



# San Francisco Child Abuse Prevention Center

Financial Statements  
Year Ended December 31, 2014  
(with summarized information for the year  
ended December 31, 2013)

# San Francisco Child Abuse Prevention Center

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## Financial Statements

Year Ended December 31, 2014

(with summarized information for the year ended December 31, 2013)

# San Francisco Child Abuse Prevention Center

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## Independent Auditor's Report

To the Board of Directors  
San Francisco Child Abuse Prevention Center  
San Francisco, California

We have audited the accompanying financial statements of the San Francisco Child Abuse Prevention Center (the "Prevention Center"), a California non-profit benefit corporation, which comprise the statement of financial position as of December 31, 2014, 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.

### *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. 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 the San Francisco Child Abuse Prevention Center as of December 31, 2014, and the changes in its net assets, its functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Report on Summarized Comparative Information*

We have previously audited the San Francisco Child Abuse Prevention Center 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 31, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*BDO USA, LLP*

November 6, 2015

## Financial Statements

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**San Francisco Child Abuse Prevention Center**  
**Statements of Financial Position**  
(with comparative information as of December 31, 2013)

| <i>December 31,</i>                     | 2014                | 2013                |
|---|---------------------|---------------------|
| <b>Assets</b>                           |                     |                     |
| Cash and cash equivalents               | \$ 2,147,188        | \$ 1,576,322        |
| Investments                             | 585,266             | 545,628             |
| Government contracts receivable         | 465,082             | 348,414             |
| Pledges and grants receivable, net      | 1,147,869           | 1,055,206           |
| Prepaid expenses and other assets       | 468,794             | 442,490             |
| Property and equipment, net (Note 5)    | 4,637,741           | 4,939,489           |
| <b>Total Assets</b>                     | <b>\$ 9,451,940</b> | <b>\$ 8,907,549</b> |
| <b>Liabilities and Net Assets</b>       |                     |                     |
| <b>Liabilities:</b>                     |                     |                     |
| Accounts payable and accrued expenses   | \$ 370,115          | \$ 700,782          |
| Accrued vacation                        | 120,830             | 112,860             |
| Deferred revenue                        | 26,508              | -                   |
| Other liabilities                       | 25,845              | 28,867              |
| <b>Total Liabilities</b>                | <b>543,298</b>      | <b>842,509</b>      |
| <b>Net Assets:</b>                      |                     |                     |
| Unrestricted                            | 7,076,907           | 6,927,795           |
| Temporarily restricted (Note 6)         | 1,821,735           | 1,127,245           |
| Permanently restricted (Note 7)         | 10,000              | 10,000              |
| <b>Total Net Assets</b>                 | <b>8,908,642</b>    | <b>8,065,040</b>    |
| <b>Total Liabilities and Net Assets</b> | <b>\$ 9,451,940</b> | <b>\$ 8,907,549</b> |

*See accompanying notes to financial statements.*

**San Francisco Child Abuse Prevention Center**  
**Statements of Activities and Changes in Net Assets**  
**For the Year Ended December 31, 2014**  
with summarized information for the year ended December 31, 2013

