

**CHILD ABUSE LISTENING MEDIATION, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2018**

# CHILD ABUSE LISTENING MEDIATION, INC.

June 30, 2018

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of  
Child Abuse Listening Mediation, Inc.  
Santa Barbara, California

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

We have audited the accompanying financial statements of Child Abuse Listening Mediation, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, 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 statement 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 of 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, 2018, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2018, on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "McGowan Guntermann".

Santa Barbara, California  
November 13, 2018

## **Management Discussion and Analysis June 30, 2018**

The purpose of the Management Discussion and Analysis is to introduce the financial statements and provide an analytical overview of Child Abuse Listening Mediation's (CALM's) program service accomplishments and CALM's community impact. CALM's Management Discussion and Analysis provides an overview of the non-profit's activities for the fiscal year ended June 30, 2018. CALM's mission is to prevent childhood trauma, heal children and families, and build resilient communities throughout Santa Barbara County. CALM is committed to providing service:

- 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.

### CALM's Continuum of Care

#### **Great Beginnings: Early Childhood Prevention & Intervention**

Imagine a world where all parents are supported to become the best parents they can be. The programs in the Great Beginnings department help to promote protective factors and reduce vulnerabilities. Programs provide services to children prenatally through seven years of age who have experienced abuse or neglect, or demonstrate risk factors for abuse/neglect or negative developmental outcomes. Great Beginnings offers a continuum of services to address the family's needs and support optimal development, from case management and parental education to clinical treatment services. Services are delivered in the home, at CALM clinics, in Family Resource Centers, Early Care and Education settings or other natural settings.

#### **Parenting and Family Services**

Every child comes to CALM attached to an adult. We know we must work to strengthen and support the entire family to heal a child and to prevent abuse. The primary purpose of CALM's Parenting and Family Services department 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.

#### **Childhood Trauma Treatment**

Untreated childhood trauma can have devastating life-long effects that impact a child's ability to grow and learn, trust others, and make healthy choices. Further, most children who have been abused or neglected believe it was their fault. At CALM, we know that a child must tell his or her story and receive unconditional support for healing to begin. The programs in this department focus on facilitating recovery for children who have been exposed to trauma, neglect, or family violence. Programs provide individual and family treatment to foster children's resilience and recovery from adverse experiences, as well as to build strong parent-child relationships.

**Whatever It Takes: Intensive Family Services**

The Whatever It Takes (WIT) department provides intensive therapeutic interventions to children and families demonstrating serious emotional or behavioral problems. The families seen in these programs frequently demonstrate significant difficulties, including multigenerational histories of familial trauma, parental histories of substance abuse, and involvement with the criminal justice or child welfare systems. To make services more accessible, WIT clients are often seen in the community or in their homes.

**Community Strengthening Collaborations**

CALM is committed to supporting all children in our community. To do so, we must reach beyond the walls of our building and the homes of our clients to create the social change necessary to support and strengthen our broader community. CALM aims to build a trauma-informed, resilient community by collaborating effectively with schools, preschools, law enforcement, family resource centers and health care providers. By building the capacity of adults to understand children's behaviors when impacted by trauma, we promote optimal social-emotional development for all children in our community.

