



**CHILD ABUSE LISTENING MEDIATION, INC.**

**FINANCIAL STATEMENTS**

**June 30, 2017  
And For The Year Then Ended**

**CHILD ABUSE LISTENING MEDIATION, INC.**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees 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, 2017, 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, 2017, 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 5 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 2016 financial statements, and our report dated November 29, 2016, 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, 2016, 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 December 19, 2017 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  
December 19, 2017

## Management Discussion and Analysis June 30, 2017

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, 2017. Adopted in September 2017, 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**

CALM's Great Beginnings department 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 Fiscal Year 2016-2017, 842 clients received support in the Great Beginnings department.

#### **Parenting and Family Programs**

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 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. Specific programs in the Parenting and Family department include: Domestic Violence Group Treatment, Front Porch, Parenting for Resilience and Recovery and Positive Parenting Program. In Fiscal Year 2016-2017, 642 clients received services in the Parenting and Family Department.

### **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 healing can begin. CALM counselors support the non-offending parent in correcting the child's misperceptions and help the child to recover. CALM's Childhood Trauma Treatment department helps 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 department include: Child Abuse/Family Violence Treatment, Child Sexual Abuse Treatment, HEAL (Healing Every Adult Life) and Juvenile Offender Treatment. In Fiscal Year 2016-2017, 356 clients received therapeutic support in the Childhood Trauma Treatment department.

### **Whatever It Takes: Intensive Family Services**

CALM's Whatever It Takes (WIT) department 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 department 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 the Probation Department, 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. Specific programs in the WIT department include: Family Drug Treatment Court, HOPE (Helping Others in Parenting Environments), Intensive In Home Services, Trauma Informed Parenting and SPIRIT (Structured Psychosocial Interventions In Teams). In Fiscal Year 2016-2017, 399 clients received services in the WIT department.

### **Community Strengthening Collaborations**

CALM is striving to create a community where teachers, doctors, parents and children

work together to provide the strongest possible start for children in our community, thereby reducing the strain that childhood trauma puts on our schools, our healthcare system, and our community. Most childhood trauma 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 families who may not receive direct service. Therefore, CALM partners with many other organizations to support them in their work with children. Our partners include schools, law enforcement, family resource centers, and health care providers. 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, School Attendance Review Board, SART (Sexual Assault Response Team) and the Santa Barbara Resiliency Project. In Fiscal Year 2016-2017, over 5,000 children, parents, teachers, doctors and caregivers were impacted by the Community Strengthening Collaborations department.

**Child Abuse Listening Mediation, Inc.**  
**Statement of Financial Position**  
**June 30, 2017**  
**(with 2016 comparative totals)**

	2017 Total	2016 Total
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 449,350	\$ 177,726
Contract payment receivables	372,917	462,037
Pledges receivable (notes 2 and 3)	253,775	308,626
Prepaid expenses and other assets	32,822	50,328
<b>Total Current Assets</b>	1,108,864	998,717
<b>Long Term Pledges Receivable, Fixed Assets and Investment in Building</b>		
Pledges receivable, net (notes 2 and 3)	592,086	762,830
Fixed assets, net (note 4)	2,476,109	2,568,660
Investment in Victoria Theater, net (note 4)	-	1,947,500
<b>Total Long Term Pledges Receivable, Fixed Assets and Investment in Building</b>	3,068,195	5,278,990
<b>Assets Held For Long-Term Use</b>		
Cash and cash equivalents held in board designated funds (note 11)	163,473	200,293
Cash restricted for long-term use	545,399	35,000
<b>Total Assets Held for Long-Term Use</b>	708,872	235,293
<b>Endowment Assets</b>		
Cash and short term investments held in endowment fund (notes 10 & 11)	188,542	455,214
Investments held in endowment fund (notes 5, 10 and 11)	11,548,866	10,605,523
<b>Total Endowment Assets</b>	11,737,408	11,060,737
<b>Total Assets</b>	\$ 16,623,339	\$ 17,573,737
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 65,936	\$ 50,515
Accrued expenses	492,418	480,689
Taxes payable	35,600	-
Deferred revenue (note 4)	-	20,707
<b>Total Current Liabilities</b>	593,954	551,911
<b>Long Term Liabilities</b>		
Deferred revenue (note 4)	-	1,967,172
Lines of credit (note 6)	2,070,833	2,070,833
<b>Total Long Term Liabilities</b>	2,070,833	4,038,005
<b>Total Liabilities</b>	2,664,787	4,589,916
<b>Net Assets</b>		
Unrestricted:		
Undesignated	666,411	616,335
Designated for program and future use (notes 2 and 11)	163,473	200,293
Board designated - endowment (notes 2, 10 and 11)	7,214,557	6,537,886
Temporarily restricted (notes 2 and 12)	1,391,260	1,106,456
Permanently restricted - endowment (notes 2 and 10)	4,522,851	4,522,851
<b>Total Net Assets</b>	13,958,552	12,983,821
<b>Total Liabilities and Net Assets</b>	\$ 16,623,339	\$ 17,573,737

