



CHILD ABUSE LISTENING MEDIATION, INC.

FINANCIAL STATEMENTS

**June 30, 2016
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, 2016, 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, 2016, 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 4 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 2015 financial statements, and our report dated September 18, 2015, 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, 2015, 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 November 29, 2016, 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.

Stoltey & Associates

Orcutt, California
November 29, 2016

Management Discussion and Analysis June 30, 2016

The purpose of the Management's Discussion and Analysis is to introduce the financial statements and provide an analytical overview of CALM's program service accomplishments and CALM's community impact. CALM's discussion and analysis provides an overview of the non-profit's activities for the fiscal year ended June 30, 2016. 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, Mixtec, Cantonese, American Sign Language and other languages through interpreters.

CALM's Continuum of Care

Great Beginnings: Early Childhood Prevention & Intervention

CALM's Great Beginnings program serves families and caregivers with children aged 0 – 5 who are most at risk for abuse and neglect, with services aimed toward prevention and early intervention. Trained CALM professionals meet with at-risk parents of young children, even before babies are born. We help parents form strong, healthy attachments with their children, identify sources of support, and learn healthy parenting strategies. Our home visitors assess homes for safety, evaluate children's development and connect families to resources they need. If there is a developmental delay, it can be addressed and treated early. If a mother is experiencing postpartum depression, she can receive therapeutic support. Families are eligible if 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 in the Great Beginnings department include: Home Visitation, Katie A assessments, Parent Child Therapy, Parent Support and Welcome Every Baby. In FY 2015-2016, 1,017 clients received support in the Great Beginning Department.

Parenting and Family Programs

Every child comes to CALM attached to an adult. We know we must work to strengthen and support and the entire family to heal a child and to prevent abuse. The primary purpose of CALM's parenting and family programs is to build strong families characterized by safe, consistent, nurturing, and supportive relationships between caregivers and children. Program services focus on increasing parental social support, reducing stress, and increasing the use of positive parenting practices. Specific programs in the Parenting and Family Programs Department

include: Domestic Violence Group Treatment, Front Porch, Trauma Informed Parenting Group, Parenting for Resilience and Recovery and Positive Parenting Program. In FY 2015-2016, 615 clients received services.

Childhood Trauma Treatment

Most children who have been abused believe one thing: it was their fault. Abuse can be the root cause of many inappropriate behaviors that helped the child adapt or respond to their abuse. At CALM, we know that a child must tell his or her story so that the healing can begin. CALM counselors support the non-offending parent in correcting the child's misperceptions, such as they caused the abuse or were responsible. After the story is told, healing can begin. CALM's Childhood Trauma Treatment program help children of all ages and their families who have experienced sexual abuse, physical abuse, violence in their home, or neglect. Specific programs in the Childhood Trauma Treatment program include: Child Abuse/Family Violence Treatment, Child Sexual Abuse Treatment, HEAL (Healing Every Adult Life) and Juvenile Offender Treatment. In FY 2015-2016, 392 clients received therapeutic support.

Whatever It Takes: Intensive Family Services

CALM's "Whatever It Takes" (WIT) team provides intensive therapeutic interventions to children and families across all of Santa Barbara County. WIT clients have the highest level of need for mental health interventions because of their histories of abuse, trauma and neglect, severe emotional disturbance or mental illness. Many of these clients lack the emotional or family resources to attend in-office therapy. The WIT team therefore meets with clients and families in their homes or in the community. CALM therapists support and advocate for them as needed in their schools, with probation, Child Welfare Services and with other community systems in which they are involved. All WIT programs are served by referrals from the Department of Behavioral Wellness or the Department of Social Services. WIT Programs are provided throughout the County. Specific programs including in the Intensive Family Services Department include: Family Drug Treatment Court, HOPE (Helping Others in Parenting Environments), Intensive In Home Services, and SPIRIT. In FY 2015-2016, 335 clients received services.