**CHILD ABUSE LISTENING MEDIATION, INC.**

**STATEMENT OF FINANCIAL POSITION**

June 30, 2018

**ASSETS**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents (note 2)	\$ 531,971	\$ 88,431	\$ -	\$ 620,402
Accounts Receivable (note 2)	443,903	-	-	443,903
Pledges Receivable, Current Portion (notes 2 and 3)	-	493,721	-	493,721
Prepaid Expenses and Deposits	32,846	-	-	32,846
Total Current Assets	<u>1,008,720</u>	<u>582,152</u>	<u>-</u>	<u>1,590,872</u>
<b>NON-CURRENT ASSETS</b>				
Pledges Receivable, Net of Current Portion (note 2)	-	976,820	-	976,820
Investments (notes 2 and 5)	7,365,107	-	4,522,851	11,887,958
Property and Equipment, Net (notes 2 and 4)	2,392,952	-	-	2,392,952
Total Non-Current Assets	<u>9,758,059</u>	<u>976,820</u>	<u>4,522,851</u>	<u>15,257,730</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 10,766,779</u></b>	<b><u>\$ 1,558,972</u></b>	<b><u>\$ 4,522,851</u></b>	<b><u>\$ 16,848,602</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 50,774	\$ -	\$ -	\$ 50,774
Accrued Expenses	464,779	-	-	464,779
Total Current Liabilities	<u>515,553</u>	<u>-</u>	<u>-</u>	<u>515,553</u>
<b>LONG-TERM LIABILITIES</b>				
Line of Credit (note 6)	2,070,833	-	-	2,070,833
Total Long-Term Liabilities	<u>2,070,833</u>	<u>-</u>	<u>-</u>	<u>2,070,833</u>
<b>NET ASSETS</b>				
Unrestricted				
Undesignated	584,754	-	-	584,754
Designated for Program and Future Use (notes 2 and 11)	230,542	-	-	230,542
Board Designated (notes 2 and 11)	7,365,097	-	-	7,365,097
Total Unrestricted	8,180,393	-	-	8,180,393
Temporarily Restricted (notes 2 and 10)	-	1,558,972	-	1,558,972
Permanently Restricted (notes 2 and 8)	-	-	4,522,851	4,522,851
Total Net Assets	<u>8,180,393</u>	<u>1,558,972</u>	<u>4,522,851</u>	<u>14,262,216</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 10,766,779</u></b>	<b><u>\$ 1,558,972</u></b>	<b><u>\$ 4,522,851</u></b>	<b><u>\$ 16,848,602</u></b>

The accompanying notes are an integral part of these financial statements.

**CHILD ABUSE LISTENING MEDIATION, INC.**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>				
Government Contracts	\$ 4,348,447	\$ -	\$ -	\$ 4,348,447
Contributions (note 2)	693,115	1,432,557	-	2,125,672
Program Service Fees	80,002	-	-	80,002
Interest and Dividends (note 5)	297,644	-	-	297,644
Realized Gains on Sale of Investments (note 5)	170,625	-	-	170,625
Unrealized Gains on Investments (note 5)	252,439	-	-	252,439
In-kind Contributions (note 2)	171,332	-	-	171,332
Rental Income	155,285	-	-	155,285
Special Events Less Costs of Direct Benefits to Donors of \$35,983	122,116	-	-	122,116
Auxiliary Events Less Costs of Direct Benefits to Donors of \$90,240	76,074	-	-	76,074
Net Assets Released From Restrictions	<u>1,264,845</u>	<u>(1,264,845)</u>	<u>-</u>	<u>-</u>
Total Revenue, Gains, and Other Support	<u>7,631,924</u>	<u>167,712</u>	<u>-</u>	<u>7,799,636</u>
<b>EXPENSES</b>				
Program Services				
Great Beginnings	1,784,683	-	-	1,784,683
Parenting and Family Programs	711,931	-	-	711,931
Childhood Trauma Treatment	1,279,948	-	-	1,279,948
Whatever It Takes	1,497,584	-	-	1,497,584
Community Strengthening Collaborations	<u>609,212</u>	<u>-</u>	<u>-</u>	<u>609,212</u>
Total Program Expenses	<u>5,883,358</u>	<u>-</u>	<u>-</u>	<u>5,883,358</u>
Supporting Services				
Management and General	1,189,564	-	-	1,189,564
Development and Fundraising	<u>423,050</u>	<u>-</u>	<u>-</u>	<u>423,050</u>
Total Supporting Expenses	<u>1,612,614</u>	<u>-</u>	<u>-</u>	<u>1,612,614</u>
Total Expenses	<u>7,495,972</u>	<u>-</u>	<u>-</u>	<u>7,495,972</u>
<b>CHANGE IN NET ASSETS</b>	<b>135,952</b>	<b>167,712</b>	<b>-</b>	<b>303,664</b>
NET ASSETS, BEGINNING OF YEAR	<u>8,044,441</u>	<u>1,391,260</u>	<u>4,522,851</u>	<u>13,958,552</u>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 8,180,393</u></b>	<b><u>\$ 1,558,972</u></b>	<b><u>\$ 4,522,851</u></b>	<b><u>\$ 14,262,216</u></b>

The accompanying notes are an integral part of these financial statements.

