

**CHILDSAVERS –
MEMORIAL CHILD GUIDANCE CLINIC**

FINANCIAL REPORT

JUNE 30, 2015

OFFICERS

Linda V. Schreiner, President

Clayton A. De Arment, Vice-President

Roger L. Boeve, Vice-President

Clinton M. Bowes, Treasurer

Jaclyn H. Witthoefft, Secretary

DIRECTORS

Amanda N. Aghdami

Sheryl A. Bryan

Christopher P. Donahue

Alice N. Fruth

Stefanie G. Gordinier

Robert P. Gorrell

Paula S. Gulak

James E. Hinterlong

Richard P. Solana

Eileen Pedante-Stone

Thomas L. Winston

E. Carlton Wilton, Jr.

CHIEF EXECUTIVE OFFICER

L. Robert Bolling

C O N T E N T S

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	1 - 2
<hr/>	
FINANCIAL STATEMENTS	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7 - 14
<hr/>	
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	15 - 16
<hr/>	
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	17 - 18
<hr/>	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	19
<hr/>	
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	20
<hr/>	
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	21 - 22
<hr/>	
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	23
<hr/>	



INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Directors
ChildSavers - Memorial Child Guidance Clinic
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of ChildSavers - Memorial Child Guidance Clinic, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 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 auditors' 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 ChildSavers - Memorial Child Guidance Clinic as of June 30, 2015, 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.

Report on Summarized Comparative Information

We have previously audited ChildSavers - Memorial Child Guidance Clinic's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 5, 2014, except for Note 13 as to which the date is July 14, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters – Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2015, on our consideration of ChildSavers - Memorial Child Guidance Clinic'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 ChildSavers - Memorial Child Guidance Clinic's internal control over financial reporting and compliance.

Mitchell, Wiggins & Company LLP

Richmond, Virginia
November 24, 2015

CHILDSAVERS - MEMORIAL CHILD GUIDANCE CLINIC

STATEMENT OF FINANCIAL POSITION

June 30, 2015, with Comparative Totals as of June 30, 2014

ASSETS	2015	2014
Cash and cash equivalents	\$ 277,202	\$ 264,016
Investments	348,464	351,398
Accounts Receivable:		
Clinic fees and program contracts, less allowance for doubtful accounts 2015 \$30,000; 2014 \$0	256,699	233,475
Other	6,622	6,019
Grants receivable	238,225	286,300
Contributions receivable, due within one year	45,214	34,585
United Way services funding commitment for the next fiscal year, 2015 and 2014	112,500	150,000
Prepaid expenses	8,507	15,451
Property and equipment, net	241,250	296,555
Total assets	\$1,534,683	\$1,637,799
LIABILITIES AND NET ASSETS		
Liabilities		
Note payable, line of credit	\$ -	\$ 69,995
Accounts payable	210,476	253,073
Accrued expenses	67,263	80,633
Due to providers	75,463	72,858
Deferred revenue	33,983	13,281
Total liabilities	387,185	489,840
Net Assets		
Unrestricted	370,739	289,139
Board designated	348,464	351,398
Total unrestricted net assets	719,203	640,537
Temporarily restricted	428,295	507,422
Total net assets	1,147,498	1,147,959
Total liabilities and net assets	\$1,534,683	\$1,637,799

See Notes to Financial Statements.

CHILDSAVERS - MEMORIAL CHILD GUIDANCE CLINIC

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015, with Comparative Totals for the Year Ended June 30, 2014

	Temporarily		Totals	
	Unrestricted	Restricted	2015	2014
Revenue and Support:				
Contributions	\$ 627,004	\$ 400	\$ 627,404	\$ 635,430
Program contracts	648,526	-	648,526	657,268
Grants	2,000	592,335	594,335	665,272
Endowment Fund of Memorial Child Guidance Clinic, Inc.	176,022	-	176,022	160,053
United States Department of Agriculture Program Revenue	975,154	-	975,154	1,047,275
United Way services	-	270,500	270,500	308,000
Clinic fees, net of adjustments 2015 \$149,666; 2014 \$138,291	479,285	-	479,285	462,847
Preventive services, training and consulting fees	13,150	-	13,150	16,747
Other income	17,144	-	17,144	13,298
Gain on sale of investments	2,906	-	2,906	2,707
Unrealized gain (loss) on investments	(22,039)	-	(22,039)	35,159
Investment income	23,137	-	23,137	6,684
	2,942,289	863,235	3,805,524	4,010,740
Net Assets Released From Restrictions:				
Satisfaction of program restrictions	634,362	(634,362)	-	-
Satisfaction of time restrictions	308,000	(308,000)	-	-
Total revenue and support	3,884,651	(79,127)	3,805,524	4,010,740
Expenses:				
Clinical	939,505	-	939,505	798,524
ChildSave	353,777	-	353,777	396,659
Preventive	1,699,097	-	1,699,097	1,740,114
Management and general	544,296	-	544,296	560,306
Fundraising	269,310	-	269,310	265,489
Total expenses	3,805,985	-	3,805,985	3,761,092
Change in net assets	78,666	(79,127)	(461)	249,648
Net assets, beginning	640,537	507,422	1,147,959	898,311
Net assets, ending	\$ 719,203	\$ 428,295	\$1,147,498	\$1,147,959

See Notes to Financial Statements.