Community Strengthening Collaborations

CALM is striving to create a community where teachers, parents and children work together to provide the strongest possible start for children in our community, thereby reducing the strain that child abuse puts on our schools, our healthcare system, and our community. Much of child abuse and neglect is identified through children's behavior in school and other out of home settings. We know that only a fraction of children who experience abuse receive individual

treatment. CALM is committed to doing more for all of the children in our community. We are reaching beyond the walls of our building, beyond the homes of our clients to create the social change necessary to support and strengthen even the families who do not receive direct service. Therefore, CALM partners with many other organizations to support them in their work with children. Our partnerships include schools, law enforcement, family resource centers and even health care. By engaging with all organizations and systems that work with youth, CALM can help strengthen our community, all of our caregivers, and make lasting changes. Specific programs in the Community Strengthening Collaborations Department include: Proyecto Heroes, Safety Training for School Aged Children, Early Childhood Mental Health Consultation, School Attendance Review Board and SART (Sexual Assault Response Team.) In FY 2015 – 2016, over 5,000 individuals were impacted by our Community Strengthening Collaborations.

Child Abuse Listening Mediation, Inc.
Statement of Financial Position
June 30, 2016
(with 2015 comparative totals)

	2016 Total	2015 Total
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 212,726	\$ 524,283
Contract payment receivables	462,037	500,904
Pledges receivable (note 3)	308,626	-
Prepaid expenses and other assets	50,328	47,236
Total Current Assets	1,033,717	1,072,423
 Long Term Pledges Receivable, Fixed Assets and Investment in Building		
Pledges receivable, net (note 3)	762,830	-
Fixed Assets, net (note 4)	2,568,660	2,584,337
Investment in Victoria Theater, net (note 4)	1,947,500	1,981,667
Total Long Term Pledges Receivable, Fixed Assets and Investment in Building	5,278,990	4,566,004
 Assets Held For Long-Term Use		
Cash and cash equivalents held in board designated funds (note 11)	200,293	128,145
Investments held in board designated funds (notes 5 & 11)	-	494,241
Total Assets Held for Long-Term Use	200,293	622,386
 Endowment Assets		
Cash and short term investments held in endowment fund (notes 10 & 11)	455,214	63,744
Investments held in endowment fund (notes 5, 10 and 11)	10,605,523	11,551,767
Total Endowment Assets	11,060,737	11,615,511
Total Assets	\$ 17,573,737	\$ 17,876,324
 LIABILITIES AND NET ASSETS		
 Current Liabilities		
Accounts payable	\$ 50,515	\$ 81,374
Accrued expenses	480,689	470,578
Deferred revenue (note 4)	20,707	20,707
Total Current Liabilities	551,911	572,659
 Long Term Liabilities		
Deferred revenue (note 4)	1,967,172	1,987,879
Line of credit (note 6)	2,070,833	2,070,833
Total Long Term Liabilities	4,038,005	4,058,712
Total Liabilities	4,589,916	4,631,371
 Net Assets		
Unrestricted:		
Undesignated	616,335	983,068
Designated for program and future use (notes 2 and 11)	200,293	622,386
Board Designated - endowment (notes 2, 10 and 11)	6,537,886	7,092,660
Temporarily restricted (notes 2 and 12)	1,106,456	23,988
Permanently restricted - Endowment (notes 2 and 10)	4,522,851	4,522,851
Total Net Assets	12,983,821	13,244,953
Total Liabilities and Net Assets	\$ 17,573,737	\$ 17,876,324