**CHILD ABUSE LISTENING MEDIATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2018

	Great Beginnings	Parenting and Family Programs	Childhood Trauma Treatment	Whatever It Takes	Community Strengthening Collaborations	Total Program Expense	Management and General	Fundraising	Total 2018
<b>Operating Expenses</b>									
Salaries	\$ 1,184,382	\$ 410,542	\$ 844,794	\$ 986,994	\$ 390,085	\$ 3,816,797	\$ 681,861	\$ 245,615	\$ 4,744,273
Payroll Taxes	88,285	30,602	62,972	73,571	29,077	284,507	50,827	18,308	353,642
Employee Benefits	236,660	81,691	169,428	197,791	77,508	763,078	98,064	72,147	933,289
Contributed Services	33,606	23,841	49,118	9,542	1,296	117,403	-	-	117,403
Total Salaries and Related Expenses	<u>1,542,933</u>	<u>546,676</u>	<u>1,126,312</u>	<u>1,267,898</u>	<u>497,966</u>	<u>4,981,785</u>	<u>830,752</u>	<u>336,070</u>	<u>6,148,607</u>
						-			
Accounting	-	-	-	-	-	-	44,975	-	44,975
Advertising (note 2)	-	-	-	-	-	-	-	18,761	18,761
Auto and Travel	24,687	10,697	12,010	44,353	12,051	103,798	5,284	2,794	111,876
Building Operating Costs	60,341	14,357	30,497	39,583	6,379	151,157	14,884	6,115	172,156
Consulting and IT	25,088	93,710	22,245	33,290	49,477	223,810	91,111	6,811	321,732
Education and Training	4,894	1,466	6,612	6,208	6,945	26,125	1,821	703	28,649
Equipment Rental and Maintenance	1,327	460	946	1,106	437	4,276	764	275	5,315
Insurance	11,109	3,851	7,924	9,257	3,659	35,800	6,395	2,304	44,499
Interest	18,607	6,450	13,272	15,506	6,128	59,963	10,712	3,859	74,534
Miscellaneous	2,143	743	1,792	2,032	797	7,507	1,725	2,155	11,387
Printing and Postage	2,432	740	1,561	1,779	703	7,215	1,229	20,306	28,750
Supplies	42,034	16,460	27,833	32,743	11,558	130,628	15,599	14,495	160,722
Taxes	-	-	-	-	-	-	10,494	-	10,494
Telephone	15,029	4,515	4,650	15,446	1,894	41,534	1,500	1,469	44,503
Total Other Operating Expenses	<u>207,691</u>	<u>153,449</u>	<u>129,342</u>	<u>201,303</u>	<u>100,028</u>	<u>791,813</u>	<u>206,493</u>	<u>80,047</u>	<u>1,078,353</u>
Total Operating Expenses	<u>1,750,624</u>	<u>700,125</u>	<u>1,255,654</u>	<u>1,469,201</u>	<u>597,994</u>	<u>5,773,598</u>	<u>1,037,245</u>	<u>416,117</u>	<u>7,226,960</u>
<b>Non-Operating Expenses</b>									
Depreciation	28,057	9,726	20,013	23,381	9,241	90,418	16,153	5,818	112,389
Investment Advisory Fees	-	-	-	-	-	-	68,146	-	68,146
Income Taxes	-	-	-	-	-	-	36,129	-	36,129
Miscellaneous	6,002	2,080	4,281	5,002	1,977	19,342	31,891	1,115	52,348
Total Non-Operating Expenses	<u>34,059</u>	<u>11,806</u>	<u>24,294</u>	<u>28,383</u>	<u>11,218</u>	<u>109,760</u>	<u>152,319</u>	<u>6,933</u>	<u>269,012</u>
Total Expenses	<u>\$ 1,784,683</u>	<u>\$ 711,931</u>	<u>\$ 1,279,948</u>	<u>\$ 1,497,584</u>	<u>\$ 609,212</u>	<u>\$ 5,883,358</u>	<u>\$ 1,189,564</u>	<u>\$ 423,050</u>	<u>\$ 7,495,972</u>

The accompanying notes are an integral part of these financial statements.

