



CHILD ABUSE LISTENING MEDIATION, INC.

FINANCIAL STATEMENTS

June 30, 2014
And For The Year Then Ended

CHILD ABUSE LISTENING MEDIATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Child Abuse Listening Mediation, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Child Abuse Listening Mediation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, net assets, 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.

Auditor's 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 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 Listening Mediation, Inc. as of June 30, 2014, 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.

Other Matters

Other Information

Our audit was made for the purpose of forming an opinion on the financial statements referred to in the first paragraph as a whole. The accompanying management discussion and analysis on pages 3 to 7 is presented for purposes of additional analysis and is not a required part of the above financial statements. Such information is the responsibility of management and has not been subjected to the auditing standards described in the second paragraph above and on which we place no opinion.

Report on Summarized Comparative Information

We have previously audited the Child Abuse Listening Mediation, Inc.'s 2013 financial statements, and our report dated November 1, 2013, 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, 2013, 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 17, 2014, on our consideration of Child Abuse Listening Mediation, 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 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 Listening Mediation, Inc.'s internal control over financial reporting and compliance.

October 17, 2014

Stoltey & Associates

**Child Abuse Listening Mediation, Inc.
Management Discussion and Analysis
June 30, 2014**



The purpose of the Management's Discussion and Analysis (MD&A) is to introduce the financial statements and provide an analytical overview of CALM's program service accomplishments, CALM's impact in the community, with a focus on activities for the fiscal year ended June 30, 2014.

CALM's mission is to prevent, assess and treat child abuse in Santa Barbara County by providing comprehensive, culturally competent services for children, adults and families.

CALM's Treatment and Preventative Services are available:

- to children and families without regard to ability to pay
- until the need is fulfilled without arbitrary time limits
- in English, Spanish, Cantonese, American Sign Language and other languages through interpreters

CALM's Continuum of Care

Center for Excellence		
Prevention and Early Intervention	Treatment On-Site at CALM	Intensive Community-Based

CENTER FOR EXCELLENCE

Psychology and Training: CALM is a premier training site for psychologists, social workers and marriage and family therapists who are working toward licensure. Our psychology and training department provides support to all of CALM's clinical programs and provides psychological assessment which informs treatment and provides treatment outcome data. Psychology practicum students periodically conduct research which provides CALM with an additional avenue to

evaluating the effectiveness of our treatment and impact of our service to the community.

CALM employees 3 psychologists and 10 PhD students.

In FY 2014, CALM staff conducted 50 trainings for staff development and for the community. These trainings reached 833 individuals.

PREVENTION AND EARLY INTERVENTION: The *Great Beginnings Program* provides prevention, early intervention and treatment to children and their family ages prenatal - 7 where there are risk factors for child maltreatment, where the child has a mental health diagnosis, has been exposed to trauma, or displays challenging behavior in the home or at school. Service is delivered in the home, preschool, family resource centers or at CALM.

Specific programs run through Great Beginnings include:

Child Parent Program – an evidence based treatment using dyadic models and play therapy techniques which promotes bonding and attachment in the early years. This program helps children and their caregivers recover from trauma or abuse (313 children served).

Prevention and Early Intervention - utilizing the *Healthy Families America* model, provides home visitation services work to foster protective factors in the child and family by providing education on positive parenting practices, developmental guidance, and assessment. The program also provides assistance and advocacy in accessing programs to assist with basic needs, healthcare, childcare, or housing (165 families served).

SafeCare - an evidence-based parent education curriculum delivered in the home. Parents receive three educational modules: home safety, child health and parent-child interaction which works to ameliorate child neglect and physical abuse of children (21 parents served).

Preventing Child Abuse through Family Strengthening is a community collaboration between CALM and the Family Resource Center Network and Early Care and Education providers to provide a continuum of targeted services to prevent child abuse and neglect, provide treatment and family case management services (440 individuals served collaboratively).

Mental Health Consultation and Reflective Supervision is a capacity building and problem solving intervention implemented in early childhood settings and homes. Our reflective practitioners develop a collaborative and reflective relationship with teachers and caregivers in order to enable them to better serve

the children in their programs (300 children, their teachers and parents benefitted).

Postpartum support – Postpartum depression is a risk factor for child abuse and when untreated can adversely impact child development. CALM provides groups and individual support to help mothers with postpartum depression attend to their children and build strong parent child bonds (100 mothers served).

Katie A mental health screenings are an adjunct service under our Great Beginnings program. We provide mental health screenings and treatment recommendations for children 0-5 years immediately after they enter foster care or the Child Welfare Service voluntary family maintenance program (176 children were given bio/psycho/social assessments).

TREATMENT ON-SITE AT CALM: includes all kinds of treatment and prevention for children and families. Children who have witnessed violence in their homes and children who have experienced sexual or physical abuse are treated on-site in Santa Barbara, Carpinteria, Lompoc and Santa Maria. Additional, CALM on-site therapists work to educate parents, teachers and children about abuse in school, community centers and homes.