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, 2016
(with 2015 comparative totals)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Operating Revenue					
Revenues, Gains and Other Support					
Fundraising events - gross revenue	\$ 143,709	\$ -	\$ -	\$ 143,709	\$ 104,020
Less costs of direct benefits to donors	<u>(52,797)</u>	<u>-</u>	<u>-</u>	<u>(52,797)</u>	<u>(43,149)</u>
Net revenues from fundraising events	90,912	-	-	90,912	60,871
Auxiliary fundraising events - gross revenue	189,972	-	-	189,972	208,547
Auxiliary less costs of direct benefits to donors	<u>(77,255)</u>	<u>-</u>	<u>-</u>	<u>(77,255)</u>	<u>(73,624)</u>
Auxiliary net revenues from fundraising events	<u>112,717</u>	<u>-</u>	<u>-</u>	<u>112,717</u>	<u>134,923</u>
Total Special Events Revenue, Net	<u>203,629</u>	<u>-</u>	<u>-</u>	<u>203,629</u>	<u>195,794</u>
Contributed services	34,722	-	-	34,722	77,968
Contributions	1,009,381	1,106,456	-	2,115,837	1,086,039
Government contracts and allocations	4,368,829	-	-	4,368,829	4,276,762
Program service fees	<u>72,667</u>	<u>-</u>	<u>-</u>	<u>72,667</u>	<u>126,173</u>
Total Revenues, Gains and Other Support	<u>5,689,228</u>	<u>1,106,456</u>	<u>-</u>	<u>6,795,684</u>	<u>5,762,736</u>
Net assets released from restrictions	<u>23,988</u>	<u>(23,988)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Expenses					
Program Expenses					
Center for Excellence	285,553	-	-	285,553	241,381
Prevention and Early Intervention	2,344,410	-	-	2,344,410	2,223,779
Treatment On-Site at CALM	1,376,090	-	-	1,376,090	1,266,007
Intensive Community-Based Treatment	<u>1,432,441</u>	<u>-</u>	<u>-</u>	<u>1,432,441</u>	<u>1,435,224</u>
Total Operating Program Expenses	<u>5,438,494</u>	<u>-</u>	<u>-</u>	<u>5,438,494</u>	<u>5,166,391</u>
Supporting Services:					
Management and General	782,328	-	-	782,328	614,909
Fundraising	<u>480,499</u>	<u>-</u>	<u>-</u>	<u>480,499</u>	<u>426,097</u>
Total Operating Supporting Services	<u>1,262,827</u>	<u>-</u>	<u>-</u>	<u>1,262,827</u>	<u>1,041,006</u>
Total Operating Expenses	<u>6,701,321</u>	<u>-</u>	<u>-</u>	<u>6,701,321</u>	<u>6,207,397</u>
Change in net assets from Operating Activities	<u>(988,105)</u>	<u>1,082,468</u>	<u>-</u>	<u>94,363</u>	<u>(444,661)</u>
Non-Operating Revenue and Expenses					
Revenue					
Rental income	49,931	-	-	49,931	67,707
Loss on abandonment of assets	<u>(5,704)</u>	<u>-</u>	<u>-</u>	<u>(5,704)</u>	<u>-</u>
Investment income	<u>12,184</u>	<u>-</u>	<u>-</u>	<u>12,184</u>	<u>305,865</u>
Total Non-Operating Revenue	<u>56,411</u>	<u>-</u>	<u>-</u>	<u>56,411</u>	<u>373,572</u>
Expenses					
Depreciation expense	143,934	-	-	143,934	146,587
Investment advisory fees	63,965	-	-	63,965	70,982
Legal fees	29,608	-	-	29,608	-
Miscellaneous nonoperating expenses	<u>174,399</u>	<u>-</u>	<u>-</u>	<u>174,399</u>	<u>124,306</u>
Total Non-Operating Expenses	<u>411,906</u>	<u>-</u>	<u>-</u>	<u>411,906</u>	<u>341,875</u>
Change in net assets from Non-Operating Activities	<u>(355,495)</u>	<u>-</u>	<u>-</u>	<u>(355,495)</u>	<u>31,697</u>
Total Change in Net Assets	<u>\$ (1,343,600)</u>	<u>\$ 1,082,468</u>	<u>\$ -</u>	<u>\$ (261,132)</u>	<u>\$ (412,964)</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, 2016
(with 2015 comparative totals)

	<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, 2015	\$ 8,698,114	\$ 23,988	\$ 4,522,851	\$ 13,244,953
Change in net assets	<u>(1,343,600)</u>	<u>1,082,468</u>	<u>-</u>	<u>(261,132)</u>
Net assets at June 30, 2016	<u>\$ 7,354,514</u>	<u>\$ 1,106,456</u>	<u>\$ 4,522,851</u>	<u>\$ 12,983,821</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, 2016
(with 2015 comparative totals)