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, 2017**  
**(with 2016 comparative totals)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b>Operating Revenue</b>					
<b>Revenues, Gains and Other Support</b>					
Fundraising events - gross revenue	\$ 195,309	\$ -	\$ -	\$ 195,309	\$ 143,709
Less costs of direct benefits to donors	<u>(33,150)</u>	<u>-</u>	<u>-</u>	<u>(33,150)</u>	<u>(52,797)</u>
Net revenues from fundraising events	162,159	-	-	162,159	90,912
Auxiliary fundraising events - gross revenue	199,287	-	-	199,287	189,972
Auxiliary less costs of direct benefits to donors	<u>(96,783)</u>	<u>-</u>	<u>-</u>	<u>(96,783)</u>	<u>(77,255)</u>
Auxiliary net revenues from fundraising events	102,504	-	-	102,504	112,717
Total Special Events Revenue, Net	<u>264,663</u>	<u>-</u>	<u>-</u>	<u>264,663</u>	<u>203,629</u>
Noncash contributions	112,022	-	-	112,022	34,722
Contributions	1,038,570	639,006	-	1,677,576	2,115,837
Government contracts and allocations	4,429,936	-	-	4,429,936	4,368,829
Program service fees	<u>83,679</u>	<u>-</u>	<u>-</u>	<u>83,679</u>	<u>72,667</u>
<b>Total Revenues, Gains and Other Support</b>	<u>5,928,870</u>	<u>639,006</u>	<u>-</u>	<u>6,567,876</u>	<u>6,795,684</u>
Net assets released from restrictions	<u>354,202</u>	<u>(354,202)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Operating Expenses</b>					
<b>Program Expenses</b>					
Great Beginnings	1,343,159	-	-	1,343,159	1,696,388
Parenting and Family Programs	877,750	-	-	877,750	838,069
Childhood Trauma Treatment	1,267,891	-	-	1,267,891	1,105,608
Whatever It Takes	1,488,419	-	-	1,488,419	1,506,557
Community Strengthening Collaborations	<u>356,026</u>	<u>-</u>	<u>-</u>	<u>356,026</u>	<u>291,870</u>
<b>Total Operating Program Expenses</b>	<u>5,333,245</u>	<u>-</u>	<u>-</u>	<u>5,333,245</u>	<u>5,438,492</u>
<b>Supporting Services</b>					
Management and General	893,050	-	-	893,050	782,329
Fundraising	<u>488,294</u>	<u>-</u>	<u>-</u>	<u>488,294</u>	<u>480,500</u>
<b>Total Operating Supporting Services</b>	<u>1,381,344</u>	<u>-</u>	<u>-</u>	<u>1,381,344</u>	<u>1,262,829</u>
<b>Total Operating Expenses</b>	<u>6,714,589</u>	<u>-</u>	<u>-</u>	<u>6,714,589</u>	<u>6,701,321</u>
<b>Change in Net Assets from Operating Activities</b>	<u>(431,517)</u>	<u>284,804</u>	<u>-</u>	<u>(146,713)</u>	<u>94,363</u>
<b>Non-Operating Revenue and Expenses</b>					
<b>Revenue</b>					
Rental income	139,963	-	-	139,963	49,931
Gain (Loss) on disposal of assets	40,379	-	-	40,379	(5,704)
Investment income	<u>1,243,213</u>	<u>-</u>	<u>-</u>	<u>1,243,213</u>	<u>12,184</u>
<b>Total Non-Operating Revenue</b>	<u>1,423,555</u>	<u>-</u>	<u>-</u>	<u>1,423,555</u>	<u>56,411</u>
<b>Expenses</b>					
Depreciation expense	115,919	-	-	115,919	143,934
Investment advisory fees	65,972	-	-	65,972	63,965
Legal fees	3,113	-	-	3,113	29,608
Income taxes	35,600	-	-	35,600	-
Miscellaneous nonoperating expenses	<u>81,507</u>	<u>-</u>	<u>-</u>	<u>81,507</u>	<u>174,399</u>
<b>Total Non-Operating Expenses</b>	<u>302,111</u>	<u>-</u>	<u>-</u>	<u>302,111</u>	<u>411,906</u>
<b>Change in Net Assets from Non-Operating Activities</b>	<u>1,121,444</u>	<u>-</u>	<u>-</u>	<u>1,121,444</u>	<u>(355,495)</u>
<b>Total Change in Net Assets</b>	<u>689,927</u>	<u>\$ 284,804</u>	<u>\$ -</u>	<u>\$ 974,731</u>	<u>\$ (261,132)</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, 2017**