On-Site Treatment Programs include:

Therapeutic Treatment: Evidence Based practices are used in treating children who have experienced abuse or family violence. Children who have been sexually abused, physically abused or neglected benefit from Trauma Focused Cognitive Behavior Therapy. Teens who are exhibiting self-destructive behavior benefit from Dialectic Behavior Therapy Groups (264 clients served).

Family Violence Program: Uses both evidence based and promising practices to serve children and their non-offending parents in healing from the trauma of domestic violence (307 individuals served).

Front Porch: Front Porch is designed to help families about whom there is concern leading to a referral to Child Welfare Services but who were not found to be abusing their children. The Front Porch engagement specialist contacts these families, helps them identify which services might be helpful to them and then connects them to those services. This program is so successful that last year a second referral of such families to Child Welfare Services fell from a previous rate of 30% to 5% (549 referrals received).

Forensic Interviews: At the request of law enforcement or Child Welfare Services, CALM interviews children when there is an allegation of child sexual or physical abuse. CALM is the only agency in Santa Barbara County providing this

critically important service that is unpredictable, yet urgent (121 interviews conducted in Santa Maria, Lompoc and Santa Barbara).

School Based Prevention: CALM provides education to children, teachers and caregivers about body safety. In FY 2014, CALM provided 106 presentations and reached more than 4,500 children, teachers and caregivers in both Santa Barbara and Santa Maria. CALM also provided 8 mandated reporter trainings which reached 401 teachers, coaches and camp counselors.

Parenting Programs: CALM provides a variety of programs to parents to improve their parenting practices. These include therapeutic group and individual services to parents affected by their own histories of abuse, Parent-Child Interaction Therapy for parents with their children who have demonstrated seriously challenging behavior, and educational programs using the Incredible Years curriculum (141 parents seen).

HEAL: Group services to adults affected by a childhood history of sexual abuse. 25 adults who were abused as children participated.

INTENSIVE COMMUNITY BASED TREATMENT: The *Whatever it Takes (WIT)* team provides intensive therapeutic interventions to children and families across all of Santa Barbara County. The WIT program serves children who need the highest level of care. These clients include children who are severely emotionally disturbed or mentally ill, children in Foster Care and children who are impacted by parent addiction. Therapists devote from 3 to 15 hours per client per week. A total of 371 clients were seen in the WIT program. Including clients and family members approximately 1300 children and parents were helped by CALM interventions.

Specific WIT programs include:

Intensive In-Home therapy provides treatment to children struggling in home, school and in the community. These are children with emotional disturbances or mental illness who put themselves and at times others at risk. Many of these clients have trauma histories. Work includes therapy, skill building and support of the client in the other agencies in which the client is involved.

Helping Others in Parenting Environments (HOPE) was developed in recognition of the trauma experienced by children who enter the foster care system. HOPE is an array of intensive in-home services available to children and parents in foster home and extended family home placements. The HOPE program combines skill-based intervention with maximum flexibility so that services are available to families and foster homes according to their unique needs. 232 clients received treatment in the IIH and HOPE programs.

Children Service Screenings are an adjunct service under our HOPE program. We provide mental health screenings and treatment recommendations for children immediately after they enter foster care or the Child Welfare Service voluntary family maintenance program. 52 children and their biological parents were given bio/psycho/social assessments.

CAM (Children Affected by Methamphetamine) and FRESH Start (Families in Recovery Embracing Sobriety and Health) are two programs to help children and families impacted by parental addiction. Therapists provide trauma informed services to women and children living in residential treatment at Good Samaritan Shelters in Lompoc and Santa Maria. Their children who are in foster care, fathers, and significant others are also engaged in individual, family and group treatment. The programs strengthen the capacity and ability of parents and care providers to provide a nurturing, stable home for their children. This is an extended service to support the children and families through graduation from Family Drug Court to family reunification (81 children and parents received services).

SPIRIT is a family centered, community oriented, highly individualized, wrap around strategy, available 24 hours a day, 7 days a week, designed to help families facing serious challenges find solutions to keep children and teens safely in their home, be successful in school and function well in the community (58 children and their families served).

Child Abuse Listening Mediation, Inc.
Statement of Financial Position
June 30, 2014
(with 2013 comparative totals)