	<u>CALM Continuum of Care</u>					<u>Supporting Services</u>			<u>Grand Total 2015</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 2016</u>	
Operating Expenses									
Salaries	\$ 204,898	\$ 1,569,595	\$ 969,529	\$ 982,931	\$ 3,726,953	\$ 476,053	\$ 273,812	\$ 4,476,818	\$ 4,255,984
Payroll Taxes	15,122	115,837	71,552	72,541	275,052	35,133	20,207	330,392	314,576
Employee Benefits	36,613	272,029	164,540	167,981	641,163	84,894	47,974	774,031	642,852
Contributed Services	356	4,469	29,869	27	34,721	-	-	34,721	77,968
Total Salaries & Related Expenses	<u>256,989</u>	<u>1,961,930</u>	<u>1,235,490</u>	<u>1,223,480</u>	<u>4,677,889</u>	<u>596,080</u>	<u>341,993</u>	<u>5,615,962</u>	<u>5,291,380</u>
Accounting	-	-	-	-	-	115,872	-	115,872	37,148
Advertising	-	-	60	15	75	-	65,943	66,018	70,464
Auto & Travel	3,288	38,776	21,862	70,061	133,987	2,670	4,738	141,395	147,094
Building Operating Costs	1,588	66,032	24,530	26,133	118,283	3,689	2,122	124,094	101,187
Consulting	4,722	154,890	30,556	21,099	211,267	8,087	9,571	228,925	185,772
Education & Training	6,879	4,131	9,728	4,196	24,934	1,295	1,366	27,595	25,244
Equipment Rental & Maintenance	257	1,968	1,216	1,233	4,674	597	343	5,614	5,684
Insurance	2,279	17,458	10,784	10,933	41,454	5,295	3,046	49,795	44,408
Interest	3,487	26,712	16,500	16,728	63,427	8,102	4,660	76,189	71,749
Miscellaneous	680	-	175	215	1,070	4,912	1,401	7,383	4,928
Printing & Postage	340	2,790	1,607	1,630	6,367	1,477	20,441	28,285	28,104
Supplies	3,812	46,214	17,581	34,348	101,955	30,410	22,998	155,363	141,683
Taxes	-	-	-	-	-	2,939	-	2,939	3,803
Telephone	1,232	23,509	6,001	22,370	53,112	903	1,877	55,892	48,749
Total Other Operating Expenses	<u>28,564</u>	<u>382,480</u>	<u>140,600</u>	<u>208,961</u>	<u>760,605</u>	<u>186,248</u>	<u>138,506</u>	<u>1,085,359</u>	<u>916,017</u>
Total Operating Expenses	<u>285,553</u>	<u>2,344,410</u>	<u>1,376,090</u>	<u>1,432,441</u>	<u>5,438,494</u>	<u>782,328</u>	<u>480,499</u>	<u>6,701,321</u>	<u>6,207,397</u>
Non-Operating Expenses									
Depreciation	6,588	50,464	31,171	31,602	119,825	15,306	8,803	143,934	146,587
Investment advisory fees	-	-	-	-	-	63,965	-	63,965	70,982
Legal	-	-	-	-	-	29,608	-	29,608	-
Miscellaneous nonoperating	3,175	23,603	14,277	14,575	55,630	44,250	74,519	174,399	124,306
Total Non-Operating Expenses	<u>9,763</u>	<u>74,067</u>	<u>45,448</u>	<u>46,177</u>	<u>175,455</u>	<u>153,129</u>	<u>83,322</u>	<u>411,906</u>	<u>341,875</u>
Total Expenses	<u>\$ 295,316</u>	<u>\$ 2,418,477</u>	<u>\$ 1,421,538</u>	<u>\$ 1,478,618</u>	<u>\$ 5,613,949</u>	<u>\$ 935,457</u>	<u>\$ 563,821</u>	<u>\$ 7,113,227</u>	<u>\$ 6,549,272</u>

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, 2016
(with 2015 comparative totals)