CHILDSAVERS - MEMORIAL CHILD GUIDANCE CLINIC

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2015, with Comparative Totals for the Year Ended June 30, 2014

	Program Services			Management	Fundraising	Totals	
	Clinical	ChildSave	Preventive	& General		2015	2014
Salaries and wages	\$ 555,013	\$ 195,816	\$ 508,967	\$ 265,879	\$ 169,290	\$ 1,694,965	\$ 1,674,681
USDA program expenses	-	-	840,776	-	-	840,776	902,719
Benefits	61,308	24,779	54,952	24,162	8,479	173,680	187,164
Professional fees	13,992	5,009	14,475	126,152	7,861	167,489	196,806
Rent	51,379	27,364	42,412	23,225	10,182	154,562	134,528
Supplies	9,180	2,829	93,606	18,849	1,424	125,888	101,549
Payroll taxes	34,573	14,402	27,631	19,776	13,349	109,731	107,729
Bad debts	67,126	12,796	-	-	1,575	81,497	87,185
Repairs, maintenance, and equipment rental	26,771	13,625	21,521	12,245	5,426	79,588	62,966
Depreciation	42,830	21,700	7,279	3,989	1,706	77,504	27,801
Utilities	20,817	11,087	17,184	9,410	4,027	62,525	62,790
Insurance	12,752	6,426	9,954	8,337	2,455	39,924	52,089
Travel	337	177	30,143	1,289	125	32,071	27,393
Software	18,403	9,201	-	-	3,511	31,115	5,256
Training and professional development	7,785	1,841	8,632	3,632	435	22,325	21,423
Special event expense	4,368	-	2,449	2,036	10,828	19,681	15,100
Telephone and internet	3,539	3,496	6,475	1,561	1,487	16,558	15,585
Printing	-	-	1,576	537	13,561	15,674	10,805
Other	1,102	328	1,340	8,621	4,078	15,469	13,335
Meals and entertainment	539	40	739	6,191	2,384	9,893	5,246
Postage	421	135	2,250	2,116	4,134	9,056	7,478
Public relations	256	95	2,861	3,692	1,534	8,438	1,823
Dues and subscriptions	2,752	511	1,297	430	583	5,573	9,003
Recruiting	1,880	851	489	943	415	4,578	2,076
Payroll processing	1,389	740	1,147	628	269	4,173	4,243
Taxes, property	993	529	942	449	192	3,105	4,191
Interest	-	-	-	147	-	147	128
Grant expense	-	-	-	-	-	-	20,000
Total expenses	\$ 939,505	\$ 353,777	\$ 1,699,097	\$ 544,296	\$ 269,310	\$ 3,805,985	\$ 3,761,092

See Notes to Financial Statements.

CHILDSAVERS - MEMORIAL CHILD GUIDANCE CLINIC

STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

<hr/>	
Cash Flows From Operating Activities	
Change in net assets	\$ (461)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	77,504
Gain on sale of investments	(2,906)
Unrealized loss on investments	22,039
Change in operating assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	(23,827)
Grants receivable	48,075
Contributions receivable	(10,629)
Prepaid expenses	6,944
United Way receivable	37,500
Increase (decrease) in liabilities:	
Accounts payable	(42,597)
Accrued expenses	(13,370)
Due to providers	2,605
Deferred revenue	20,702
Net cash provided by operating activities	<u>121,579</u>
Cash Flows from Investing Activities	
Proceeds from sale of investments	142,240
Purchase of investments	(158,439)
Purchase of property and equipment	(22,199)
Net cash used in investing activities	<u>(38,398)</u>
Cash Flows From Financing Activities	
Payments on line of credit	(69,995)
Net cash used in financing activities	<u>(69,995)</u>
Net increase in cash and cash equivalents	13,186
Cash and cash equivalents, beginning	<u>264,016</u>
Cash and cash equivalents, ending	<u><u>\$277,202</u></u>

See Notes to Financial Statements.

