83,282	\$190,261	\$110,127	\$383,670	\$ 69,091	\$ 46,061	\$498,822	\$473,506
Vendor payments under grant agreements	-	-	139,570	139,570	-	-	139,570	246,953
Occupancy	5,799	14,213	9,054	29,066	4,540	3,027	36,633	35,032
Printing and publications	1,236	1,941	4,907	8,084	1,654	1,103	10,841	9,624
Fees	902	4,923	1,735	7,560	1,514	1,010	10,084	5,922
Special events	-	-	-	-	-	36,438	36,438	32,060
Office supplies	1,351	4,942	2,055	8,348	1,565	1,043	10,956	8,778
Professional fees	1,364	11,285	2,088	14,737	9,323	6,216	30,276	22,359
Memberships, travel, and meetings	5,591	22,613	2,629	30,833	6,506	4,337	41,676	26,419
Building maintenance	139	339	218	696	104	70	870	3,275
Postage	1,014	2,155	1,538	4,707	932	621	6,260	7,166
Library acquisitions	30	223	45	298	531	-	829	684
Interest on mortgage	488	1,125	753	2,366	348	232	2,946	4,336
Interest on line of credit	21	41	31	93	44	30	167	792
Direct community service	-	-	2,310	2,310	-	-	2,310	5,737
Volunteer recognition costs	2,979	309	450	3,738	2,507	1,671	7,916	7,380
Store purchases	160	-	-	160	-	-	160	-
Contributions	-	-	-	-	21,235	-	21,235	13,367
Miscellaneous	25	100	-	125	3,467	2,312	5,904	2,002
Total expenses before depreciation	104,381	254,470	277,510	636,361	123,361	104,171	863,893	905,392
Depreciation	5,343	13,024	8,349	26,716	2,672	4,007	33,395	33,549
Total expenses	\$109,724	\$267,494	\$285,859	\$663,077	\$126,033	\$108,178	\$897,288	\$938,941

(1) Full-time equivalent employees totaled 14 in 2009 and 2008.

See accompanying notes.

Child Abuse & Neglect Council of Saginaw County

Statements of Cash Flows

	Year ended December 31	
	2009	2008
Operating activities		
Change in net assets	\$ (82,263)	\$(37,216)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	33,395	33,549
Change in operating assets and liabilities:		
Accounts receivable	(25,881)	2,638
Prepaid expenses and other	(5,068)	2,245
Net promises to give	(17,926)	76,934
Accounts payable and other liabilities	(412)	(3,720)
Accrued payroll and related liabilities	2,168	3,677
Deferred revenue	(10,400)	108
Donated vehicle included in contributions	(2,000)	-
Net cash provided by (used in) operating activities	<u>(108,387)</u>	<u>78,215</u>
Investing activities		
Purchases of property and equipment	(10,221)	(24,242)
Net cash used in investing activities	<u>(10,221)</u>	<u>(24,242)</u>
Financing activities		
Net advances on line of credit	50,167	-
Payments on mortgage payable	(15,215)	(10,240)
Net cash provided by (used in) financing activities	<u>34,952</u>	<u>(10,240)</u>
Net increase (decrease) in cash and cash equivalents	<u>(83,656)</u>	<u>43,733</u>
Cash and cash equivalents at beginning of year	102,766	59,033
Cash and cash equivalents at end of year	<u>\$ 19,110</u>	<u>\$102,766</u>
Supplemental information		
Cash paid during the year for interest	\$ 2,946	\$ 5,128

See accompanying notes.

Child Abuse & Neglect Council of Saginaw County

Notes to Financial Statements

December 31, 2009

1. Nature of Operations and Summary of Significant Accounting Policies

Organization

Child Abuse & Neglect Council of Saginaw County (CAN Council) is a United Way Agency that operates in Saginaw County. CAN Council's mission is to build a community where children are free from abuse and neglect. Funds are raised through contributions, special events, and grants. CAN Council carries out its mission through the Court Appointed Special Advocate (CASA), Children's Advocacy Center, and public awareness and education programs.