	2014 Total	2013 Total
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 231,125	\$ 246,711
Contract payment receivables	376,142	330,018
Pledges receivable (note 3)	48,122	50,000
Prepaid expenses and other assets	91,196	69,828
Total Current Assets	746,585	696,557
Pledges receivable - long term (note 3)	-	48,122
Fixed Assets and Investment in Building		
Fixed Assets, net (note 4)	2,395,583	2,327,160
Investment in Victoria Theater, net (note 4)	2,015,833	2,050,000
Total Fixed Assets and Investment in Building	4,411,416	4,377,160
Assets Held For Long-Term Use		
Cash and cash equivalents held in board designated funds (note 11)	196,446	1,141,890
Investments held in board designated funds (notes 5 & 11)	798,158	-
Total Assets Held for Long-Term Use	994,604	1,141,890
Endowment Assets		
Cash and short term investments held in endowment fund (notes 10 & 11)	195,522	291,488
Investments held in endowment fund (notes 5, 10 and 11)	11,680,003	10,355,896
Total Endowment Assets	11,875,525	10,647,384
Total Assets	\$ 18,028,130	\$ 16,911,113
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 53,024	\$ 19,203
Accrued expenses	397,969	348,113
Deferred revenue (note 5)	20,707	20,707
Total Current Liabilities	471,700	388,023
Long Term Liabilities		
Deferred revenue (note 4)	2,008,586	2,029,293
Line of credit (note 6)	1,889,927	1,889,927
Total Liabilities	4,370,213	4,307,243
Net Assets		
Unrestricted:		
Undesignated	706,586	622,637
Designated for program and future use (note 11)	994,604	1,141,890
Designated - Quasi endowment (notes 10 and 11)	7,352,674	6,124,533
Temporarily restricted (note 12)	81,202	191,959
Permanently restricted - Endowment (note 11)	4,522,851	4,522,851
Total Net Assets	13,657,917	12,603,870
Total Liabilities and Net Assets	\$ 18,028,130	\$ 16,911,113

The accompanying notes are an integral part of this financial statement

Child Abuse Listening Mediation, Inc.
Statement of Activities
For the Year Ended June 30, 2014
(with 2013 comparative totals)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
Operating					
Revenues, Gains and Other Support					
Fundraising events - gross revenue	\$ 91,030	\$ -	\$ -	\$ 91,030	\$ 96,144
Less costs of direct benefits to donors	(69,514)	-	-	(69,514)	(47,039)
Net revenues from fundraising events	<u>21,516</u>	<u>-</u>	<u>-</u>	<u>21,516</u>	<u>49,105</u>
Auxiliary fundraising events - gross revenue	195,174	-	-	195,174	198,911
Auxiliary less costs of direct benefits to donors	(86,953)	-	-	(86,953)	(83,596)
Auxiliary net revenues from fundraising events	<u>108,221</u>	<u>-</u>	<u>-</u>	<u>108,221</u>	<u>115,315</u>
Total Special Events	129,737	-	-	129,737	164,420
Contributed services	47,552	-	-	47,552	63,556
Contributions	810,598	78,080	-	888,678	1,017,729
Government grants and allocations	3,459,631	-	-	3,459,631	3,010,064
Program service fees	<u>187,598</u>	<u>-</u>	<u>-</u>	<u>187,598</u>	<u>185,966</u>
Revenues, Gains and Other Support	<u>4,635,116</u>	<u>78,080</u>	<u>-</u>	<u>4,713,196</u>	<u>4,441,735</u>
Net assets released from restrictions	<u>188,837</u>	<u>(188,837)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses:					
Program Expenses					
Center for Excellence	233,939	-	-	233,939	214,813
Prevention and Early Intervention	1,708,540	-	-	1,708,540	1,574,451
Treatment On-Site at CALM	1,019,656	-	-	1,019,656	895,525
Intensive Community -Based Treatment	<u>1,207,424</u>	<u>-</u>	<u>-</u>	<u>1,207,424</u>	<u>1,077,395</u>
Total Operating Program Expenses	<u>4,169,559</u>	<u>-</u>	<u>-</u>	<u>4,169,559</u>	<u>3,762,184</u>
Supporting Services:					
Management and general	659,817	-	-	659,817	527,465
Fundraising	<u>440,617</u>	<u>-</u>	<u>-</u>	<u>440,617</u>	<u>350,887</u>
Total Operating Supporting Services	<u>1,100,434</u>	<u>-</u>	<u>-</u>	<u>1,100,434</u>	<u>878,352</u>
Total Operating Expenses	<u>5,269,993</u>	<u>-</u>	<u>-</u>	<u>5,269,993</u>	<u>4,640,536</u>
Change in net assets from Operating Activities	<u>\$ (446,040)</u>	<u>\$ (110,757)</u>	<u>\$ -</u>	<u>\$ (556,797)</u>	<u>\$ (198,801)</u>
Nonoperating					
Revenue					
Rental income	72,363	-	-	72,363	13,828
Other revenue	648	-	-	648	6,844
Loss on disposal of fixed assets	-	-	-	-	(42,104)
Investment income	<u>1,761,792</u>	<u>-</u>	<u>-</u>	<u>1,761,792</u>	<u>662,536</u>
Total Revenue	<u>1,834,803</u>	<u>-</u>	<u>-</u>	<u>1,834,803</u>	<u>641,104</u>
Expenses					
Depreciation expense	135,202	-	-	135,202	84,940
Legal fees	-	-	-	-	311
Investment advisory fees	65,517	-	-	65,517	68,371
Miscellaneous nonoperating expenses	<u>23,240</u>	<u>-</u>	<u>-</u>	<u>23,240</u>	<u>-</u>
Total Nonoperating Expenses	<u>223,959</u>	<u>-</u>	<u>-</u>	<u>223,959</u>	<u>153,622</u>
Change in net assets from Operating Activities	<u>1,610,844</u>	<u>-</u>	<u>-</u>	<u>1,610,844</u>	<u>487,482</u>
Total Change in Net Assets	<u>\$ 1,164,804</u>	<u>\$ (110,757)</u>	<u>\$ -</u>	<u>\$ 1,054,047</u>	<u>\$ 288,681</u>