CHILDSAVERS - MEMORIAL CHILD GUIDANCE CLINIC

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: ChildSavers - Memorial Child Guidance Clinic (ChildSavers) is a nonprofit health care organization located in Richmond, Virginia. ChildSavers provides comprehensive mental health services to the children and their parents or guardians of Richmond and Petersburg, Virginia, through prevention and clinical programs.

The majority of ChildSavers' revenue and support is from grants, federal programs, contributions and program service fees.

A summary of ChildSavers' significant accounting policies follows:

Financial statement presentation: Under current accounting standards, ChildSavers is required to report 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. The net asset classes are summarized as follows:

Unrestricted net assets include unrestricted and board designated funds. The unrestricted and board designated net assets include revenue and expenses used currently for the general operations and programs of ChildSavers.

Temporarily restricted net assets include contributions restricted by donor designation and are reported as increases in temporarily restricted net assets. When a restriction expires either with the passage of time or by actions of ChildSavers, temporarily restricted net assets are released and reclassified to unrestricted net assets.

Permanently restricted net assets include contributions restricted by donor imposed stipulations that they be maintained permanently by ChildSavers. ChildSavers currently has no permanently restricted net assets.

Use of estimates in the preparation of financial statements: The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among program and supporting services.

Allocation of joint costs: ChildSavers achieves some of its programmatic and management and general goals through various media campaigns that include requests for contributions. The costs of conducting those campaigns are included in the public relations line item in the statement of functional expenses and have been allocated to the various programs, management and general, and fundraising based on ChildSavers' customary method for allocating costs.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Cash and cash equivalents: For purposes of reporting the statement of cash flows, ChildSavers includes all cash accounts, except funds held by investment managers, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents on the accompanying statement of financial position. ChildSavers, at times, may have cash in excess of insured limits. ChildSavers' cash is in institutions whose credit ratings are monitored by management to minimize the concentration of credit risk.

Accounts receivable, clinic fees and allowance for uncollectible accounts: ChildSavers extends credit to its clinical clients (and their insurers) who are located principally in and around the cities of Richmond and Petersburg, Virginia. Accounts receivable on program service contracts are due principally from state and local government jurisdictions. ChildSavers' ability to collect on these receivables is directly influenced by economic conditions. ChildSavers mitigates the associated credit risk by performing credit checks when appropriate and actively pursuing past due accounts. Accounts receivable are generally extended on a short-term basis and do not bear interest until they are more than thirty days old. An account is considered past due when it is more than ninety days old.

An allowance for uncollectible accounts is provided when necessary and is based on management's evaluation of the collectability of individual accounts receivable.

Contributions receivable: Contributions are recognized when the donor makes a promise to give ChildSavers that is, in substance, unconditional. If the unconditional promise to give is to occur over several fiscal periods, the asset will be measured at its present value.

Investments: Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are recorded at their estimated fair market values on the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Realized gains and losses are accounted for using the specific identification method.

Property and equipment: Property and equipment are recorded at cost. Depreciation of property is computed on the straight-line method over the estimated useful lives of 10 to 39 years for leasehold improvements and 3 to 10 years for furniture and equipment. The costs of major improvements are capitalized, while the costs of maintenance and repairs, which do not improve or extend the life of the respective properties, are expensed currently.

Deferred revenue: Deferred revenue includes amounts related to contracts where the services had not been performed as of year-end. The revenue is recognized as the services are performed.

Revenue recognition: Program service revenues are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered and are recognized in the period in which these services were performed.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

ChildSavers has agreements with third-party payers that provide for payment to ChildSavers. Under these agreements, the difference between ChildSavers' standard billing rates and the third-party payments for services results in contractual adjustments. Contractual adjustments are recorded as deductions from program service revenue in the period in which the related services are rendered.

In-kind contributions: Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not provided by donation, are recorded at their fair market values in the period received. A number of unpaid volunteers who serve in the capacity of Board members and clerical and administrative assistants have made significant contributions of their time in the furtherance of ChildSavers' programs. The value of this contributed time is not reflected in these statements because the criteria for recognition under current accounting standards have not been satisfied.

Advertising costs: Advertising costs are expensed in the period they are incurred.

Income taxes: ChildSavers is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a Private Foundation. ChildSavers is subject to tax on any unrelated business income that it may generate.

The Financial Accounting Standards Board issued guidance on accounting for uncertainty in income taxes. Management evaluated ChildSavers' tax positions and concluded that ChildSavers had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, ChildSavers is no longer subject to income tax examinations by the taxing authorities for years ending before June 30, 2012.

ChildSavers includes penalties and interest assessed by income taxing authorities in management and general expenses. ChildSavers did not have penalties and interest relating to income taxes for the year ended June 30, 2015.