**CHILD ABUSE LISTENING MEDIATION, INC.**

**STATEMENT OF CASH FLOWS**

For the Year Ended June 30, 2018

	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 303,664
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	112,389
Realized gains on investments	(170,625)
Unrealized gain on long-term investments	(252,439)
Increase in pledges and accounts receivable	(695,666)
Increase in prepaid expenses and deposits	(24)
Decrease in accounts payable and accrued expenses	<u>(79,449)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(782,150)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of property and equipment	(29,231)
Proceeds from sale of marketable securities	7,769,259
Purchase of marketable securities	<u>(7,495,698)</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>244,330</u>
 <b>NET DECREASE IN CASH</b>	<b>(537,820)</b>
 CASH, BEGINNING OF YEAR	<u>1,158,222</u>
 <b>CASH, END OF YEAR</b>	<b><u>\$ 620,402</u></b>
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>	
 Cash paid for:	
Interest	\$ 74,534
Income taxes	\$ 36,129
 Non-cash transactions consisted of the following:	
In-kind contribution of goods and services	\$ 171,332

The accompanying notes are an integral part of these financial statements.

# CHILD ABUSE LISTENING MEDIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 1 - ORGANIZATION

Child Abuse Listening Mediation (CALM) is a nonprofit organization located in Santa Barbara, California. CALM's mission is to prevent childhood trauma, heal children and families, and build resilient communities throughout Santa Barbara County. Prevention and treatment services include individual, family and group therapy; home and school-based prevention programs; phone and in-person crisis intervention; and community outreach and awareness programs. CALM partners with preschools, schools, pediatric clinics and family resource centers to reach as many children in our community as possible. Services are available to children and families without regard to ability to pay. Services are provided in English, Spanish, Mixteco, Cantonese, American Sign Language, and other languages through interpreters.

CALM's clients are children, adults, and families residing throughout Santa Barbara County.

### Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting

The financial statements of CALM have been prepared on the accrual basis of accounting following accounting principles generally accepted in the United States of America (GAAP). The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

#### Financial Statement Presentation

CALM has adopted GAAP provided for not-for-profit organizations in order to enhance the relevance, understandability, and comparability of financial statements issued by CALM. Those principles require that net assets and revenue, gains, expenses and losses be classified as unrestricted, temporarily restricted and permanently restricted as follows:

*Unrestricted net assets* consist of funds free of any donor-imposed restrictions and are available for support of the operations of CALM. Contributions and grants for general unrestricted purposes are all accounted for in the unrestricted fund. 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* consist of contributions and other inflows that are subject to donor-imposed restrictions. The restrictions are temporary in that they are expected to expire with the passage of time or be satisfied and removed by actions of CALM that fulfill donor stipulations. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as "net assets released from restrictions."

# CHILD ABUSE LISTENING MEDIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial Statement Presentation (continued)

*Permanently restricted net assets* consist of contributions and other inflows of funds subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of CALM. Permanently restricted net assets also consist of those donor-restricted endowments held by CALM as defined under the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Investment income generated by permanently restricted net assets is temporarily restricted by law until appropriated by the Board in support of CALM's programs and operations.

#### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the report period. Actual results could differ from those estimates.

Significant estimates used in the preparation of these financial statements include:

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

#### Cash and Cash Equivalents

For the purposes of the statement of cash flows, CALM considers all highly liquid instruments purchased with a maturity of less than three months to be cash equivalents.

#### Accounts Receivable

Accounts receivable are stated as 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 account receivables has been reported as all amounts are expected to be collected.

