THE CHILDREN'S CENTER OF THE ANTELOPE VALLEY

FINANCIAL STATEMENTS

JUNE 30, 2018 and 2017

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COBB, DOERFLER & ASSOCIATES, CPA
A PROFESSIONAL CORPORATION
1039 WEST AVENUE J
LANCASTER, CALIFORNIA 93534

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Children's Center of the Antelope Valley
Lancaster, California

We have audited the accompanying financial statements of The Children's Center of the Antelope Valley (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 statement, 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 the 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 The Children's Center of the Antelope Valley as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Cobb, Doerfler & Associates, CPA

COBB, DOERFLER & ASSOCIATES, CPA
March 6, 2019

THE CHILDREN'S CENTER OF THE ANTELOPE VALLEY
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash	$ 1,009,402	$ 861,297
Investments	102,318	12,192
Inventory	-0-	85,000
Accounts Receivable	602,122	550,175
Prepaid Expenses	19,263	25,535
Total Current Assets	1,733,105	1,534,199
PROPERTY AND EQUIPMENT, NET of Accumulated Depreciation	2,488,932	2,489,574
Total Assets	$ 4,222,037	$ 4,023,773

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts Payable	$ 30,270	$ 18,790
Deferred Income	214	13,214
Accrued Payroll and Payroll Taxes	259,294	214,438
Total Current Liabilities	289,778	246,442
Total Liabilities	289,778	246,442
NET ASSETS		
Unrestricted	3,932,259	3,777,331
Total Net Assets	3,932,259	3,777,331
Total Liabilities and Net Assets	$ 4,222,037	$ 4,023,773

See accompanying notes and
Independent Auditor's Report.

THE CHILDREN'S CENTER OF THE ANTELOPE VALLEY
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2018 and 2017

	2018	2017
PUBLIC SUPPORT AND REVENUES		
PUBLIC SUPPORT		
Special events and fundraising		
Cash contributions and revenues	$ 260,684	$ 188,250
In-kind contributions	71,231	52,251
Less: event costs	(248,548)	(66,358)
Net special events and fundraising	83,367	174,143
Corporation and foundation donations	8,500	14,000
Individual, service organizations, and employee fund donations	66,217	128,512
In-kind contributions	195,916	160,959
Total Public Support	354,000	477,614
REVENUES		
County financial assistance/grants	2,978,598	3,098,840
Fees for service	78,105	71,077
Interest income	84	60
Investment earnings (losses)	(9,629)	11,506
Gain (Loss) on sale of fixed assets	6,300	(4,300)
Other	969	1,206
Total Revenues	3,054,427	3,178,389
Total Public Support and Revenues	3,408,427	3,656,003
FUNCTIONAL EXPENSES		
Program services	2,993,086	3,151,937
Management and general	195,707	272,329
Fundraising	64,706	-0-
Total Functional Expenses	3,253,499	3,424,266
Change in Net Assets	154,928	231,737
NET ASSETS - BEGINNING OF YEAR	3,777,331	3,545,594
NET ASSETS - END OF YEAR	$ 3,932,259	$ 3,777,331

See accompanying notes and
Independent Auditor's Report.

THE CHILDREN'S CENTER OF THE ANTELOPE VALLEY
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2018 and 2017