|   | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | 2014<br>Total       | 2013<br>Total       |
|---|---------------------|---------------------------|---------------------------|---------------------|---------------------|
| <b>Support &amp; Revenue:</b>   |                     |                           |                           |                     |                     |
| Government grants   | \$ 1,358,577        | \$ -                      | \$ -                      | \$ 1,358,577        | \$ 1,739,082        |
| Foundation and corporate grants   | 639,500             | 1,733,102                 | -                         | 2,372,602           | 1,294,212           |
| Donations   | 386,956             | 581,102                   | -                         | 968,058             | 1,056,343           |
| In-kind revenue   | 320,025             | -                         | -                         | 320,025             | 360,845             |
| Fundraising events, net of direct donor benefits<br>of \$139,108 in 2014 and \$82,093 in 2013 | 511,245             | -                         | -                         | 511,245             | 431,136             |
| Program service fees  | 30,466              | -                         | -                         | 30,466              | 8,234               |
| Rental income   | 545,384             | -                         | -                         | 545,384             | 89,299              |
| Interest and dividends  | 13,019              | 291                       | -                         | 13,310              | 14,690              |
| Other income (loss)   | 13,955              | (2,259)                   | -                         | 11,696              | (48,967)            |
| Net assets released from restriction:   |                     |                           |                           |                     |                     |
| Satisfaction of donor requirements  | 1,617,746           | (1,617,746)               | -                         | -                   | -                   |
| <b>Total Support &amp; Revenue</b>  | <b>5,436,873</b>    | <b>694,490</b>            | <b>-</b>                  | <b>6,131,363</b>    | <b>4,944,874</b>    |
| <b>Expenses:</b>  |                     |                           |                           |                     |                     |
| Program services  | 4,171,710           | -                         | -                         | 4,171,710           | 3,394,952           |
| Management and general  | 458,313             | -                         | -                         | 458,313             | 484,939             |
| Fundraising   | 657,738             | -                         | -                         | 657,738             | 665,302             |
| <b>Total Expenses</b>   | <b>5,287,761</b>    | <b>-</b>                  | <b>-</b>                  | <b>5,287,761</b>    | <b>4,545,193</b>    |
| <b>Change in Net Assets</b>   | <b>149,112</b>      | <b>694,490</b>            | <b>-</b>                  | <b>843,602</b>      | <b>399,681</b>      |
| <b>Net Assets, beginning of year</b>  | <b>6,927,795</b>    | <b>1,127,245</b>          | <b>10,000</b>             | <b>8,065,040</b>    | <b>7,665,359</b>    |
| <b>Net Assets, end of year</b>  | <b>\$ 7,076,907</b> | <b>\$ 1,821,735</b>       | <b>\$ 10,000</b>          | <b>\$ 8,908,642</b> | <b>\$ 8,065,040</b> |

*See accompanying notes to financial statements.*



# San Francisco Child Abuse Prevention Center

## Statement of Functional Expenses

For the Year Ended December 31, 2014 with summarized information for the Year Ended December 31, 2013