The accompanying notes are an integral part of this financial statement

**Child Abuse Listening Mediation, Inc.
Statement of Changes in Net Assets
For the Year Ended June 30, 2014**

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Totals</u>
Net assets at June 30, 2013	\$ 7,889,060	\$ 191,959	\$ 4,522,851	\$ 12,603,870
Change in net assets	<u>1,164,804</u>	<u>(110,757)</u>	<u>-</u>	<u>1,054,047</u>
Net assets at June 30, 2014	<u>\$ 9,053,864</u>	<u>\$ 81,202</u>	<u>\$ 4,522,851</u>	<u>\$ 13,657,917</u>

The accompanying notes are an integral part of this financial statement

Child Abuse Listening Mediation, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2014
(with 2013 comparative totals)

	<u>CALM Continuum of Care</u>					<u>Supporting Services</u>			<u>Grand Total 2013</u>
	<u>Center for Excellence</u>	<u>Prevention and Early Intervention</u>	<u>Treatment On-Site at CALM</u>	<u>Intensive Community - Based Treatment</u>	<u>Total Program Expense</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Grand Total 2014</u>	
Operating Expenses									
Salaries	\$ 161,733	\$ 1,162,013	\$ 735,154	\$ 850,657	\$ 2,909,557	\$ 446,993	\$ 230,552	\$ 3,587,102	\$ 3,075,169
Payroll Taxes	12,115	87,045	55,070	63,722	217,952	33,484	17,270	268,706	229,533
Employee Benefits	24,838	175,713	107,496	126,387	434,434	68,142	34,693	537,269	434,758
Contributed Services	15,881	9,207	21,690	774	47,552	-	-	47,552	63,556
Total Salaries & Related Expenses	214,567	1,433,978	919,410	1,041,540	3,609,495	548,619	282,515	4,440,629	3,803,016
Operating Expenses									
Accounting	-	-	-	-	-	69,278	-	69,278	105,701
Advertising	-	-	-	-	-	-	66,699	66,699	81,661
Auto and Travel	1,701	38,902	12,434	64,221	117,258	2,698	4,389	124,345	105,503
Building Operating Costs	1,710	45,500	15,402	17,726	80,338	5,275	5,062	90,675	134,591
Consulting	2,965	111,275	24,087	16,076	154,403	7,019	18,574	179,996	123,125
Education & Training	2,555	1,530	7,090	3,972	15,147	237	3,489	18,873	15,091
Equipment Rental & Maintenance	252	1,814	1,148	1,328	4,542	698	360	5,600	46,900
Insurance	1,448	10,406	6,583	7,618	26,055	4,003	2,065	32,123	31,224
Miscellaneous	-	-	-	-	-	-	-	-	12,755
Interest	3,124	22,443	14,199	16,429	56,195	8,633	4,453	69,281	-
Printing & Postage	362	2,728	1,690	1,914	6,694	1,044	21,429	29,167	24,380
Supplies	4,061	25,818	14,968	24,711	69,558	8,756	29,156	107,470	121,661
Taxes	-	-	-	-	-	2,565	218	2,783	2,852
Telephone	1,194	14,146	2,645	11,889	29,874	992	2,208	33,074	32,076
Total Other Operating Expenses	19,372	274,562	100,246	165,884	560,064	111,198	158,102	829,364	837,520
Total Operating Expenses	233,939	1,708,540	1,019,656	1,207,424	4,169,559	659,817	440,617	5,269,993	4,640,536
Nonoperating Expenses									
Depreciation	6,096	43,797	27,709	32,062	109,664	16,848	8,690	135,202	84,940
Legal Fees	-	-	-	-	-	-	-	-	311
Investment advisory fees	2,954	21,224	13,427	15,537	53,142	8,164	4,211	65,517	68,371
Miscellaneous nonoperating	1,048	7,528	4,763	5,511	18,850	2,896	1,494	23,240	-
Total Nonoperating Expenses	10,098	72,549	45,899	53,110	181,656	27,908	14,395	223,959	153,622
Total Expenses	\$ 244,037	\$ 1,781,089	\$ 1,065,555	\$ 1,260,534	\$ 4,351,215	\$ 687,725	\$ 455,012	\$ 5,493,952	\$ 4,794,158