# CHILD ABUSE LISTENING MEDIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Pledges Receivable

Pledges (unconditional promises to give) are recorded as pledges receivable. 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

CALM records investments in securities with readily determinable market values at fair value. The fair value of investments in securities traded on national securities exchanges is valued at the closing price on the last business day of the fiscal year. Realized and unrealized gains and losses are included in the change in net assets.

#### Property and Equipment

Property and equipment acquisitions in excess of \$5,000 are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. All property and equipment are depreciated under the straight-line method, generally over their useful lives as follows:

Furniture and equipment	5 years
Leasehold improvements	10 years
Buildings	30 years

#### Advertising

CALM uses advertising to inform the community about the programs it offers. Advertising costs are expensed as they are incurred.

#### Functional Expenses

CALM allocates its expenses on a functional basis among its various programs, management and general, and fundraising activities. Expenses that can be identified with a specific area are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

# CHILD ABUSE LISTENING MEDIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Income Taxes

CALM is a nonprofit corporation exempt from Federal income taxes under Internal Revenue Code (IRC) 501(c)(3) and State income taxes under Revenue and Taxation Code Section 23701(d), therefore no amounts for income taxes are reflected in the accompanying financial statements other than those related to unrelated business income (rental income). CALM rents office space which is considered unrelated business income under IRC 512(a)(1). CALM is not a private foundation for income tax purposes. CALM is not aware of any transactions that would affect its tax-exempt status.

CALM evaluates uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of June 30, 2018, CALM had no uncertain tax positions requiring accrual.

CALM files tax returns in California and U.S. federal jurisdictions. CALM is no longer subject to U.S. federal, state and local tax examinations by tax authorities for years before 2014 and 2013, respectively.

#### 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 i.e, 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.

#### 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 year ended June 30, 2018.

#### In-Kind Contributions

Donated goods and services are recognized as in-kind contributions in accordance with GAAP for not-for-profit organizations, if the goods and services (a) create or enhance non-financial assets or (b) the services require specialized skills and are performed by people with those skills and would otherwise be purchased by CALM. The amount of in-kind contributions of goods and services received for June 30, 2018, totaled \$171,332.

# CHILD ABUSE LISTENING MEDIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Upcoming Accounting Standards

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This guidance is intended to improve financial statement presentation and disclosures by not-for-profit organizations and provide more relevant information. The most significant provisions of the standard require two classes of net assets, rather than the currently required three classes as well as disclosures about liquidity, expense presentation and cash flows. This guidance is effective for the year ending December 31, 2018. The impact of this standard on our financial statements is currently being evaluated.

#### Subsequent Events

CALM has evaluated subsequent events through November 13, 2018, the date which the financial statements were available to be issued.

### Note 3 – PLEDGES RECEIVABLE

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

2019	\$ 493,721
2020	376,217
2021	297,050
2022	158,500
2023	65,000
Thereafter	<u>207,500</u>
Total	1,597,988
Less, discount	<u>(127,447)</u>
Pledges receivable, net	<u>\$1,470,541</u>

Pledges receivable with due dates extending beyond one year are discounted using 2.21%.

### Note 4 – PROPERTY AND EQUIPMENT

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. Property and equipment consist of the following as of June 30, 2018, with depreciation expense of \$112,389:

Land and building	\$2,177,475
Furniture and fixtures	365,691
Leasehold improvements	292,708
Construction in progress	<u>29,654</u>
Total property and equipment	2,865,528
Less, accumulated depreciation	<u>(472,576)</u>
Property and equipment, net	<u>\$2,392,952</u>

# CHILD ABUSE LISTENING MEDIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 5 – INVESTMENTS

Investments are presented in the financial statements at fair market value. Fair value is defined as the amount that would be exchanged for an asset or to transfer a liability between market participants in an orderly transaction at the balance sheet date. These amounts are not necessarily indicative of the amounts CALM could realize in a current market exchange. Realized and unrealized gains and losses on investments are reflected on the statement of activities.