Basis of Accounting

The financial statements of CAN Council have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Definitions

Promises to give – Promises to give may be unconditional or conditional. A promise to give is unconditional if its receipt depends only on the passage of time or demand for performance by an organization. Unconditional promises to give are recorded at fair market value. A conditional promise generally depends on some future event occurring before the promisor is bound. Conditional promises are not recorded as a contribution until the condition on which it depends is substantially met.

Net assets – The excess or deficiency of assets over liabilities, classified according to the existence or absence of donor-imposed restrictions:

- *Unrestricted net assets* – The part of net assets of the CAN Council that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations.
- *Temporarily restricted net assets* – The part of the net assets generally resulting from contributions and other inflows of assets whose use by the CAN Council is limited by donor-imposed conditions that either expire by the passage of time or can be fulfilled and removed by actions of the CAN Council pursuant to those conditions.
- *Permanently restricted net assets* – The part of the net assets of the CAN Council that would generally result from contributions and other inflows of assets whose use by the CAN Council is limited by donor-imposed conditions that neither expire by passage of time nor can be fulfilled or removed by actions of the CAN Council.

Child Abuse & Neglect Council of Saginaw County

Notes to Financial Statements (continued)

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Definitions (continued)

Contributions – An unconditional transfer of cash or other assets or a settlement or cancellation of its liabilities in a voluntary nonreciprocal transfer from one entity to another.

In-kind contributions – The donation of materials, supplies, property, equipment, or services to an organization. Generally, in-kind contributions are recorded at fair market value.

Net appreciation/(depreciation) on investments – The summation of all realized gains/(losses) on sales of investments plus all unrealized appreciation/(depreciation) in market value of all investments currently held by the CAN Council.

Program services or program activities – The activities that result in goods and services being distributed to beneficiaries that fulfill the purposes or mission for which the CAN Council exists. Those services are the major purpose for and the major output of the CAN Council and include the CASA, the Children's Advocacy Center, and public awareness and education programs.

Management and general activities – Activities that are not identifiable with a specific program or fund-raising activity but that are indispensable to the conduct of those activities and to an organization's existence. They include oversight; business management; general recordkeeping; budgeting; financing; soliciting revenue from exchange transactions, such as government contracts; and related administrative activities. Disseminating information to inform the public of an organization's "stewardship" of contributed funds, among other activities, are management and general activities.

Fund raising activities – Activities undertaken to induce potential donors to contribute money, securities, services, materials, facilities, other assets, or time. They include publicizing and conducting fund-raising campaigns; maintaining donor mailing lists; conducting special fund-raising events; preparing and distributing fund-raising manuals, instructions, and other materials; and conducting other activities involved with soliciting contributions from individuals, foundations, governments, and others.

Functional expenses – Expenses presented in a manner that denotes whether they are program or administrative expenses by natural classification (i.e. compensation, supplies, etc.).

Net present value – The current value of an asset, taking the time value of money into consideration.

Child Abuse & Neglect Council of Saginaw County

Notes to Financial Statements (continued)

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, CAN Council considers all short-term securities purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2009 or 2008.

Deposits with Financial Institutions

CAN Council maintains cash deposits with federally insured financial institutions. At times during the year, CAN Council may have had balances in these accounts that exceeded federal deposit insurance limits.

Accounts Receivable

Accounts receivable are stated at the outstanding principal balance adjusted for any charge-offs and the allowance for doubtful accounts. Management determines the allowance for doubtful accounts based on an evaluation of receivables, past and recent experience, current economic conditions, and other pertinent factors. The allowance for doubtful accounts is increased by the provision charged to operations and reduced by charge-offs.

Property and Equipment

Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at the estimated fair value at the time of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Expenditures for new acquisitions, renewals, and betterments, which increase productive capacity or prolong service lives of the property and equipment, are capitalized. Maintenance and repairs which do not enhance the value or extend the useful life are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Child Abuse & Neglect Council of Saginaw County

Notes to Financial Statements (continued)

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Contributions

All contributions are considered available for unrestricted use, unless specifically restricted by the donor.