|   | PROGRAM SERVICES    |                   |                   |                      |                        |                        | SUPPORTING ACTIVITIES  |                   | 2014 Total          | 2013 Total          |
|---|---------------------|-------------------|-------------------|----------------------|------------------------|------------------------|------------------------|-------------------|---------------------|---------------------|
|   | Family Support      | TALK Line         | SafeStart         | Education & Training | Strategic Partnerships | Total Program Services | Management and General | Fundraising       |                     |                     |
| Salaries and Stipends                           | \$ 903,048          | \$ 274,932        | \$ 192,310        | \$ 180,973           | \$ 229,190             | \$ 1,780,453           | \$ 284,970             | \$ 370,314        | \$ 2,435,737        | \$ 2,093,678        |
| Payroll Taxes and Benefits                      | 219,560             | 65,532            | 42,477            | 44,300               | 44,593                 | 416,462                | 51,717                 | 62,503            | 530,682             | 456,046             |
| Recruitment and Professional Development        | 8,386               | 2,391             | 1,200             | 502                  | 686                    | 13,165                 | 12,658                 | 1,622             | 27,445              | 26,362              |
| Staff Appreciation                              | 9,898               | 2,669             | 1,799             | 2,317                | 2,153                  | 18,836                 | 3,008                  | 3,214             | 25,058              | 14,377              |
| Accounting and Payroll                          | 5,470               | 1,697             | 1,255             | 1,139                | 1,460                  | 11,021                 | 38,219                 | 2,276             | 51,516              | 40,088              |
| Audit and Tax                                   | 1,530               | -                 | -                 | -                    | -                      | 1,530                  | 21,600                 | -                 | 23,130              | 20,450              |
| Legal   | 253,658             | -                 | -                 | -                    | 26,129                 | 279,787                | -                      | 10                | 279,797             | 12,881              |
| Consultants                                     | 111,082             | 23,038            | 6,893             | 19,227               | 102,985                | 263,225                | 5,222                  | 107,773           | 376,220             | 459,567             |
| Subcontractors                                  | -                   | -                 | 372,775           | -                    | -                      | 372,775                | -                      | -                 | 372,775             | 396,872             |
| Travel, Conferences, and Meetings               | 1,787               | 262               | 4,903             | 1,751                | 1,543                  | 10,246                 | 1,376                  | 2,478             | 14,100              | 14,094              |
| Utilities and Maintenance                       | 20,375              | 6,301             | 4,486             | 32,897               | 127,381                | 191,440                | 6,583                  | 8,566             | 206,589             | 80,124              |
| Space Rental                                    | 1,880               | -                 | 942               | 51,860               | 207,439                | 262,121                | -                      | -                 | 262,121             | 291,804             |
| Program Supplies                                | 20,756              | 4,553             | 21,861            | 7,337                | 6,150                  | 60,657                 | -                      | -                 | 60,657              | 51,994              |
| Client Support                                  | 34,000              | 644               | 1,050             | 4                    | -                      | 35,698                 | -                      | -                 | 35,698              | 34,640              |
| Office Supplies, Postage, Printing, and Copying | 10,427              | 3,277             | 2,396             | 4,824                | 9,050                  | 29,974                 | 3,766                  | 25,005            | 58,745              | 49,836              |
| Expendable Equipment                            | 4,006               | 528               | 388               | 438                  | 4,451                  | 9,811                  | 560                    | 779               | 11,150              | 269,155             |
| Dues & Subscriptions                            | 8,956               | 2,921             | 3,885             | 3,392                | 89                     | 19,243                 | 1,945                  | 4,780             | 25,968              | 26,086              |
| Equipment Rental & Repair                       | 598                 | 56                | 43                | 14,126               | 22,494                 | 37,317                 | 66                     | 287               | 37,670              | 1,028               |
| Telephone & Communications                      | 8,686               | 3,017             | 1,929             | 4,889                | 7,163                  | 25,684                 | 2,529                  | 3,362             | 31,575              | 38,076              |
| Insurance                                       | 13,094              | 2,821             | 2,011             | 2,416                | 3,272                  | 23,614                 | 6,702                  | 3,830             | 34,146              | 14,296              |
| Board Expenses                                  | -                   | -                 | -                 | -                    | -                      | -                      | 1,460                  | 233               | 1,693               | 1,807               |
| Bank Charges and Interest Expense               | 3,830               | 351               | 257               | 260                  | 329                    | 5,027                  | 670                    | 13,488            | 19,185              | 13,685              |
| Bad Debt Expense                                | -                   | -                 | -                 | -                    | -                      | -                      | -                      | 30,712            | 30,712              | 31,989              |
| Depreciation                                    | 39,160              | 10,532            | 9,246             | 50,394               | 191,196                | 300,528                | 12,677                 | 16,357            | 329,562             | 101,483             |
| Other   | 970                 | 2,083             | 33                | 10                   | -                      | 3,096                  | 2,585                  | 149               | 5,830               | 4,775               |
| <b>Total Expenses</b>                           | <b>\$ 1,681,157</b> | <b>\$ 407,605</b> | <b>\$ 672,139</b> | <b>\$ 423,056</b>    | <b>\$ 987,753</b>      | <b>\$ 4,171,710</b>    | <b>\$ 458,313</b>      | <b>\$ 657,738</b> | <b>\$ 5,287,761</b> | <b>\$ 4,545,193</b> |

*See accompanying notes to financial statements.*

**San Francisco Child Abuse Prevention Center**  
**Statements of Cash Flows**  
(with comparative information as of December 31, 2013)

| <i>For the Years Ended December 31,</i>  | 2014                | 2013                |
|--|---------------------|---------------------|
| <b>Cash Flows from Operating Activities</b>  |                     |                     |
| Change in net assets   | \$ 843,602          | \$ 399,681          |
| Adjustments to reconcile change in net assets<br>to net cash provided by (used in) operating activities: |                     |                     |
| Depreciation expense   | 329,562             | 101,483             |
| Donated property   | -                   | (199,592)           |
| In-kind donated services   | (32,547)            | (119,517)           |
| Loss on disposal of fixed assets   | -                   | 15,999              |
| Net realized and change in unrealized gain on investments  | (3,858)             | 9,238               |
| Changes in assets and liabilities:   |                     |                     |
| Grants, pledges and contracts receivable, net  | (209,331)           | (458,400)           |
| Prepaid expenses and other assets  | 6,243               | 8,483               |
| Accounts payable and other accrued expenses  | 88,670              | 136,924             |
| Accrued vacation   | 7,970               | 18,426              |
| Assets due to or held for others   | -                   | (527,831)           |
| <b>Net Cash Provided by (Used in) Operating Activities</b>   | <b>1,030,311</b>    | <b>(615,106)</b>    |
| <b>Cash Flows from Investing Activities:</b>   |                     |                     |
| Purchase of investments  | (35,780)            | (28,969)            |
| Purchase of fixed assets   | (423,665)           | (1,865,178)         |
| <b>Net Cash Used in Investing Activities</b>   | <b>(459,445)</b>    | <b>(1,894,147)</b>  |
| <b>Increase (Decrease) in Cash and Cash Equivalents</b>  | <b>570,866</b>      | <b>(2,509,253)</b>  |
| <b>Cash and Cash Equivalents, beginning of year</b>  | <b>1,576,322</b>    | <b>4,085,575</b>    |
| <b>Cash and Cash Equivalents, end of year</b>  | <b>\$ 2,147,188</b> | <b>\$ 1,576,322</b> |
| <b>Supplemental Non-Cash Disclosures:</b>  |                     |                     |
| Donated capitalized property   | \$ -                | \$ 199,592          |
| Capitalized deferred lease costs   | \$ 36,492           | \$ 119,517          |
| Purchases of property in accounts payable at year-end  | \$ -                | \$ 395,851          |