	2018				2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
COMPENSATION AND RELATED EXPENSES								
Wages and Salaries	$ 2,091,010	$ 146,410	$ 15,640	$ 2,253,060	$ 2,271,361	$ 201,555	$ -0-	$ 2,472,916
Employee Benefits	97,136	6,801	727	104,664	97,441	8,647	-0-	106,088
Payroll Taxes	174,447	12,214	1,305	187,966	187,272	16,618	-0-	203,890
Total Compensation and Related Expenses	2,362,593	165,425	17,672	2,545,690	2,556,074	226,820	-0-	2,782,894
OPERATING EXPENSES								
Conferences, Travel and Training	55,559	-0-	-0-	55,559	63,518	-0-	-0-	63,518
Depreciation	95,927	4,355	317	100,599	83,028	7,368	-0-	90,396
Insurance	44,080	2,001	146	46,227	40,022	3,551	-0-	43,573
Occupancy	62,246	2,826	206	65,278	59,326	5,264	-0-	64,590
Contract and Outside Services	151,409	13,183	1,169	165,761	279,695	24,819	-0-	304,514
Program Supplies	113,329	-0-	-0-	113,329	10,451	-0-	-0-	10,451
Telephone	8,919	405	29	9,353	17,604	1,562	-0-	19,166
Advertising and Marketing	37,929	990	27,106	66,025	12,476	1,107	-0-	13,583
Office and Other Operating Expenses	38,144	1,732	126	40,002	20,715	1,838	-0-	22,553
Bad Debt	21,512	-0-	17,935	39,447	-0-	-0-	-0-	-0-
Miscellaneous	1,439	4,790	-0-	6,229	9,028	-0-	-0-	9,028
Total Operating Expenses	630,493	30,282	47,034	707,809	595,863	45,509	-0-	641,372
Total Functional Expenses	$ 2,993,086	$ 195,707	$ 64,706	$ 3,253,499	$ 3,151,937	$ 272,329	$ -	$ 3,424,266

See accompanying notes and
Independent Auditor's Report.

THE CHILDREN'S CENTER OF THE ANTELOPE VALLEY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 154,928	$ 231,737
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	100,599	90,396
In-kind contributions	(100,000)	(85,000)
Unrealized (Gain) loss on market value of investments	(2,318)	-0-
(Gain) Loss on sale of fixed asset	(6,300)	4,300
(Gain) Loss on sale of investment	15,459	-0-
(Increase) Decrease in Assets		
Inventory	85,000	-0-
Accounts receivable	(51,947)	298,306
Prepaid expenses	6,272	(13,155)
Increase (Decrease) in Liabilities		
Accounts payable	11,480	(2,207)
Deferred income	(13,000)	12,324
Accrued payroll and payroll taxes	44,856	(53,425)
Net Cash Provided (Used) by Operating Activities	245,029	483,276
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(102,157)	(37,977)
Purchase of investments	(3,267)	(11,506)
Proceeds from sale of fixed assets	8,500	3,700
Net Cash Provided (Used) by Investing Activities	(96,924)	(45,783)
Net Increase (Decrease) in Cash	148,105	437,493
Cash - Beginning of Year	861,297	423,804
Cash - End of Year	$ 1,009,402	$ 861,297
SUPPLEMENTAL INFORMATION		
Interest Paid	$ -0-	$ 231
Schedule of Noncash Investing and Financing Transactions:		
Donation of investments	$ 100,000	$ -0-
Donation of inventory (vehicle)	-0-	85,000
Total Noncash Transations	$ 100,000	$ 85,000

See accompanying notes and
Independent Auditor's Report.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Formation and Scope of Operation

The Children's Center of the Antelope Valley (the Center) is located in Lancaster, California and was incorporated under the laws of the State of California to provide prevention, intervention and treatment services to victims of child abuse and their families who live in the Antelope Valley. The primary sources of the organization's revenue come from state and county grant contracts.

B. Method of Accounting

The Center maintains its books on the accrual basis of accounting and, accordingly, reflects all significant receivables, payables and other liabilities.

C. Financial Statement Presentation

The Center is required to report information regarding its financial position and activities classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets not subject to donor-imposed stipulations. These assets are available to support the Center's activities and operations at the direction of the board of directors.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Center and/or through the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that the corpus be maintained permanently by the Center. Generally, the donors permit the Center to use all or part of the income earned for either general or donor-specified purposes.

As of June 30, 2018 and 2017, the Center had no temporarily or permanently restricted net assets.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Center considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

F. Investments

The Center reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

G. Accounts Receivable

Accounts receivable as of June 30, 2018 and 2017 consisted of grant receivables, and are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expenses and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As these balances are expected to be fully collectible, an allowance for doubtful accounts has not been accrued. However, an allowance for charity care of $451,655 and $311,141, has been accrued as of June 30, 2018 and 2017, respectively. See Note I below for more detail.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Inventory

Inventory consists of donated items for use for fundraising purposes. Items are valued at fair market value at the time of donation or current market value if lower. If the final sale value of inventory is lower than that originally recognized, the difference is recognized as a loss in the statement of activities in the period in which it occurs.