The accompanying notes are an integral part of this financial statement

Child Abuse Listening Mediation, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2014
(with 2013 comparative totals)

	2014	2013
	Total	Total
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,054,047	\$ 288,681
Adjustments to reconcile increase in net assets to cash used for operating activities:		
Depreciation	135,202	84,940
Realized and unrealized gain on investments	(1,395,147)	(400,520)
Changes in:		
Contract payments and other receivables	(46,124)	79,385
Pledges receivable	50,000	(95,652)
Prepaid and other assets	(21,368)	(17,766)
Cash held for long term purposes	95,966	(91,138)
Deferred revenue	(20,707)	2,050,000
Accounts payable and accrued expenses	83,677	6,665
Net cash From operating activities	(64,454)	1,904,595
Cash Flows From Investing Activities:		
Proceeds from sale of investments	13,216,836	20,133,789
Purchase of investments	(13,943,954)	(19,798,296)
Acquisition of property and equipment	(169,459)	(3,916,895)
Net cash From investing activities	(896,577)	(3,581,402)
Cash Flows From Financing Activities:		
Proceeds from line of credit	-	1,889,927
Net increase (decrease) in cash and cash equivalents	(961,031)	213,120
Cash and cash equivalents at Beginning of Year	1,388,602	1,175,482
Cash and cash equivalents at Ending of Year	\$ 427,571	\$ 1,388,602

The accompanying notes are an integral part of this financial statement

Child Abuse Listening Mediation, Inc.
Notes to Financial Statements
June 30, 2014

(1) NATURE OF ACTIVITIES

Child Abuse Listening Mediation, Inc. (CALM) is a nonprofit organization located in Santa Barbara, California. CALM's Mission is to prevent, assess and treat child abuse in Santa Barbara County by providing comprehensive, culturally competent services for children, adults and families. Treatment and Preventative Services include individual, group and family therapy, home and school based prevention programs, phone and in-person crisis intervention, and community outreach and awareness programs. Services are available:

- to children and families without regard to ability to pay
- until the need is fulfilled without arbitrary time limits
- in English, Spanish, Cantonese, American Sign Language and other languages through interpreters

Substantially all of CALM's clients are children, adults and families residing in Santa Barbara County.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization uses the accrual basis of accounting, recognizing revenues when earned and expenses when incurred.

Financial Statement Presentation

In accordance with generally accepted accounting principles, CALM reports information regarding its financial position and activities according to four classes of net assets: unrestricted undesignated net assets, unrestricted board designated net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, CALM is required to present a statement of cash flows.

Unrestricted-undesignated net assets - Unrestricted net assets are not subject to donor-imposed stipulations. All expenses, revenues, gains, and losses that are not temporarily or permanently restricted by donors are included in this classification.

Unrestricted –designated net asset - Unrestricted net assets that have been designated by the Board of Trustees for a particular purpose or time.

Child Abuse Listening Mediation, Inc.
Notes to Financial Statements
June 30, 2014

Temporarily restricted net assets – Temporarily net assets include gifts subject to donor-imposed stipulations that may or will be met either by actions of CALM and/or by the passage of time.

Permanently restricted net assets – Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization. Generally, the donors of these assets permit CALM to use all or part of the income earned on related investments for general or specific purposes.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments purchased with an original maturity of three months or less. Cash and cash equivalents excludes cash held for long-term purposes.

CALM's cash and cash equivalents at the end of its fiscal year are high compared to its average cash balances. The higher cash balance is to fund the seasonal deficits and payment delays from contract partners which occur annually during the months of July-October.

Contract Payment Receivables

Contract payment receivables are stated at unpaid balances, less an allowance for doubtful accounts. CALM provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of agencies to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is CALM's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. No allowance for doubtful contract payment receivables has been reported as all amounts are expected to be collected.

Property and Equipment

Property and equipment which is purchased or constructed is stated at cost; assets acquired by gift or bequest are stated at fair value at the date of acquisition. CALM uses the straight-line method for the computation of depreciation of long-lived assets according to the following schedule of useful lives:

Child Abuse Listening Mediation, Inc.
Notes to Financial Statements
June 30, 2014

<u>Asset</u>	<u>Life</u>
Leasehold Improvements	10 Years
Furniture and Equipment	5 Years

Normal repair and maintenance expenses and equipment replacement costs are expensed as incurred.

Contributions Receivable (Pledges)

Unconditional promises to give (pledges) are recorded as contribution income and as receivables. Long-term pledges are discounted to present value using a discount rate commensurate with the risk involved. An allowance for uncollectible pledges is estimated by management based on such factors as prior collection history, type of contribution and the nature of the fund-raising activity.

Conditional pledges are recognized when the conditions on which they depend are substantially met.

Investments

Investments in marketable equity and debt securities are stated at market value. All gains and losses on investments are reported as increases or decreases to unrestricted net assets unless required by donors to be reinvested in restricted net assets.