*See accompanying notes to financial statements.*

# San Francisco Child Abuse Prevention Center

## Notes to Financial Statements

(with summarized comparative information as of and for the Year Ended December 31, 2013)

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### 1. Organization

#### *Nature of Activities*

San Francisco Child Abuse Prevention Center (the Prevention Center) is a community-based nonprofit organization established in 1973 dedicated to ending child abuse and neglect. Exempt from income taxes under Internal Revenue Code Section 501(c)(3) and section 23701 (d) of the California Revenue and Taxation Code, the Prevention Center is governed by a 12 to 23 member Board of Directors. The Prevention Center implements a three-pronged strategy: (1) provide services directly to children and families in crisis; (2) educate the community; and, (3) coordinate strategic partnerships; detailed information is available at [www.sfcapc.org](http://www.sfcapc.org). Programs include:

#### **Children & Family Services**

*Family Support* - The Prevention Center's direct services include a parent and child crisis drop-in program, parent and child counseling and therapy, case management, parent-child education, family activities, and a newly developed program to provide outcomes-based intensive services to high-needs families. The Therapeutic Children's Playroom provides care for children and supports the Prevention Center's other programs by offering free childcare while parents receive services on site.

*SafeStart Program* - The Prevention Center leads a citywide collaborative effort to reduce the effects of violence on young children and foster their ability to overcome negative experiences and thrive.

*TALK Line (415.441.KIDS)* - Trained volunteers handle approximately 14,000 calls every year from parents and caregivers in crisis. The TALK Line operates 24 hours a day, 7 days a week, 365 days a year, and has provided service virtually uninterrupted for 40 years.

#### **Education and Training**

The Prevention Center provides Mandated Reporter training to instruct child-serving professionals to identify and report suspected abuse and neglect. The Child Safety Awareness program educates elementary school children and their parents in safety issues and how to avoid and report abduction and abuse. The Prevention Center conducts local and regional efforts to raise awareness around issues of child abuse and abuse prevention.

#### **Strategic Partnerships**

The Prevention Center coordinates partnerships throughout the community to prevent child abuse and reduce its devastating effects. A key initiative is the creation and leadership of the Children's Advocacy Center of San Francisco (CAC). Based upon a national best-practice model, the CAC is a public-private partnership where multidisciplinary teams respond to incidents of child sexual abuse, physical abuse, and exposure to violence in a modern, child-friendly facility. CAC began direct services in February 2014; in October of that year, accreditation by the National Children's Alliance confirmed that the CAC met national standards of best practices. The CAC provides forensic interviews and care to the vast majority of San Francisco's children who disclose abuse and is well on its way to achieving its goal of treating 100% of such cases.

# San Francisco Child Abuse Prevention Center

## Notes to Financial Statements

(with summarized comparative information as of and for the Year Ended December 31, 2013)

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### *Funding and Revenue Concentration*

The Prevention Center receives approximately 25% of its unrestricted income from government grants awarded by various departments within the City & County of San Francisco. Should these grantors reduce their level of support, the Prevention Center could be required to reduce the level of activity of some of its programs.

## 2. Summary of Significant Accounting Policies

### *Method of Accounting*

The financial statements of the Prevention Center are prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (US GAAP).