	<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, 2016	\$ 7,354,514	\$ 1,106,456	\$ 4,522,851	\$ 12,983,821
Change in net assets	<u>689,927</u>	<u>284,804</u>	<u>-</u>	<u>974,731</u>
Net assets at June 30, 2017	<u><u>\$ 8,044,441</u></u>	<u><u>\$ 1,391,260</u></u>	<u><u>\$ 4,522,851</u></u>	<u><u>\$ 13,958,552</u></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, 2017**  
**(with 2016 comparative totals)**

	CALM Continuum of Care						Supporting Services		Grand Total 2017	Grand Total 2016
	Great Beginnings	Parenting and Family Programs	Childhood Trauma Treatment	Whatever It Takes	Community Strengthening Collaborations	Total Program Expense	Management and General	Fundraising		
<b>Operating Expenses</b>										
Salaries	\$ 920,511	\$ 542,038	\$ 853,107	\$ 1,018,892	\$ 229,378	\$ 3,563,926	\$ 571,492	\$ 290,681	\$ 4,426,099	\$ 4,476,818
Payroll Taxes	68,367	40,258	63,360	75,674	17,036	264,695	42,445	21,589	328,729	330,392
Employee Benefits	169,384	99,926	158,663	189,221	42,731	659,925	69,943	75,291	805,159	774,031
Contributed Services	13,127	19,204	28,967	576	-	61,874	-	-	61,874	34,721
Total Salaries & Related Expenses	<u>1,171,389</u>	<u>701,426</u>	<u>1,104,097</u>	<u>1,284,363</u>	<u>289,145</u>	<u>4,550,420</u>	<u>683,880</u>	<u>387,561</u>	<u>5,621,861</u>	<u>5,615,962</u>
Accounting	-	-	-	-	-	-	147,002	-	147,002	115,872
Advertising	-	-	-	-	-	-	-	39,100	39,100	66,018
Auto & Travel	20,062	15,449	9,202	60,218	8,613	113,544	4,377	4,643	122,564	141,395
Building Operating Costs	48,166	21,263	28,087	23,626	5,113	126,255	7,683	6,536	140,474	124,094
Consulting	23,388	96,288	24,275	38,363	34,995	217,309	7,354	7,716	232,379	228,925
Education & Training	7,118	5,316	3,000	3,062	2,542	21,038	2,839	2,563	26,440	27,595
Equipment Rental & Maintenance	1,063	626	986	1,177	265	4,117	660	336	5,113	5,614
Insurance	10,117	5,957	9,376	11,198	2,521	39,169	6,281	3,195	48,645	49,795
Interest	15,501	9,128	14,366	17,158	3,863	60,016	9,624	4,895	74,535	76,189
Miscellaneous	6,508	3,357	5,289	6,402	1,521	23,077	4,435	2,928	30,440	7,383
Printing & Postage	1,920	1,090	1,716	2,050	461	7,237	1,157	11,538	19,932	28,285
Supplies	25,118	12,841	62,954	20,197	5,536	126,646	15,381	15,437	157,464	155,363
Taxes	-	-	-	-	-	-	1,038	-	1,038	2,939
Telephone	12,809	5,009	4,543	20,605	1,451	44,417	1,339	1,846	47,602	55,892
Total Other Operating Expenses	<u>171,770</u>	<u>176,324</u>	<u>163,794</u>	<u>204,056</u>	<u>66,881</u>	<u>782,825</u>	<u>209,170</u>	<u>100,733</u>	<u>1,092,728</u>	<u>1,085,359</u>
Total Operating Expenses	<u>1,343,159</u>	<u>877,750</u>	<u>1,267,891</u>	<u>1,488,419</u>	<u>356,026</u>	<u>5,333,245</u>	<u>893,050</u>	<u>488,294</u>	<u>6,714,589</u>	<u>6,701,321</u>
<b>Non-Operating Expenses</b>										
Depreciation	24,108	14,196	22,343	26,685	6,007	93,339	14,967	7,613	115,919	143,934
Investment Advisory Fees	-	-	-	-	-	-	65,972	-	65,972	63,965
Legal	-	-	-	-	-	-	3,113	-	3,113	29,608
Income taxes	-	-	-	-	-	-	35,600	-	35,600	-
Miscellaneous Nonoperating	3,867	2,277	3,584	4,280	964	14,972	18,322	48,213	81,507	174,399
Total Non-Operating Expenses	<u>27,975</u>	<u>16,473</u>	<u>25,927</u>	<u>30,965</u>	<u>6,971</u>	<u>108,311</u>	<u>137,974</u>	<u>55,826</u>	<u>302,111</u>	<u>411,906</u>
Total Expenses	<u>\$ 1,371,134</u>	<u>\$ 894,223</u>	<u>\$ 1,293,818</u>	<u>\$ 1,519,384</u>	<u>\$ 362,997</u>	<u>\$ 5,441,556</u>	<u>\$ 1,031,024</u>	<u>\$ 544,120</u>	<u>\$ 7,016,700</u>	<u>\$ 7,113,227</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, 2017**  
**(with 2016 comparative totals)**