Contributions

CALM reports grants and 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 a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements as a release from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements. CALM reports gifts of property and equipment (or other long lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Child Abuse Listening Mediation, Inc.
Notes to Financial Statements
June 30, 2014

Income Taxes

CALM is incorporated exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 27301d of the California Revenue and Tax Code, though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). The tax years ending 2010, 2011, and 2012 are still open to audit for both federal and state purposes. Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The organization is not classified as a private foundation.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized by function in the Statement of Functional Expenses. Direct costs are charged directly to the appropriate program. Joint costs such as insurance, rent and facility maintenance are allocated by using the direct costs of each program and supporting services. The allocations are based on current data.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Significant estimated used in preparing these financial statements include:

- Allocation of certain expenses by function
- Depreciable lives and estimated residual value of property and equipment
- Allowance for uncollectible accounts, grants, contracts and pledges receivable

It is at least reasonably possible that the significant estimates will change within the next year.

Impairment of Long-Lived Assets

CALM reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment losses, if any, are recognized when estimated future cash flows (undiscounted and without interest charges) derived from such assets are less than their carrying values. Management believes no such impairment occurred during the years ended June 30, 2014 and 2013.

Child Abuse Listening Mediation, Inc.
Notes to Financial Statements
June 30, 2014

Fair Value of Financial Instruments

The estimated fair values of the Organization's short-term financial instruments, including cash, cash equivalents, and accounts payables arising in the ordinary course of business, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization. The fair value of the marketable securities is based on quoted market rates.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to current year presentation.

(3) PLEDGES RECEIVABLE

Pledges receivable consist of the following:

	<u>2014</u>	<u>2013</u>
Due in one year	\$ 50,000	\$ 50,000
Due in two years	-	<u>50,000</u>
Total	<u>50,000</u>	<u>100,000</u>
Less discount	<u>(1,878)</u>	<u>(1,878)</u>
Pledges Receivable, Net	<u>\$ 48,122</u>	<u>\$ 98,122</u>

Pledges receivable with due dates extending beyond one year are discounted using 3.55%. CALM did not report any conditional pledges as of June 30, 2014 and 2013.

(4) FIXED ASSETS AND INVESTMENT IN REAL PROPERTY

	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 603,940	\$ 526,877
Furniture and fixtures	385,798	75,221
Construction in progress	-	218,592
Land and building	<u>1,996,570</u>	<u>1,996,570</u>
Total property and equipment	2,986,308	2,817,260
Accumulated depreciation	<u>(590,725)</u>	<u>(490,100)</u>
Fixed Asset, Net	<u>2,395,583</u>	<u>2,327,160</u>
Investment in Victoria Theater	2,050,000	2,050,000
Accumulated depreciation	<u>(34,167)</u>	<u>-</u>
Investment in Real Property, Net	<u>2,015,833</u>	<u>2,050,000</u>
Grand Total	<u>\$ 4,411,416</u>	<u>\$ 4,377,160</u>

Child Abuse Listening Mediation, Inc.
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Fixed Assets, net:

The land and buildings included in fixed assets reflect CALM's 100% ownership of the 1236 Chapala Street Property, which houses CALM's offices as well as short term rental space to RSVP and Unity. (see also the following Investment in Real Property).

CALM reported depreciation expense related to fixed assets used in operations of \$101,035 and \$84,940 for the year ended June 30, 2014 and 2013, respectively.

Investment in Real Property:

In 2013, CALM acquired the land and building commonly known as West Victoria (the Victoria Theater) and 1236 Chapala Street (CALM's offices) for \$4,496,570. CALM estimated the fair market value of the portion of land and building used for CALM offices to be \$1,996,570 and value of the Victoria Theater to be \$2,050,000. CALM's offices are included in fixed assets as land and building.

Concurrently CALM entered into an acquisition agreement with Luria-New Vic Theater LLC (Luria) in which Luria acquired a 99-year lease to the Victoria Theater.

The lease agreement required a single payment of \$2,050,000, the approximated fair market value of the theater and the land it resides on. In accordance with generally accepted accounting principles, the lease payment is being applied to revenue over the 99-year lease using the straight-line method. The lease agreement also provided a conditional transfer of title to Luria. At June 30, 2014 CALM reported \$2,029,293 (\$20,707 current liability and \$2,008,586 long-term liability) of the lease agreement as deferred revenue. Luria and CALM are pursuing a lot split or other subdivision to divide the property into two separate parcels at Luria's expense. Once the subdivision is completed, title to the Victoria Theater shall vest in Luria's name with no additional payments to CALM.

CALM reported depreciation expense related to investment in real property of \$34,167 and \$0 for the years ended June 30, 2014 and 2013, respectively.