I. Charity Care

The Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. During the years ended June 30, 2018 and 2017, revenues forgone, based off of established rates, totaled $451,655 and $311,141, respectively.

J. Property, Equipment and Improvements

All purchased property and equipment are valued at cost when purchased and at their estimated fair market value on the date received if donated. A capitalization threshold of $5,000 is used. Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulation regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are being depreciated using the straight-line method over the following estimated useful lives as follows:

Asset Class	Estimated Useful Lives
Buildings	5-40 years
Autos	5-10 years
Furniture, Fixtures & Equipment	5-15 years

K. Deferred Revenue

During the year ended June 30, 2017 the Center received monies from the Department of Mental Health (DMH) totaling $214 for which it was not entitled for services rendered under the terms of its contract. However, the Center incurred costs equal to and in excess of the funds advanced to the Center by the DMH during the term of the contract and believes that it should be reimbursed for those costs. Accordingly, until such time as a final determination is reached with DMH, those monies have been reflected as deferred revenue on the financial statements. As of June 30, 2018 and 2017, deferred revenue related to DMH totaled $214 and $214, respectively.

Additionally, the Center had also recorded deferred revenues related for a fundraiser in which a classic roadster was to be raffled subsequent to June 30, 2017 but for which tickets had been sold prior to the year end. As of June 30, 2017 deferred revenue related to this event totaled $13,000.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor for specific purposes or the future periods are reported as an increase in temporarily restricted or permanently restricted support. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) {958-605-45-4}, *Accounting for Contributions Received and Contributions Made* and its subsequent interpretations, provides that if the governing body of an organization has the ability to remove a donor restriction (i.e., variance power), the contribution should be classified as an unrestricted net asset. Accordingly, such assets are classified in the accompanying financial statements as unrestricted net assets absent donor-imposed restrictions to maintain the assets permanently. This classification does not alter the longstanding policy of the Center to distribute assets entrusted to the Center in accordance with the intentions of the Center's donors and to manage the assets of the component funds in a manner similar to an endowment with only a portion of each component fund distributed annually, unless directed otherwise by the fund advisor.

M. Income Taxes

The Center qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Service Code and Section 23701d of the State of California Revenue and Taxation Code.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Center in its federal and state exempt organizations tax returns are more likely than not to be sustained upon examination. The Center returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

NOTE 2 — CASH

All cash and certificates of deposit are deposited into institutions that are insured or collateralized by the Federal Deposit Insurance Center (FDIC). Under FDIC guidelines each depositor's accounts are insured to an aggregate of $250,000. At June 30, 2018 and 2017, the Center had $759,382 and $611,291, respectively, of cash deposited at one institution which exceeded the FDIC insured/collateralized amount.

NOTE 3 – INVESTMENTS

The fair value of financial instruments has been determined through quoted market values to approximate the amounts recorded in the statement of financial position. Investments in marketable securities consist of the following at June 30, 2018 and 2017:

	2018		2017	
	Cost	Fair Market Value	Cost	Fair Market Value
Investments:				
Equity large cap funds	$ -0-	$ -0-	$ 1,030	$ 12,192
Stock – Illumina Inc.	98,685	101,480	-0-	-0-
Stock – Natural Gas SVCS	238	838	-0-	-0-
	$ 99,923	$ 102,318	$ 1,030	$ 12,192

Investment return consists of the following:

	2018	2017
Investment income	$ 3,512	$ 344
Net realized and unrealized gain/ (loss) on investments	(13,141)	11,162
	$ (9,629)	$ 11,506

NOTE 4 — RECEIVABLES

Receivables at June 30, 2018 and 2017 consisted of the following:

	2018	2017
Los Angeles County Sources		
Family Preservation Program-Lancaster	$ -0-	$ 51,797
Family Preservation Program-Palmdale	-0-	44,373
Relative Support Services	72,021	35,651
Department of Mental Health	959,363	671,766
Total County Sources	1,031,384	803,587
Private Sources – Fee for Service		
Private payers	4,252	8,288
Kaiser	13,591	46,144
Total State Sources	17,843	54,432
Other Receivables	4,550	3,297
Total Accounts Receivable	1,053,777	861,316
Less: Allowance for Charity Care	(451,655)	(311,141)
Net Accounts Receivable	$ 602,122	$ 550,175

See Independent Auditor's Report.