### *Basis of Presentation*

Net assets, revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Prevention Center and changes therein are classified and reported as follows:

**Unrestricted net assets**, which includes resources not subject to donor-imposed restrictions.

**Temporarily restricted net assets**, which includes resources subject to donor-imposed stipulations on their use that may or will be met either by actions of the Prevention Center and/or the passage of time.

**Permanently restricted net assets**, which includes resources subject to donor-imposed restrictions that require permanent investment by the Prevention Center. Generally, the principal must be maintained as only the income earned can be used for either general or donor-specified purposes.

### *Revenue Recognition and Accounting for Restricted Support*

Contracts, grants and contributions are recognized at fair value as revenue when received or unconditionally promised and collection is deemed to be reasonably certain.

The Prevention Center reports 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 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 restriction.

# San Francisco Child Abuse Prevention Center

## Notes to Financial Statements

(with summarized comparative information as of and for the Year Ended December 31, 2013)

The Prevention Center reports gifts of fixed assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, the Prevention Center reports expirations of donor restrictions when the donated or acquired assets are placed in service.

The Prevention Center does not recognize conditional contracts, grants or contributions until the conditions are met. During 2013, the Prevention Center was named the recipient of one conditional grant totaling \$300,000. The conditional grant was contingent on meeting certain achievements of the CAC. The achievements were met and the \$300,000 was recognized into revenue during 2014.

The Prevention Center recognized program revenues and rental income when earned. Rental income is recorded on a straight-line basis over the lease terms.

### *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. Significant estimates made by the Prevention Center include useful lives of property and equipment, valuation of pledges receivable and in-kind revenues and the allocation of functional expenses.

### *Comparative Totals*

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Prevention Center's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

### *Cash and Cash Equivalents*

Cash and cash equivalents consist of highly liquid investments with maturities of three months or less at date of acquisition, including money market accounts.

### *Investments*

Investments in marketable securities are recorded on their trade date and are stated at fair value in the statements of financial position. Realized and unrealized gains and losses are included in the statement of activities and changes in net assets in other income (loss).

### *Government Contracts Receivable*

Government contracts receivable include amounts billed and unbilled under various governmental contracts for program services performed during the year. Management periodically reviews the collectability of government contracts receivable and provides a provision at the time it is determined that they are uncollectable.

# San Francisco Child Abuse Prevention Center

## Notes to Financial Statements

(with summarized comparative information as of and for the Year Ended December 31, 2013)

### *Pledges and Grants Receivable*

Pledges and grants receivable include amounts committed by donors but which have not yet been received by the Prevention Center. Pledges and grants receivable are measured at fair value upon receipt. If a pledge or grant is not expected to be collected within one year, it is discounted to its estimated fair value using a present value technique. The fair value of a pledge that is collectable within one year is recognized at its net realizable value. Management periodically reviews the collectability of pledges and grants receivable and provides a provision at the time it is determined that they are uncollectable.

Unconditional pledges and grants receivable are due as follows:

| <i>December 31,</i>                                | 2014         | 2013         |
|--|--------------|--------------|
| Less than one year                                 | \$ 847,944   | \$ 770,766   |
| 1 - 5 years  | 393,433      | 344,717      |
| Pledges and grants receivable                      | 1,241,377    | 1,115,483    |
| Less: Discount on long-term pledges and grants     | (25,665)     | (23,146)     |
| Less: Reserve for uncollectible pledges and grants | (67,843)     | (37,131)     |
| Pledges and grants receivable, net                 | \$ 1,147,869 | \$ 1,055,206 |

The amounts presented above have been discounted to present value using various discount rates ranging between 3.13% and 3.67%.

### *Property and Equipment*

Property and equipment are reported at cost if purchased, or at fair value at the date of gift if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from 5 to 30 years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

### *Long-Lived Assets*

Long-lived assets, such as land, building and other property, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Prevention Center first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent that the carrying value exceeds its fair value. The Prevention Center determines fair value of long-lived assets held and used by reference to independent appraisals, quoted market prices (e.g. an offer to purchase) and other factors. There were no impairment charges recorded in the periods presented.

# San Francisco Child Abuse Prevention Center

## Notes to Financial Statements

(with summarized comparative information as of and for the Year Ended December 31, 2013)

### *Fair Value Measurements*

The Prevention Center considers fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value are either observable or unobservable. Observable inputs reflect assumptions that market participants would use in pricing an asset or liability based on market data obtained from independent sources, while unobservable inputs reflect a reporting entity's pricing based on their own market assumptions. The Prevention Center utilizes the following three-level fair value hierarchy to establish the priorities of the inputs used to measure fair value:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; 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.