As of June 30, 2018, investments consisted of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Cash held for investment	\$ 373,339	\$ 373,339	\$ -
Fixed income	4,097,381	4,049,166	(48,215)
Equities and mutual funds	5,596,633	7,072,983	1,476,350
Exchange traded funds	<u>400,000</u>	<u>392,470</u>	<u>(7,530)</u>
Total Investments	<u>\$ 10,467,353</u>	<u>\$ 11,887,958</u>	<u>\$ 1,420,605</u>

The following summarizes the net change in unrealized gain on investments:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Balance at end of the year	\$ 10,467,353	\$ 11,887,958	\$ 1,420,605
Balance at beginning of the year	10,569,242	11,737,408	<u>1,168,166</u>
Net change in unrealized gain			<u>\$ 252,439</u>

The following summarizes the investment return included as unrestricted revenue in the Statement of Activities for the year ended June 30, 2018:

Investment and dividend income	\$ 297,644
Unrealized gain on value of securities	252,439
Realized gain on value of securities	170,625
Investment fees	<u>(68,146)</u>
Investment Return, net	<u>\$ 652,202</u>

### Note 6 – LINE OF CREDIT

CALM entered into a \$2,070,833 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 payments, and matures on May 1, 2025. The line of credit is secured by CALM's endowment assets held at Montecito Bank & Trust. At June 30, 2018, the outstanding balance is \$2,070,833.

CALM also has a \$1,000,000 line of credit with Montecito Bank & Trust. The line of credit is secured by the endowment assets held at Montecito Bank & Trust. Interest rate has a floor of 2.50% and has no outstanding balance as of June 30, 2018.

# CHILD ABUSE LISTENING MEDIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 7 – FAIR VALUE MEASUREMENT

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurement and Disclosures, provides the framework for measuring and disclosing the fair value of assets and liabilities. Accounting principles define fair value as the price that would be received by CALM to sell an asset or be paid by CALM to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. A fair value hierarchy has been established that prioritizes valuation inputs into three broad levels to ensure consistency and comparability. The valuation hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3) described as follows:

The standard describes three levels of inputs that may be used to measure fair value:

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

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; discounted cash flows; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities; including general partner estimates and recent third-party appraisals.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying Statement of Financial Position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then Level 2 fair values are estimated by using a pricing model of quoted prices of securities with similar characteristics or discounted cash flows. The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Investments valued using Level 2 inputs includes a fund specializing in companies that provide solutions to environmental and social challenges. The fund publishes a monthly net asset value and CALM can transact with the fund on a monthly basis.

Fair market valuation of Level 3 securities is based on information provided by fund managers, external investment advisors, and other market factors to determine if the carrying value of these investments should be adjusted. Other factors may include, but are not limited to, estimates of liquidation value, prices of recent transactions in the same or similar funds, current performance, future expectations of the particular investment, and changes in market outlook and the financing environment. However, because of the inherent uncertainty of valuations, those estimated values may differ from the values that would have been used had a ready market existed, and the differences could be material.

# CHILD ABUSE LISTENING MEDIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 7 – FAIR VALUE MEASUREMENT (continued)

The following table presents assets and liabilities recognized in the accompanying Statement of Financial Position measured at fair value on a recurring basis and the level in which the fair value measurements fall at June 30, 2018:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Cash held for investment	\$ 373,339	\$ -	\$ -	\$ 373,339
Domestic fixed income	2,348,368	-	-	2,348,368
International fixed income	1,700,798	-	-	1,700,798
Domestic mutual funds	4,630,646	-	-	4,630,646
International mutual funds	2,442,337	-	-	2,442,337
Exchange traded funds	<u>392,470</u>	<u>-</u>	<u>-</u>	<u>392,470</u>
Total Investments	<u>\$ 11,887,958</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,887,958</u>

There were no movements of level 2 or level 3 assets to level 1.

The following is a description of the general classification of investments pursuant to the valuation hierarchy:

Domestic and international equities – includes investment in domestic and international equities of varying market capitalizations represents part of our investment portfolio. Equities are held as separate ownership shares of a specific company or in the form of mutual funds.

Domestic and international fixed income – includes investment in domestic and international fixed income positions is held in the investment portfolio through either individual bond holdings (treasuries, corporate, government, mortgage, etc.) or through fixed income mutual funds.