NOTE 5 – PROPERTY AND EQUIPMENT

A summary of changes in property and equipment is presented below:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Land	$ 456,525	$ -0-	$ -0-	$ 456,525
Construction in progress	-0-	33,243	-0-	33,243
Buildings and improvements	2,756,113	-0-	-0-	2,756,113
Autos	11,995	36,106	(11,995)	36,106
Furniture, fixtures and equipment	371,427	49,963	(96,381)	325,009
Totals	3,596,060	119,312	(108,376)	3,606,996
Accumulated depreciation	(1,106,486)	(100,599)	89,021	(1,118,064)
Net Property and Equipment	$ 2,489,574	$ 18,713	$ (19,355)	$ 2,488,932

NOTE 6 – LEASE COMMITMENTS

As of June 30, 2017, the Center had entered into two operating leases for office equipment. Rental expense for the year ended June 30, 2018 and 2017 under the leases was $13,425 and $11,378, respectively. The scheduled future lease payments are as follows:

Year Ending June 30,	Amount
2019	$ 10,589
2020	4,412
Thereafter	-0-
	$ 15,001

NOTE 7 — CONCENTRATIONS OF RISK

The Center's contracts with the Los Angeles County Department of Mental Health (LACDMH) comprised approximately 67% and 57% of the Center's revenues during the years ending June 30, 2018 and 2017, respectively. A significant decrease in funding or the loss of a contract with LACDMH could have a significant negative effect on the Center's financial condition.

The Center's contracts with the Los Angeles County Department of Children and Family Services (DCFS) comprised approximately 13% and 26% of the Center's revenues during the years ending June 30, 2018 and 2017, respectively. A significant decrease in funding or the loss of a contract with DCFS could have a significant negative effect on the Center's financial condition.

NOTE 8 – FUNCTIONAL ALLOCATION OF EXPENSES

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

NOTE 9 – DONATED MATERIALS AND SERVICES

The value of donated materials and services included as contributions in the financial statements and the corresponding expenses for the years ended June 30, 2018 and 2017 are as follows:

	2018	2017
Materials:		
Program supplies	$ 63,151	$ -0-
Office and other operating expenses	4,790	-0-
Banquet costs, entertainment, etc.	71,231	-0-
Total Materials	139,172	-0-
Services:		
Advertising and marketing	27,000	-0-
Contract and outside services	975	213,210
Total Donated Contributions	$ 167,147	$ 213,210

The Center received donated materials and supplies to assist in programs, operations, and fundraising events. The value of the contribution income and expense was estimated and recognized in the accompanying financial statements based on fair value of the items donated.

For the years ended June 30, 2018 and 2017, the Center also received donated advertising and professional services and has elected to include the value of these donations at their estimated fair market value within advertising and contract/outside services expenses.

In additions to the above donations, during the year ended June 30, 2018, the Center received a donation of common stocks valued at $100,000 which is reported as investments under current assets on the Statement of Financial Position.

NOTE 10 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under the FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has ability to access.

Level 2 – Inputs to the valuation methodology include: A) quoted prices for similar assets or liabilities in active markets; B) quoted prices for identical or similar assets or liabilities in inactive markets; C) input other than quoted prices that are observable for the asset or liability; D) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability'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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 10 – FAIR VALUE MEASUREMENTS (Continued)

Common stocks - Valued at the closing price reported on the active market on which the securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Center's assets at fair value as of June 30, 2018:

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
Common stocks	$ 102,318	$ -0-	$ -0-	$ 102,318
	$ 102,318	$ -0-	$ -0-	$ 102,318

Transfers Between Levels – The availability of observable market data is monitored to assess the appropriate classifications of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

NOTE 10 – RETIREMENT PLAN

The Center maintains a Savings Incentive Match Plan for an Employee's Individual Retirement Account (Simple IRA) under IRC Section 408(p). All full-time employees are eligible to make their own contributions and employer contributions made are based on matching employee contributions up to 3% of eligible wages as defined in the plan. Total employer contributions for the years ended June 30, 2018 and 2017 were $44,695 and $49,018, respectively.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 6, 2019, the date the financial statements were available to be issued. No events were identified that would merit disclosure.