	<u>2016</u> <u>Total</u>	<u>2015</u> <u>Total</u>
Cash Flows From Operating Activities:		
Decrease in net assets	\$ (261,132)	\$ (412,964)
Adjustments to reconcile increase in net assets to cash used for operating activities:		
Depreciation	143,935	146,587
Realized and unrealized gain on investments	438,055	197,176
Loss on disposal of assets	5,704	-
Decrease (Increase) in		
Contract payments and other receivables	38,867	(124,762)
Pledges receivable	(1,071,456)	48,122
Prepaid and other assets	(3,092)	43,960
Cash held for long term purposes	(463,618)	200,079
Increase (Decrease) in		
Deferred revenue	(20,707)	(20,707)
Accounts payable and accrued expenses	(20,748)	100,959
Net Cash Provided (Used) From Operating Activities	<u>(1,214,192)</u>	<u>178,450</u>
Cash Flows From Investing Activities:		
Proceeds from sale of investments	6,966,757	5,892,435
Purchase of investments	(5,964,326)	(5,657,457)
Acquisition of property and equipment	<u>(99,796)</u>	<u>(301,176)</u>
Net Cash Provided (Used) From Investing Activities	<u>902,635</u>	<u>(66,198)</u>
Cash Flows From Financing Activities:		
Proceeds from line of credit	<u>-</u>	<u>180,906</u>
Net Cash Provided From Financing Activities	<u>-</u>	<u>180,906</u>
Net Increase (Decrease) in cash and cash equivalents	(311,557)	293,158
Cash and cash equivalents at Beginning of Year	<u>524,283</u>	<u>231,125</u>
Cash and cash equivalents at Ending of Year	<u>\$ 212,726</u>	<u>\$ 524,283</u>
Cash Paid For Interest	<u>\$ 76,189</u>	<u>\$ 71,749</u>

The accompanying notes are an integral part of this financial statement

Child Abuse Listening Mediation, Inc.
Notes to Financial Statements
June 30, 2016

(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, Mixteco, 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

CALM 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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, CALM is required to present a statement of cash flows and has chosen to provide a statement of functional expenses.

Unrestricted 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. As a component of unrestricted net assets, CALM reports board designated net assets that have been designated by the Board of Trustees for a particular purpose or time.

Temporarily restricted net assets – Temporarily restricted 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.

Child Abuse Listening Mediation, Inc.
Notes to Financial Statements
June 30, 2016

Permanently restricted net assets – Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization. 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's capitalizes all property and equipment valued at \$5,000 or more. CALM uses the straight-line method for the computation of depreciation of long-lived assets according to the following schedule of useful lives:

<u>Asset</u>	<u>Life</u>
Leasehold Improvements	10 Years
Buildings	30 Years
Furniture and Equipment	5 Years

Child Abuse Listening Mediation, Inc.
Notes to Financial Statements
June 30, 2016

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 fundraising 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.

Income Taxes

CALM is incorporated and 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 2013, 2014, and 2015 are still open to audit for both federal and state purposes. Contributions to the organization are tax

Child Abuse Listening Mediation, Inc.
Notes to Financial Statements
June 30, 2016

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 the accompanying notes. Actual results could differ from those estimates.

Significant estimates 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 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, 2016 and 2015.

Fair Value of Financial Instruments

The estimated fair values of the CALM'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.

Child Abuse Listening Mediation, Inc.
Notes to Financial Statements
June 30, 2016

Reclassifications

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

(3) PLEDGES RECEIVABLE

Pledges receivable are scheduled to be collected in the following fiscal years

2017	\$ 308,626
2018	150,000
2019	150,000
2020	150,000
2021	150,000
Thereafter	<u>250,000</u>
Total	1,158,626
Less discount	<u>(87,170)</u>
Pledges Receivable, Net	<u>\$ 1,071,456</u>

Pledges receivable with due dates extending beyond one year are discounted using 2.21%. CALM did not report any conditional pledges as of June 30, 2016 and 2015.

(4) FIXED ASSETS AND INVESTMENT IN REAL PROPERTY

	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$ 789,926	\$ 676,228
Furniture and fixtures	390,677	394,542
Construction in progress	-	39,237
Land and building	<u>2,177,475</u>	<u>2,177,475</u>
Total property and equipment	3,358,078	3,287,482
Accumulated depreciation	<u>(789,418)</u>	<u>(703,145)</u>
Fixed Assets, Net	<u>2,568,660</u>	<u>2,584,337</u>
Investment in Victoria Theater	2,050,000	2,050,000
Accumulated depreciation	<u>(102,500)</u>	<u>(68,333)</u>
Investment in Victoria Theater, Net	<u>1,947,500</u>	<u>1,981,667</u>
Grand Total	<u>\$ 4,516,160</u>	<u>\$ 4,566,004</u>

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 Mad Fitness. (See also the following Investment in Real Property).