### Note 8 - ENDOWMENT FUNDS

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

# CHILD ABUSE LISTENING MEDIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 8 - ENDOWMENT FUNDS (continued)

#### Interpretation of Relevant Law

The Board of Trustees of CALM has interpreted the California adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring a long-term investment strategy designed to preserve the fair value of the original gift, as of the gift date. As a result of this interpretation, CALM has classified with the explicit prohibition by the donor 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 funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by CALM in a manner consistent with the standard for prudence prescribed by UPMIFA. In accordance with California UPMIFA, CALM considers the following factors in making a determination to appropriate or invest 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 CALM
- (7) The investment policies of CALM

#### Endowment Investment and Spending Policies

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 long-term purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that CALM must hold in perpetuity for donor-specified periods. The endowment assets are invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. The investment policy calls for a diversified portfolio utilizing various asset classes with a goal of reducing portfolio volatility and risk.

CALM's long-term endowment is invested in a diversified portfolio of domestic equities, international equities and fixed income. The portfolio employs both passive index funds and actively managed funds. The portfolio's objective is to achieve a total return equivalent to or greater than CALM's financial requirements over the long-term time horizon. Long-term investment strategies are used to manage risk with the goal to grow charitable dollars over time.

**CHILD ABUSE LISTENING MEDIATION, INC.**

NOTES TO FINANCIAL STATEMENTS

**Note 8 - ENDOWMENT FUNDS (continued)**

Endowment Investment and Spending Policies (continued)

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 investment to achieve its long-term return objectives within prudent risk constraints. The current spending policy is 4.50% of a 12-quarter moving average.

Endowment Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted funds may fall below the level that current law requires CALM to retain for a fund of perpetual duration. In accordance with GAAP, these deficiencies are reported as a reduction in unrestricted net assets. Such deficiencies may result from unfavorable market fluctuations, particularly if the funds were invested in the endowment pool shortly prior to significant market declines. As of June 30, 2018, CALM held no endowment funds where the principal had fallen below the original corpus due to market conditions.

Changes in endowment net assets for the year ended June 30, 2018, are as follows:

	<u>Quasi Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 7,214,557	\$ -	\$ 4,522,851	\$ 11,737,408
Net investment return	399,873	250,677	-	650,550
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure or transfer	<u>(249,323)</u>	<u>(250,677)</u>	<u>-</u>	<u>(500,000)</u>
Endowment net assets, end of year	<u>\$ 7,365,107</u>	<u>\$ -</u>	<u>\$ 4,522,851</u>	<u>\$ 11,887,958</u>

**Note 9 – CONCENTRATION OF RISK**

CALM maintains cash balances at a financial institution that is insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2018, the cash balances did not exceed the federally insured limit.

**CHILD ABUSE LISTENING MEDIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 9 – CONCENTRATION OF RISK (continued)**

CALM relies on grants from a variety of state and local government entities for a significant portion of its financial support. For the year ended June 30, 2018, total grants received from these entities accounted for approximately 56% of total revenue, gains and other support. Additionally, the contracts which make up these programs are subject to audit by the granting agencies as to allowable costs paid with government funds. CALM would be liable for up the full amount of government funds expended should costs charged to the grants be disallowed.

**Note 10 – TEMPORARILY RESTRICTED NET ASSETS**

As of June 30, 2018, temporarily restricted net assets consist of the following:

CALM for Kids Campaign	<u>\$1,558,972</u>
Total Temporarily Restricted Net Assets	<u>\$1,558,972</u>

**Note 11 – BOARD OF TRUSTEES’ DESIGNATED FUNDS**

The Board of Trustees has established the following designated funds as of June 30, 2018:

Building Maintenance	\$ 228,451
Campaign Administration	<u>2,091</u>
Total Non-Endowment Designated Funds	230,542
Board Designated Endowment	<u>7,365,097</u>
Total Designated Funds	<u>\$ 7,595,639</u>



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

To the Board of Trustees  
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. (the Organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in 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 13, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

A handwritten signature in cursive script that reads "McGowan Guntermann".

Santa Barbara, California  
November 13, 2018