A financial instrument's 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 maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table presents the fair value hierarchy for the financial assets and liabilities held by the Prevention Center measured at fair value on a recurring basis as of December 31, 2014 and 2013:

| <i>December 31, 2014</i>   | Level 1    | Level 2 | Level 3 |
|----------------------------|------------|---------|---------|
| <i>Assets:</i>             |            |         |         |
| Investments <sup>(a)</sup> | \$ 585,266 | \$ -    | \$ -    |
| Total                      | \$ 585,266 | \$ -    | \$ -    |
| <i>December 31, 2013</i>   | Level 1    | Level 2 | Level 3 |
| <i>Assets:</i>             |            |         |         |
| Investments <sup>(a)</sup> | \$ 545,628 | \$ -    | \$ -    |
| Total                      | \$ 545,628 | \$ -    | \$ -    |

<sup>(a)</sup> Investments are in mutual funds whose underlying investments consist principally of intermediate and short term bond funds.

# San Francisco Child Abuse Prevention Center

## Notes to Financial Statements

(with summarized comparative information as of and for the Year Ended December 31, 2013)

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The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the 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. For the years ended December 31, 2014 and 2013, there were no significant transfers in or out of levels 1, 2 or 3.

The carrying amounts of the Prevention Center's other financial instruments, which include accounts receivable, accounts payable and other accrued expenses, approximate their fair values due to their short-term maturities.

### *Functional Expenses*

The Prevention Center allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly. Indirect expenses are allocated according to a formula based on the relative amount of staff time spent on the particular function, with the exception of some 3<sup>rd</sup> St building costs (rent, maintenance, utilities and insurance) which are allocated to programs based on an assessment of the programmatic use of the space.

### *Reclassifications*

Certain prior year balances have been reclassified to conform to current year presentation. These reclassifications had no impact on previously reported change in net assets or cash flows.

### **3. Tax Status**

The Prevention Center is exempt from federal and California state income taxes under Section 501 (c)(3) of the Internal Revenue Code and Section 23701 (d) of the California Revenue and Taxation Code, respectively. The Prevention Center had no sources of unrelated business income during the years ended December 31, 2014 and 2013.

The Prevention Center follows the authoritative guidance for accounting for uncertainty in income taxes. The Prevention Center does not believe there are any material uncertain tax positions and; accordingly, has not recognized any liability for unrecognized tax benefits. The Prevention Center has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Prevention Center has filed IRS Form 990 tax returns as required and all applicable returns in those jurisdictions where it is required. The Prevention Center believes that it is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2011. However, the Prevention Center is still open to examinations by tax authorities from fiscal year 2011 forward. For the year ended December 31, 2014, there were no penalties or interest recorded in the statements of activities.



# San Francisco Child Abuse Prevention Center

## Notes to Financial Statements

(with summarized comparative information as of and for the Year Ended December 31, 2013)

### 4. Concentrations of Credit Risk

Financial instruments that potentially subject the Prevention Center to concentrations of credit risk consist of cash deposits with a commercial bank and a brokerage firm. The Prevention Center maintains its cash accounts with two commercial banks. The accounts at the commercial banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of \$250,000 for FDIC insured accounts. As of December 31, 2014, the Prevention Center held cash balances in excess of insured amounts. The risk is managed by maintaining all deposits in high quality financial institutions.

### 5. Property and Equipment, net

Property and equipment, net as of December 31, 2014 and 2013 were as follows:

|                                    | 2014         | 2013         |
|------------------------------------|--------------|--------------|
| Land                               | \$ 847,300   | \$ 847,300   |
| Building and building improvements | 2,251,645    | 2,248,645    |
| Furnishings and equipment          | 148,511      | 146,358      |
| Leasehold improvements             | 2,117,067    | 2,094,406    |
|                                    | 5,364,523    | 5,336,709    |
| Less: accumulated depreciation     | (726,782)    | (397,220)    |
| Property and equipment, net        | \$ 4,637,741 | \$ 4,939,489 |

Depreciation expense for years ended December 31, 2014 and 2013 was \$329,562 and \$101,483, respectively.