(5) INVESTMENTS

CALM records investments in marketable securities at fair market value in the statement of financial position. As of June 30, 2014, investments consisted of the following:

Child Abuse Listening Mediation, Inc.
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Board Designated

	<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Fixed income mutual Funds:			
Domestic	\$ 163,568	\$ 161,693	\$ 1,875
International	47,620	47,612	8
Equity mutual funds:			
Domestic	233,922	216,770	17,152
International	106,365	99,170	7,196
Hedged	132,430	123,836	8,593
Exchange Traded Funds:			
Liquid real estate	77,925	77,308	617
Index Funds	36,328	34,418	1,910
Total	<u>\$ 798,158</u>	<u>\$ 760,807</u>	<u>\$ 37,351</u>
Unrealized loss at June 30, 2013			-
Net change in unrealized gain			<u>\$ 37,351</u>

Endowment

	<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Fixed income mutual Funds:			
Domestic	\$ 2,446,672	\$ 2,408,275	\$ 38,397
International	698,872	694,937	3,935
Equity mutual funds:			
Domestic	3,393,821	2,805,868	587,953
International	1,537,250	1,458,421	78,829
Hedged	1,895,074	1,725,232	169,842
Exchange Traded Funds:			
Liquid real estate	1,183,229	1,128,498	54,731
Index Funds	525,085	521,340	3,745
Total	<u>\$ 11,680,003</u>	<u>\$ 10,742,571</u>	937,432
Unrealized loss at June 30, 2013			351,765
Net change in unrealized gain			<u>\$ 1,289,197</u>

Child Abuse Listening Mediation, Inc.
Notes to Financial Statements
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As of June 30, 2013, investments consisted of the following:

Endowment

	<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Fixed income mutual Funds	\$ 3,087,900	\$ 3,252,530	\$ (164,630)
Equity mutual funds	6,314,247	6,417,470	(103,223)
Other marketable securities	689,019	772,931	(83,912)
Long-term certificates of Deposit	<u>264,730</u>	<u>264,730</u>	<u>-</u>
Total	<u>\$ 10,355,896</u>	<u>\$ 10,707,661</u>	<u>(351,765)</u>
Unrealized loss at June 30, 2012			<u>133,609</u>
Net change in unrealized gain			<u>\$ (218,156)</u>

Investment income consisted of the following:

	<u>2014</u>	<u>2013</u>
Interest and dividend income	\$ 366,645	\$ 262,016
Unrealized gain on investments	1,326,548	(218,156)
Realized gain on sale of investments	<u>68,599</u>	<u>618,676</u>
Total investment income	<u>\$ 1,761,792</u>	<u>\$ 662,536</u>

(6) LINES OF CREDIT

During the year ended June 30, 2013 CALM entered into a new \$2,000,000 fixed-rate line of credit with Montecito Bank & Trust. The proceeds of the line of credit were used to purchase the land and building occupied by CALM and used in operations. Under the terms of the line of credit the interest rate is fixed at 3.55%, requires monthly interest payments and matures October 1, 2022. The line of credit is secured by the endowment assets held at Montecito Bank & Trust. At June 30, 2014 and 2013 CALM had a balance of \$1,889,927 owing on the line of credit.

In addition CALM has entered into a \$1,000,000 line of credit agreement. The line of credit carries interest at Prime +1% and matures June 24, 2018. The line of credit is secured by the endowment assets held at Montecito Bank & Trust. At June 30, 2014 and 2013 CALM did not have a balance of owing on the line of credit.

Child Abuse Listening Mediation, Inc.
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(7) CONTINGENT LIABILITIES

Government Grants and Contracts

CALM receives a number of grants from various governmental agencies. These grants are subject to audit by the granting agencies as to allowable costs paid with government funds. CALM would be liable for up to the full amount of government funds expended should costs charged to the grants be disallowed.

(8) CONCENTRATIONS

A significant portion of the Organization's revenues is derived from government grants and contracts.

Individual donors are primarily from Santa Barbara County, as are the clients of the Organization.

(9) ASSETS VALUED AT FAIR VALUE

The Financial Accounting Standard Board's authoritative guidance on fair value measurements establishes a framework for measuring fair value, and expands disclosure about fair value measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Under this guidance, assets and liabilities carried at fair value must be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Assets carried at fair value include the following as of June 30, 2014 and 2013:

- Fixed income mutual funds which include domestic funds and international funds with a market value of \$3,356,733 and \$2,403,113 at June 30, 2014 and 2013, respectively.
- Equity mutual funds which include domestic and international funds with a market value of \$7,298,861 and \$5,498,892 at June 30, 2014 and 2013, respectively.
- Other marketable securities comprise of exchange traded funds, including funds consisting of portfolios of liquid real estate and index funds, actively traded on

Child Abuse Listening Mediation, Inc.
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open markets and values are based on the quoted market prices for identical assets.

In determining the appropriate levels, CALM performs a detailed analysis of the assets and liabilities that are measured and reported on a fair value basis. 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.