CAN Council reports gifts of cash and other assets as 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 purpose 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. Restricted contributions, which have restrictions met in the same period as the contributions, are received and recorded as unrestricted.

Income Taxes

Child Abuse & Neglect Council of Saginaw County is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the CAN Council's tax-exempt purpose, is subject to taxation as unrelated business income (UBI). Since the CAN Council is exempt from federal income taxes and UBI activity is not significant, no provision for income taxes is included in the accompanying financial statements.

Fair Value Measurements

U.S. generally accepted accounting standards provide guidance for using fair value to measure assets and liabilities by providing a framework for measuring and disclosing fair value. These accounting standards apply to all financial instruments that are measured and reported on a fair value basis.

Fair value 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. In determining fair value, the CAN Council uses various methods including market, income, and cost approaches. Based on these approaches, the CAN Council often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The CAN Council utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the CAN Council is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Child Abuse & Neglect Council of Saginaw County

Notes to Financial Statements (continued)

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

- Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.
- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, the CAN Council performs a detailed analysis of the assets and liabilities that are subject to fair value accounting standards. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

For the fiscal year ended December 31, 2009 and 2008, the application of valuation techniques applied to similar assets and liabilities have been consistent.

Comparative Financial Information

The statements of activities and functional expenses 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 conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CAN Council's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

Reclassification

Certain 2008 amounts have been reclassified to conform to the 2009 presentation.

Child Abuse & Neglect Council of Saginaw County

Notes to Financial Statements (continued)

2. Promises to Give

Promises to give are as follows as of December 31, 2009:

	<u>Individuals</u>	<u>Other</u>	<u>Total</u>
Receivable within one year	\$12,694	\$22,500	\$35,194
Receivable in one or more years	14,212	-	14,212
Total promises to give	26,906	22,500	49,406
Less allowance for doubtful accounts	(8,240)	-	(8,240)
Less discount	(1,800)	-	(1,800)
Net promises to give	<u>\$16,866</u>	<u>\$22,500</u>	<u>\$39,366</u>

Promises to give due in more than one year are measured on a nonrecurring basis using significant unobservable inputs (Level 3). Net promises to give are determined as the present value of the estimated future cash flows using a discount rate of 5% for 2009 and 2008. The fair value methodology did not change during the year. Of the long-term promises that are receivable in one or more years, \$3,804 is scheduled for receipt in 2011, \$3,804 in 2012, \$2,604 in 2013, \$1,000 in 2014, \$1,000 in 2015, and \$2,000 thereafter.

CAN Council received acknowledgment of a three-year conditional promise to give (grant) on December 3, 2008. The grant of \$135,000 is payable over three years in equal installments of \$45,000 starting in 2009. The grant is restricted for the purpose of funding an Office Manager position and is conditional upon hiring and retaining a person with appropriate skill acceptable to the grantor. The first installment was received in 2009 and was recorded as grant revenue. The next installment will be disbursed upon verification that the position remains filled. Since the remainder of the grant is conditional on an event expected to occur after December 31, 2009, \$90,000 is considered a conditional promise which will be recognized as the conditional events occur.

3. Property and Equipment

At December 31, 2009 and 2008, property and equipment and related accumulated depreciation were as follows:

	<u>2009</u>	<u>2008</u>
Land	\$ 10,000	\$ 10,000
Buildings	350,194	350,194
Equipment	199,551	189,330
Vehicles	2,000	-
	<u>561,745</u>	<u>549,524</u>
Less accumulated depreciation	296,719	263,324
Property and equipment, net	<u>\$265,026</u>	<u>\$286,200</u>

Child Abuse & Neglect Council of Saginaw County

Notes to Financial Statements (continued)

4. Long-Term Debt

At December 31, long-term debt consisted of the following:

	<u>2009</u>	<u>2008</u>
Term note payable to a local financial institution was refinanced in 2008 with interest at Wall Street Journal Prime plus 1% (currently 4.25%). The note is secured by real property and is payable in monthly payments of principal of \$1,268 and interest beginning November 5, 2008 through November 5, 2013.	\$59,591	\$74,806
Less current portion	<u>15,215</u>	<u>15,215</u>
Long-term debt	<u>\$44,376</u>	<u>\$59,591</u>

Annual required principal payments on long-term debt for the years following 2009 are as follows:

2010	\$15,215
2011	15,215
2012	15,215
2013	<u>13,946</u>
	<u>\$59,591</u>

CAN Council has an operating line of credit in the amount of \$100,000. The line of credit is secured by real estate and the outstanding balance was \$50,000 with accrued interest payable of \$167 at December 31, 2009 and \$-0- at December 31, 2008.

5. Concentrations

CAN Council operates in Saginaw County and services the surrounding geographical areas. A significant amount of contributions and grant revenue comes from the mid-Michigan area. At December 31, 2009 over 50% and 2008, over 60% of net receivables were from the State of Michigan or governmental entities within the state.

6. Special Event Revenue

Included in revenue from special events are CAN Council store sales of approximately \$449 less \$160 in cost of sales in 2009, and \$1,208 less \$-0- in cost of sales in 2008. Among other events included in special events are two of the CAN Council's primary events. The annual Mardi Gras Auction had revenue of approximately \$82,905 less \$27,000 in expenses in 2009 and revenue of \$87,547 less \$23,270 in expenses in 2008. The annual golf outing had revenue of \$18,099 less \$5,890 in expenses in 2009, and revenue of \$19,477 less \$6,432 in expenses in 2008.

Child Abuse & Neglect Council of Saginaw County

Notes to Financial Statements (continued)

7. Functional Allocation of Expenses

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

Included in the statement of functional expenses within the category "vendor payments under grant agreements" are the payments made under The Healthy Families Grant. These payments totaled \$139,570 in 2009 and \$246,952 in 2008.

8. Donated Services

Contributed services are reflected in the financial statements at the fair market value of the services received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills that would typically need to be purchased if not provided by donation. Contributed services included the following:

	<u>2009</u>	<u>2008</u>
Management and general:		
Professional services – accounting	–	\$1,100
Professional services – publication and report design	\$16,585	5,980
Fundraising:		
Professional services – creative services	7,599	8,000

9. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

	<u>2009</u>	<u>2008</u>
Education conference	\$ 8,902	\$ 8,902
2009 auction	–	17,625
2010 auction	20,114	–
Promises to give – individuals	16,866	21,440
Health Department Adolescent Grant	–	10,400
SCF Expansion Grant	7,500	7,500
Promise to give – Alda & Vada Dow Foundation	10,000	–
Promise to give – Allen & Marie Nickless Foundation	5,000	–
Wickson-Link Foundation	7,500	–
CareSource Foundation	7,500	–
C.K. Eddy Memorial Fund – CAC Program Expansion	40,000	80,000
Total temporarily restricted net assets	<u>\$123,382</u>	<u>\$145,867</u>

Child Abuse & Neglect Council of Saginaw County

Notes to Financial Statements (continued)

10. Saginaw Community Foundation Endowment

The Saginaw Community Foundation (the Foundation) holds an endowment fund that has been established through contributions from the general public. The Foundation holds variance powers over the distribution of earnings on the endowment fund. The balance of the fund was \$303,398 at December 31, 2009 and \$236,901 at December 31, 2008. CAN Council received grants from the endowment fund of \$7,610 in 2009 and \$14,128 in 2008.

11. Subsequent Events and Other Matters

Subsequent events have been evaluated through March 2, 2010 as part of the annual audit of the CAN Council's financial statements. This is also the date the financial statements were available to be issued.

In 2009, the CAN Council was notified that the State of Michigan was discontinuing its grant for the Healthy Families Saginaw pass-through grant program due to state-wide budget cuts. This was effective as of the end of the State's fiscal year ended September 30, 2009, and is not expected to be restored in 2010. As a result of this action, the CAN Council will no longer receive \$147,221 in grant funds or incur related expenses of \$139,570 for the program.