Child Abuse Listening Mediation, Inc.
Notes to Financial Statements
June 30, 2016

CALM reported depreciation expense related to fixed assets used in operations of \$109,767 and \$112,420 for the year ended June 30, 2016 and 2015, respectively.

Investment in Real Property:

In 2014, CALM acquired the land and building commonly known as West Victoria (the Victoria Theater) and 1236 Chapala Street (CALM's offices) for \$4,677,476. CALM estimated the fair market value of the portion of land and building used for CALM offices to be \$2,177,475 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, 2016 CALM reported \$1,987,879 (\$20,707 current liability and \$1,967,172 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 \$34,167 for the years ended June 30, 2016 and 2015, respectively.

(5) INVESTMENTS

CALM records investments in marketable securities at fair market value in the statement of financial position. As of June 30, 2016, investments consisted of the following:

Child Abuse Listening Mediation, Inc.
Notes to Financial Statements
June 30, 2016

Endowment

	<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Fixed income mutual funds:			
Domestic	\$ 1,281,526	\$ 1,290,356	\$ (8,830)
International	1,057,107	1,055,217	1,890
Equity mutual funds:			
Domestic	5,695,806	5,330,083	365,723
International	1,907,084	1,925,129	(18,045)
Exchange traded funds:			
Liquid real estate	<u>664,000</u>	<u>687,099</u>	<u>(23,099)</u>
Total	<u>\$ 10,605,523</u>	<u>\$ 10,287,884</u>	317,639
Unrealized gain at June 30, 2015			<u>(808,054)</u>
Net change in unrealized gain			<u>\$ (490,415)</u>

As of June 30, 2015, investments consisted of the following:

Board Designated

	<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Fixed income mutual funds:			
Domestic	\$ 66,148	\$ 66,442	\$ (294)
International	46,562	47,131	(569)
Equity mutual funds:			
Domestic	202,614	186,046	16,568
International	65,222	66,879	(1,657)
Hedged	83,933	78,616	5,317
Exchange traded funds:			
Liquid real estate	<u>29,762</u>	<u>30,469</u>	<u>(707)</u>
Total	<u>\$ 494,241</u>	<u>\$ 475,583</u>	18,658
Unrealized loss at June 30, 2014			<u>(37,351)</u>
Net change in unrealized gain			<u>\$ (18,693)</u>

Child Abuse Listening Mediation, Inc.
Notes to Financial Statements
June 30, 2016

Endowment

	<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Fixed income mutual funds:			
Domestic	\$ 1,388,473	\$ 1,401,627	\$ (13,154)
International	1,047,834	1,067,570	(19,736)
Equity mutual funds:			
Domestic	4,611,017	3,933,567	677,450
International	1,953,275	1,947,253	6,022
Hedged	1,880,613	1,715,062	165,551
Exchange traded funds:			
Liquid real estate	670,555	687,099	(16,544)
Total	<u>\$ 11,551,767</u>	<u>\$ 10,752,178</u>	799,589
Unrealized loss at June 30, 2014			<u>(937,432)</u>
Net change in unrealized gain			<u>\$ (137,843)</u>

Investment income consisted of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 450,239	\$ 503,041
Unrealized gain (loss) on investments	(513,287)	(156,536)
Realized gain (loss) on sale of investments	75,232	(40,640)
Total investment income	<u>\$ 12,184</u>	<u>\$ 1,762,792</u>

(6) LINES OF CREDIT

During the year ended June 30, 2014 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. 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, 2016 and 2015 CALM had a balance of \$2,070,833 and \$2,070,833 on the line of credit, respectively.

In addition CALM has entered into a \$1,000,000 line of credit agreement. The proceeds of the line of credit are to be used in operations. 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, 2016 and 2015 CALM did not have a balance of owing on the line of credit.