	<u>2017</u> <u>Total</u>	<u>2016</u> <u>Total</u>
<b>Cash Flows From Operating Activities:</b>		
Increase (Decrease) in net assets	\$ 974,731	\$ (261,132)
Adjustments to reconcile increase (decrease) in net assets to cash provided (used) for operating activities:		
Depreciation	115,919	143,934
Realized and unrealized (gain) loss on investments	(948,132)	438,055
(Gain) Loss on disposal of assets	(40,379)	5,704
Decrease (Increase) in		
Contract payments and other receivables	89,120	38,868
Pledges receivable	225,595	(1,071,456)
Prepaid and other assets	17,506	(3,092)
Cash held for long term purposes	(206,907)	(498,618)
Increase (Decrease) in		
Deferred revenue	-	(20,707)
Accounts payable and accrued expenses	62,750	(20,748)
Net Cash Provided (Used) From Operating Activities	<u>290,203</u>	<u>(1,249,192)</u>
<b>Cash Flows From Investing Activities:</b>		
Proceeds from sale of investments	9,883,244	6,966,757
Purchase of investments	(9,878,454)	(5,964,326)
Acquisition of property and equipment	<u>(23,369)</u>	<u>(99,796)</u>
Net Cash Provided (Used) From Investing Activities	<u>(18,579)</u>	<u>902,635</u>
Net Increase (Decrease) in cash and cash equivalents	271,624	(346,557)
Cash and cash equivalents at Beginning of Year	<u>177,726</u>	<u>524,283</u>
Cash and cash equivalents at End of Year	<u>\$ 449,350</u>	<u>\$ 177,726</u>
Cash Paid For Interest	<u>\$ 74,535</u>	<u>\$ 76,189</u>

The accompanying notes are an integral part of this financial statement.

**Child Abuse Listening Mediation, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017**

**(1) NATURE OF ACTIVITIES**

Child Abuse Listening Mediation (CALM) is a nonprofit organization located in Santa Barbara, California. As of September 2017, CALM's mission is to prevent childhood trauma, heal children and families, and build resilient communities in 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
- until the need is fulfilled without arbitrary time limits
- in English, Spanish, Mixteco, Cantonese, American Sign Language and other languages through interpreters

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, 2017**

Permanently restricted net assets – Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained in perpetuity by CALM. 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. At June 30, 2017 CALM held approximately \$860,000 of cash in excess of FDIC insurance maximums.

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 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.**  
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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 2014, 2015 and 2016 are still open to audit for both federal and state purposes. Contributions to the Organization are tax deductible to donors under Section 170 of the IRC. The organization is not classified as a private foundation.

CALM rents office space which is considered unrelated business income. At June 30, 2017, the Organization recorded a tax liability of \$35,600 on this unrelated business activity. The Organization believes that it has appropriate support for any tax positions

**Child Abuse Listening Mediation, Inc.**  
**Notes to Financial Statements**  
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taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

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. Indirect 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 and pledges receivable

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

Impairment of Long-Lived Assets

CALM reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment losses, if any, are recognized when estimated future cash flows (undiscounted and without interest charges) derived from such assets are less than their carrying values. Management believes no such impairment occurred during the years ended June 30, 2017 and 2016.