### 6. Temporarily Restricted Net Assets

Temporarily restricted net assets represent pledges and grants to the Prevention Center that have been restricted for a specific purpose or time period. Temporarily restricted net assets at December 31, 2014 and 2013 were as follows:

|   | 2014         | 2013         |
|---|--------------|--------------|
| Children & Family Services              | \$ 695,540   | \$ 32,500    |
| Community Education & Training          | 50,453       | 33,258       |
| Strategic Partnerships                  | 571,883      | 641,602      |
| Time Restricted                         | 461,409      | 399,885      |
| Other Specific Purposes                 | 42,450       | 20,000       |
| Total temporarily restricted net assets | \$ 1,821,735 | \$ 1,127,245 |

### 7. Permanently Restricted Net Assets - Endowment Fund

In the past, the Prevention Center planned to establish an endowment fund. \$10,000 was raised, but the effort was subsequently discontinued. The Prevention Center has no plans to increase such funds in the foreseeable future.

# San Francisco Child Abuse Prevention Center

## Notes to Financial Statements

(with summarized comparative information as of and for the Year Ended December 31, 2013)

### 8. Retirement Plan

The Prevention Center sponsors a 403(b) defined contribution retirement plan (the Plan) covering employees who have been employed by the Prevention Center for at least one year and who regularly work at least 20 hours per week. Employees may elect to make contributions to the Plan. Employer contributions made on behalf of eligible employees are discretionary. The Prevention Center contributed \$26,506 and \$22,955 to the Plan for the years ended December 31, 2014 and 2013, respectively.

### 9. Commitments and Contingencies

#### *Operating Leases*

At the end of March 2012, the Prevention Center entered into a 10-year lease to provide space for the CAC (as described above in Note 1). Contemporaneously with the exercise of the lease option, the Prevention Center entered into sublease agreements with both Sutter Health/CPMC and the Center for Youth Wellness through the end of the ten year lease option. In June 2014, the Prevention Center signed a nine-year sub-lease for space in the CAC with the Human Services Agency of the City and County of San Francisco. Total rental expense for the years ended December 31, 2014 and 2013 was \$219,780 and \$291,804, respectively.

The Prevention Center's future minimum rental commitments under its non-cancelable operating lease, net of guaranteed sublease income, as of December 31, 2014 are as follows:

| <i>Year Ending December 31,</i> | <b>Operating<br/>Lease</b> | <b>Sublease<br/>Income</b> | <b>Total</b>          |
|---------------------------------|----------------------------|----------------------------|-----------------------|
| 2015                            | \$ 223,625                 | \$ (380,589)               | \$ (156,964)          |
| 2016                            | 228,097                    | (390,920)                  | (162,823)             |
| 2017                            | 232,659                    | (401,540)                  | (168,881)             |
| 2018                            | 217,831                    | (412,456)                  | (194,625)             |
| 2019                            | 242,061                    | (423,677)                  | (181,616)             |
| Thereafter                      | 798,645                    | (1,457,111)                | (658,466)             |
|                                 | <b>\$ 1,942,918</b>        | <b>\$ (3,466,293)</b>      | <b>\$ (1,523,375)</b> |

### 10. Acquisition of Kids' Turn

On August 29, 2014, the Prevention Center acquired the programming of Kids' Turn, a non-profit 501(c)3 community-based organization. The Kids' Turn program teaches children and parents how to cope with the turmoil of divorce and separation by helping children to understand and express their emotions and by helping parents to develop co-parenting and parallel parenting skills.

At the retirement of its Executive Director, the Board of Director of Kids' Turn determined that there was synergy between the organizations and, therefore, approached the Prevention Center. Following due diligence, both organizations agreed that it would be beneficial to combine programming in order to better serve the needs of the community.

# San Francisco Child Abuse Prevention Center

## Notes to Financial Statements

(with summarized comparative information as of and for the Year Ended December 31, 2013)

The Prevention Center did not pay any consideration to acquire the Kids' Turn program. Kids' Turn assets comprised of \$6,769 in cash and no liabilities. Included as in-kind revenue on the Statements of Activities is \$253,658 of in-kind legal fees donated by Latham & Watkins LLP during the acquisition. These fees are included both in revenues and expenses and net to zero in the overall financial statements.

### 11. Subsequent Events

Subsequent events have been evaluated through November 6, 2015, the date the financial statements were available to be issued. During this period, no material recognizable or disclosable subsequent events were identified.