Child Abuse Listening Mediation, Inc.
Notes to Financial Statements
June 30, 2016

(7) CONTINGENT LIABILITIES

Contracts and Allocations

CALM receives a number of grants and contracts from various governmental agencies. These grants and contracts 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 CALM's revenues are derived from government grants and contracts.

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

(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, 2016 and 2015:

- Fixed income mutual funds which include domestic funds and international funds with a market value of \$2,338,633 and \$2,549,016 at June 30, 2016 and 2015, respectively.
- Equity mutual funds which include domestic and international funds with a market value of \$7,602,889 and \$8,796,674 at June 30, 2016 and 2015, respectively.
- Other marketable securities are comprised of exchange traded funds, including funds consisting of portfolios of liquid real estate and index funds, are actively

Child Abuse Listening Mediation, Inc.
Notes to Financial Statements
June 30, 2016

traded on 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, 2016

	<u>Fair Value</u>	Quoted Prices In Active Markets For Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Fixed income				
mutual funds	\$ 2,338,634	\$ 2,338,634	\$ -	\$ -
Equity mutual funds	7,602,889	7,602,889	-	-
Exchange traded				
funds	<u>664,000</u>	<u>664,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,605,523</u>	<u>\$10,605,523</u>	<u>\$ -</u>	<u>\$ -</u>

During the year ended June 30, 2016, CALM did not transfer any equity securities from level 2 or level 3 to level 1.

June 30, 2015

	<u>Fair Value</u>	Quoted Prices In Active Markets For Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Fixed income				
mutual funds	\$ 2,549,016	\$ 2,549,016	\$ -	\$ -
Equity mutual funds	8,796,674	8,796,674	-	-
Exchange traded				
funds	<u>700,317</u>	<u>700,317</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,046,007</u>	<u>\$12,046,007</u>	<u>\$ -</u>	<u>\$ -</u>

Child Abuse Listening Mediation, Inc.
Notes to Financial Statements
June 30, 2016

During the year ended June 30, 2015, CALM did not transfer any equity securities from level 2 or level 3 to level 1.

(10) ENDOWMENT

CALM'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, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds	<u>\$ 6,537,886</u>	<u>\$ -</u>	<u>\$ 4,522,851</u>	<u>\$ 11,060,737</u>

Child Abuse Listening Mediation, Inc.
Notes to Financial Statements
June 30, 2016

Changes in endowment net assets for the Fiscal Year Ended June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 7,092,660	\$ -	\$ 4,522,851	\$ 11,615,511
Contributions	-	-	-	-
Investment Income	(54,774)	-	-	(54,774)
Expenditures for Programs	(500,000)	-	-	(500,000)
Administrative Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, ending of year	<u>\$ 6,537,886</u>	<u>\$ -</u>	<u>\$ 4,522,851</u>	<u>\$ 11,060,737</u>

Endowment net asset composition by type of fund as of June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds	<u>\$ 7,092,660</u>	<u>\$ -</u>	<u>\$ 4,522,851</u>	<u>\$ 11,615,511</u>

Changes in endowment net assets for the Fiscal Year Ended June 30, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 7,352,674	\$ -	\$ 4,522,851	\$ 11,875,525
Contributions	-	-	-	-
Investment Income	220,986	-	-	220,986
Expenditures for Programs	(481,000)	-	-	(481,000)
Administrative Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, ending of year	<u>\$ 7,092,660</u>	<u>\$ -</u>	<u>\$ 4,522,851</u>	<u>\$ 11,615,511</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.
Notes to Financial Statements
June 30, 2016

retain as a fund of perpetual duration. No such deficiencies existed at June 30, 2016 and 2015.