Assets and liabilities measured at fair value are summarized as follows:

June 30, 2014

	<u>Fair Value</u>	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income				
mutual funds	\$ 3,356,733	\$ 3,356,733	\$ -	\$ -
Equity mutual funds	7,298,861	7,298,861	-	-
Exchange traded funds	<u>1,822,567</u>	<u>1,822,567</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,478,161</u>	<u>\$12,478,161</u>	<u>\$ -</u>	<u>\$ -</u>

During the year ended June 30, 2014, CALM did not transfer any equity securities from level 2 or level 3 to level 1.

June 30, 2013

	<u>Fair Value</u>	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income				
mutual funds	\$ 3,087,900	\$ 3,087,900	\$ -	\$ -
Equity mutual funds	6,314,247	6,314,247	-	-
Other marketable securities	<u>689,019</u>	<u>689,019</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,091,166</u>	<u>\$10,091,166</u>	<u>\$ -</u>	<u>\$ -</u>

Child Abuse Listening Mediation, Inc.
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During the year ended June 30, 2013, CALM did not transfer any equity securities from level 2 or level 3 to level 1.

(10) ENDOWMENT

The Organization's endowment has been established for general operating purposes. Its endowment consists of board designated and donor-restricted endowment funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of CALM has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CALM classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by CALM in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, CALM considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of CALM and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

Endowment net asset composition by type of fund as of June 30, 2014

	Unrestricted (Designated)	Temporarily Restricted	Permanently Restricted	Total
Endowment funds	<u>\$ 7,352,674</u>	<u>\$ -</u>	<u>\$ 4,522,851</u>	<u>\$11,875,525</u>

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Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2014 are as follows:

	Unrestricted (Designated)	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 6,124,533	\$ -	\$ 4,522,851	\$ 10,647,384
Contributions	-	-	-	-
Investment Income	1,696,141	-	-	1,696,141
Expenditures for Programs	(468,000)	-	-	(468,000)
Administrative Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, ending of year	<u>\$ 7,352,674</u>	<u>\$ -</u>	<u>\$ 4,522,851</u>	<u>\$ 11,875,525</u>

Endowment net asset composition by type of fund as of June 30, 2013

	Unrestricted (Designated)	Temporarily Restricted	Permanently Restricted	Total
Endowment funds	<u>\$ 6,124,533</u>	<u>\$ -</u>	<u>\$ 4,522,851</u>	<u>\$10,647,384</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2013 are as follows:

	Unrestricted (Designated)	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 5,968,368	\$ -	\$ 4,522,851	\$ 10,491,219
Contributions	-	-	-	-
Investment Income	594,165	-	-	594,165
Expenditures for Programs	(438,000)	-	-	(438,000)
Administrative Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, ending of year	<u>\$ 6,124,533</u>	<u>\$ -</u>	<u>\$ 4,522,851</u>	<u>\$ 10,647,384</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires CALM to

Child Abuse Listening Mediation, Inc.
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retain as a fund of perpetual duration. No such deficiencies existed at June 30, 2014 and 2013.

Return Objectives and Risk Parameters

CALM has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that CALM must hold in perpetuity.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, CALM relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CALM targets a diversified asset allocation that places a greater emphasis on equity mutual funds investments to achieve its long-term return objectives within prudent risk constraints.

(11) BOARD OF DIRECTORS' DESIGNATED FUNDS

The Board of Directors has established the following designated funds:

	<u>2014</u>	<u>2013</u>
Building maintenance	\$ 250,000	\$ 250,000
Capital expenditures	-	8,953
Electronic health records development	31,018	123,788
Courtyard repair	20,485	24,805
Operating and holding reserves	685,844	725,000
Other reserves	<u>7,257</u>	<u>9,344</u>
Non-endowment designated funds	994,604	1,141,890
Quasi-Endowment	<u>7,352,674</u>	<u>6,124,533</u>
Total Designated Funds	<u>\$ 8,347,278</u>	<u>\$ 7,266,423</u>

Child Abuse Listening Mediation, Inc.
Notes to Financial Statements
June 30, 2014

(12) TEMPORARILY RESTRICTED FUNDS

Temporarily restricted net assets at June 30, 2014 and 2013 consist of the following amounts:

	<u>2014</u>	<u>2013</u>
Northern Santa Barbara County	\$ 33,080	\$ -
Center for Excellence	48,122	
Great Beginnings Program	-	93,837
Time restrictions	-	<u>98,122</u>
Total	<u>\$ 81,202</u>	<u>\$ 191,959</u>

(13) SUBSEQUENT EVENTS

Management has evaluated events through October 17, 2014, which is the date the financial statements were available to be issued. Management has determined that no subsequent event requiring disclosure or significantly impacting disclosure has occurred.



**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 Trustees of
Child Abuse Mediation Listening, 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 Listening Mediation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Child Abuse Listening Mediation, Inc.'s 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 Child Abuse Listening Mediation, Inc.'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. 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 Child Abuse Listening Mediation, Inc.'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.

Stoltey & Associates

October 17, 2014
Los Olivos, California