Fair Value of Financial Instruments

The estimated fair values of CALM's short-term financial instruments, including cash, cash equivalents and accounts payable 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**  
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Reclassifications

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

Comparative Amounts

The amounts shown for 2016 in the accompanying financial statements are included to provide a basis for comparison with 2017 and are not intended to present all information necessary for a fair presentation of the 2016 financial statements in conformity with generally accepted accounting principles.

**(3) PLEDGES RECEIVABLE**

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

2018	\$ 253,775
2019	178,300
2020	171,300
2021	71,300
2022	60,000
Thereafter	<u>190,000</u>
Total	924,675
Less discount	<u>(78,814)</u>
Pledges Receivable, Net	<u>\$ 845,861</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, 2017 and 2016.

**(4) FIXED ASSETS AND INVESTMENT IN REAL PROPERTY**

**Fixed Assets, Net**

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).

CALM reported depreciation expense related to fixed assets used in operations of \$115,919 and \$143,934 for the year ended June 30, 2017 and 2016, respectively.

**Child Abuse Listening Mediation, Inc.**  
**Notes to Financial Statements**  
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**Investment in Real Property**

In 2014, CALM acquired the land and building commonly known as West Victoria (the Victoria Theatre) 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 Theatre 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 Theatre LLC (Luria) in which Luria acquired a 99-year lease to the Victoria Theatre. The sale was completed during the year ended June 30, 2017.

The lease agreement required a single payment of \$2,050,000, the approximated fair market value of the theatre and the land it resides on. In accordance with Generally Accepted Accounting Principles, the lease payment was 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. During the year ended June 30, 2017, Luria and CALM completed a condominium conversion at Luria's expense. Once the conversion was completed, title to the Victoria Theatre vested in Luria's name with no additional payments to CALM.

CALM reported fixed assets as follows:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 789,926	\$ 789,926
Furniture and fixtures	391,999	390,677
Construction in progress	16,747	-
Land and building	<u>2,177,475</u>	<u>2,177,475</u>
Total property and equipment	3,376,147	3,358,078
Accumulated depreciation	<u>(900,038)</u>	<u>(789,418)</u>
Fixed Assets, Net	<u>2,476,109</u>	<u>2,568,660</u>
Investment in Victoria Theatre	-	2,050,000
Accumulated depreciation	<u>-</u>	<u>(102,500)</u>
Investment in Victoria Theatre, Net	<u>-</u>	<u>1,947,500</u>
Grand Total	<u>\$ 2,476,109</u>	<u>\$ 4,516,160</u>

**(5) INVESTMENTS**

CALM records investments in marketable securities at fair market value in the Statement of Financial Position.

**Child Abuse Listening Mediation, Inc.**  
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**June 30, 2017**

As of June 30, 2017, investments consisted of the following:

**Endowment**

	<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Fixed income mutual funds:			
Domestic	\$ 3,814,814	\$ 3,767,745	\$ 47,069
International	471,735	467,551	4,184
Equity mutual funds:			
Domestic	4,258,715	3,331,266	927,449
International	2,780,950	2,582,304	198,646
Exchange traded funds:			
Liquid real estate	<u>222,652</u>	<u>227,276</u>	<u>(4,624)</u>
Total	<u>\$ 11,548,866</u>	<u>\$ 10,376,142</u>	1,172,724
Unrealized gain at June 30, 2016			<u>(317,639)</u>
Net change in unrealized gain			<u>\$ 855,085</u>

As of June 30, 2016, investments consisted of the following:

**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>

**Child Abuse Listening Mediation, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017**

Investment income consisted of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 295,081	\$ 450,239
Unrealized gain (loss) on investments	855,085	(513,287)
Realized gain on sale of investments	<u>93,047</u>	<u>75,232</u>
Total investment income	<u>\$ 1,243,213</u>	<u>\$ 12,184</u>

**(6) LINES OF CREDIT**

During the year ended June 30, 2014, CALM entered into a \$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, 2017 and 2016, CALM had a balance of \$2,070,833 on the line of credit.

In addition, CALM entered into a \$1,000,000 line of credit agreement. The proceeds of the line of credit are to be used on 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, 2017 and 2016 CALM did not have a balance of owing on the line of credit.