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>2016</u>	<u>2015</u>
Building maintenance	\$ 82,711	\$ 132,711
Capital expenditures	-	3,950
Comprehensive campaign	7,509	27,866
Electronic health records development	-	27,018
Basement repairs	5,953	23,615
Executive director transition	-	57,980
Operating and holding reserves	104,120	295,554
North County offices	-	53,692
Other reserves	-	-
Total Assets Held for Long-Term Use	<u>200,293</u>	<u>622,386</u>
Board designated endowment	<u>6,537,886</u>	<u>7,092,660</u>
Total Designated Funds	<u>\$ 6,738,179</u>	<u>\$ 7,715,046</u>

Child Abuse Listening Mediation, Inc.
Notes to Financial Statements
June 30, 2016

(12) TEMPORARILY RESTRICTED FUNDS

Temporarily restricted net assets at June 30, 2016 and 2015 consist of the following amounts:

	<u>2016</u>	<u>2015</u>
Capital improvements	\$ -	\$ 23,988
CALM for Kids	1,071,456	-
Early Childhood Consultation Team	<u>35,000</u>	<u>-</u>
Total	<u>\$ 1,106,456</u>	<u>\$ 23,988</u>

(13) SUBSEQUENT EVENTS

Management has evaluated events through November 29, 2016 which is the date the financial statements were available to be issued. Management has determined with the exception of the following item that no subsequent event requiring disclosure or significantly impacting disclosure has occurred.

Luria and CALM completed a condo-conversion in July 2016, with title to the Victoria Theater vesting in Luria's name with no additional payments to CALM. This change in ownership will be reflected in CALM's financial statements ending June 30, 2017.



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of
Child Abuse Listening Mediation, 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, 2016, 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, and have issued our report thereon dated November 29, 2016.

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 Child Abuse Listening Mediation, Inc.’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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control,

described in the accompanying schedule of findings and responses that we consider to be significant deficiencies referenced as Finding 2016-1, and 2016-2.

Compliance and Other Matters

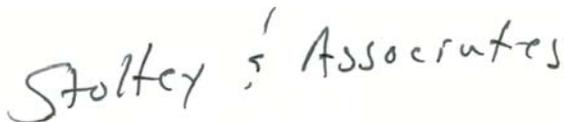
As part of obtaining reasonable assurance about whether Child Abuse Listening Mediation, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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*.

Child Abuse Listening Mediation, Inc.'s Response to Findings

Child Abuse Listening Mediation, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Child Abuse Listening Mediation, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Orcutt, California
November 29, 2016

Schedule of Findings and Responses

June 30, 2016

Finding 2016-01 Internal Control over Bank Reconciliations (Significant Deficiency)

Criteria

An effective internal control system over bank account reconciliations provides reasonable assurance for the safeguarding of assets and the reliability of financial information.

Condition

We noted three of the four bank reconciliations selected for testwork did not contain evidence of review by a second staff member.

Cause

While the Organization's current policies requires bank reconciliations be reviewed by a second staff member, the policy appears to have not been followed.

Effect

The absence of proper review of bank reconciliations provides opportunities for improprieties.

Recommendations

We recommend all bank reconciliations be reviewed by a second staff member and the review be performed timely and be documented as to who reviewed and date of review.

Management Response and Corrective Action Plan

CALM Finance Department will follow the policy of reviewing bank reconciliations by a second staff member in a timely manner. The financial statements are reviewed on a monthly basis as part of the monthly closing process and the summaries are reviewed monthly by the Finance Committee. The Finance Committee will perform random audits each quarter to ensure that this policy is being followed.

Finding 2016-02 Internal Control over Record Retention (Significant Deficiency)

Criteria

An effective internal control system over record retention provides for accounting records to be readily available for review.

Condition

We noted several accounting records were not able to be located or were no longer accessible due to changes in software. Specifically, we noted a payroll journal, an employee personnel file and several time cards were either not able to be located or could not be accessed.

Cause

The Organization's current policies provides for proper record retention. The policy appears to have not been followed.

Effect

The absence of proper record retention prohibits adequate historical information to be available for review.

Recommendations

We recommend all the Organization's record retention policy be adhered to.

Management Response and Corrective Action Plan

CALM is in the process of implementing electronic record keeping for both finance records and personnel records in order to properly retain accessible records per our record retention policy. The financial statements are reviewed on a monthly basis as part of the monthly closing process and the summaries are reviewed monthly by the Finance Committee. The Finance Committee will perform random audits each quarter to ensure that this policy is being followed.