**(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.

**Child Abuse Listening Mediation, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017**

**(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, 2017 and 2016:

- Fixed income mutual funds which include domestic funds and international funds with a market value of \$4,286,549 and \$2,338,633 at June 30, 2017 and 2016, respectively.
- Equity mutual funds which include domestic and international funds with a market value of \$7,039,665 and \$7,602,889 at June 30, 2017 and 2016, respectively.
- Other marketable securities are comprised of exchange traded funds, including funds consisting of portfolios of liquid real estate and index funds, are actively 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.

**Child Abuse Listening Mediation, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017**

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

**June 30, 2017**

	<u>Fair Value</u>	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income				
mutual funds	\$ 4,286,549	\$ 4,286,549	\$ -	\$ -
Equity mutual funds	7,039,665	7,039,665	-	-
Exchange traded				
funds	<u>222,652</u>	<u>222,652</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,548,866</u>	<u>\$11,548,866</u>	<u>\$ -</u>	<u>\$ -</u>

During the year ended June 30, 2017, CALM did not transfer any equity securities from level 2 or level 3 to level 1.

**June 30, 2016**

	<u>Fair Value</u>	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income				
mutual funds	\$ 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.

**(10) ENDOWMENT**

CALM's endowment has been established for general operating purposes. Its endowment consists of board designated and donor-restricted endowment funds. As

**Child Abuse Listening Mediation, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017**

required by Generally Accepted Accounting Principles, 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.

**Interpretation of Relevant Law**

The Board of Trustees 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

**Child Abuse Listening Mediation, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017**

Endowment net asset composition by type of fund as of June 30, 2017:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment funds	<u>\$ 7,214,557</u>	<u>\$ -</u>	<u>\$ 4,522,851</u>	<u>\$ 11,737,408</u>

Changes in endowment net assets for the Fiscal Year Ended June 30, 2017 are as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 6,537,886	\$ -	\$ 4,522,851	\$ 11,060,737
Investment Income	734,513	508,130	-	1,242,643
Expenditures for Programs	(18,847)	(481,153)	-	(500,000)
Administrative Expenses	<u>(38,995)</u>	<u>(26,977)</u>	<u>-</u>	<u>(65,972)</u>
Endowment net assets, end of year	<u>\$ 7,214,557</u>	<u>\$ -</u>	<u>\$ 4,522,851</u>	<u>\$ 11,737,408</u>

Endowment net asset composition by type of fund as of June 30, 2016:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
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, 2017**

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

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 7,092,660	\$ -	\$ 4,522,851	\$ 11,615,511
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, end of year	<u>\$ 6,537,886</u>	<u>\$ -</u>	<u>\$ 4,522,851</u>	<u>\$ 11,060,737</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 retain as a fund of perpetual duration. No such deficiencies existed at June 30, 2017 and 2016.

**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.

**Child Abuse Listening Mediation, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017**

**(11) BOARD OF TRUSTEES' DESIGNATED FUNDS**

The Board of Trustees has established the following designated funds:

	<u>2017</u>	<u>2016</u>
Building maintenance	\$ 133,860	\$ 82,711
Comprehensive campaign	3,206	7,509
Basement repairs	-	5,953
Operating and holding reserves	-	104,120
Lompoc office	<u>26,407</u>	<u>-</u>
<b>Total Non-Endowment Designated Funds</b>	<b>163,473</b>	<b>200,293</b>
Board designated endowment	<u>7,214,557</u>	<u>6,537,886</u>
<b>Total Designated Funds</b>	<b><u>\$ 7,378,030</u></b>	<b><u>\$ 6,738,179</u></b>

**(12) TEMPORARILY RESTRICTED FUNDS**

Temporarily restricted net assets at June 30, 2017 and 2016 consist of the following amounts:

	<u>2017</u>	<u>2016</u>
Capital improvements	\$ 8,253	\$ -
CALM for Kids	1,363,007	1,071,456
Early Childhood Consultation Team	<u>20,000</u>	<u>35,000</u>
<b>Total Temporarily Restricted Net Assets</b>	<b><u>\$ 1,391,260</u></b>	<b><u>\$ 1,106,456</u></b>

**(13) SUBSEQUENT EVENTS**

Management has evaluated events through December 19, 2017 which is the date the financial statements were available to be issued. Management has determined that no subsequent event requiring disclosure or significantly impacting disclosure has occurred.



**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, 2017, 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 December 19, 2017.

**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. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

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

## Purpose of this Report

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

Stoltey & Associates

Orcutt, California  
December 19, 2017