Note 2. Endowment Fund Support

Endowment Fund of Memorial Child Guidance Clinic, Incorporated (the Endowment Fund) is a separate legal entity that was formed to provide support for ChildSavers. The Endowment Fund is governed by a separate board of trustees, the majority of which do not serve on ChildSavers' Board. ChildSavers is the sole beneficiary of the Endowment Fund. ChildSavers has recorded \$176,022 in support from the Endowment Fund during the year ended June 30, 2015.

ChildSavers operates in a building owned by the Endowment Fund. ChildSavers has included in expense \$154,562 for rent to the Endowment Fund for the year ended June 30, 2015.

NOTES TO FINANCIAL STATEMENTS

Note 3. Investments

Investments as of June 30, 2015, are as follows:

	Cost	Estimated Fair Value
Cash and cash equivalents	\$ 8,523	\$ 8,523
Mutual funds	310,214	339,941
	<u>\$ 318,737</u>	<u>\$ 348,464</u>

Note 4. Property and Equipment

Property and equipment consists of the following at June 30, 2015:

Furniture and equipment	\$358,225
Leasehold improvements	<u>217,200</u>
	575,425
Less accumulated depreciation	<u>334,175</u>
	<u>\$241,250</u>

Note 5. Lease Commitments

ChildSavers leases a building and office equipment under various operating leases. As described in Note 2, the building is leased from the Endowment Fund under a twenty-year lease which ends June 30, 2025. There are two additional five-year renewal terms available. The lease was amended effective November 1, 2013 and the current monthly rental is \$12,848. Future minimum lease payments under these leases are as follows:

Year	Building	Equipment	Total
2016	\$ 154,176	\$ 6,996	\$ 161,172
2017	154,176	6,996	161,172
2018	154,176	6,996	161,172
2019	154,176	5,316	159,492
2020	154,176	2,658	156,834
Thereafter	770,880	-	770,880
	<u>\$1,541,760</u>	<u>\$ 28,962</u>	<u>\$1,570,722</u>

Total rent expense for the year ended June 30, 2015 was \$170,808.

NOTES TO FINANCIAL STATEMENTS

Note 6. Revolving Line of Credit

The Organization has a revolving line of credit with a maximum borrowing limit of \$250,000 and is secured by the Organization's deposits and investments. Interest accrues on the outstanding balance at an interest rate equal to the one month LIBOR plus 2.75% (currently 2.93%) and expires on December 30, 2015. There was no amount outstanding under the line of credit as of June 30, 2015.

Interest expense for the year ended June 30, 2015 was \$147.

Note 7. Defined Contribution Pension Plan

ChildSavers has a contributory retirement annuity plan covering substantially all of its employees. ChildSavers currently contributes up to 5% of gross salary based on length of time employed, and employees contribute within a limit based on age and salary. Expenses include ChildSavers' contributions of \$28,736 for the year ended June 30, 2015.

Note 8. Board Designated and Temporarily Restricted Net Assets

ChildSavers' board of directors has designated unrestricted net assets for the following purposes:

Capital expenditures	\$ 30,000
Working capital reserve	<u>318,464</u>
	<u>\$348,464</u>

Temporarily restricted net assets are available for the following purposes:

Mental health treatment	\$200,875
Immediate response	187,935
Child development	<u>39,485</u>
	<u>\$428,295</u>

Net assets were released from donor restrictions for the year ended June 30, 2015, by incurring expenses satisfying the restricted purposes as follows:

Mental health treatment	\$433,361
Immediate response	369,001
Child development	<u>140,000</u>
	<u>\$942,362</u>

NOTES TO FINANCIAL STATEMENTS

Note 9. Fair Value Measurements

Financial accounting standards for fair value measurements, define 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. Current accounting standards establish a framework for measuring fair value. That framework 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under current accounting standards are described below:

- Level 1.* Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2.* Valuations for assets and liabilities traded in less active dealer or broker markets, including those where the investee has the ability to redeem its investment at its net asset value per share at the measurement date. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.
- Level 3.* Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. When quoted prices in active markets are not available, fair values are determined using pricing models and the inputs to those pricing models are based on observable market inputs in active markets. The inputs to the pricing models are typically reported trades and broker-dealer quotes. When quoted prices in active markets and observable market inputs in active markets are not available, fair values are determined using unobservable pricing inputs. Unobservable inputs require significant management judgment or estimation. Investments in this category generally include alternative investments, such as ownership interests in pass-through entities.

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.

NOTES TO FINANCIAL STATEMENTS

Note 9. Fair Value Measurements (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015.

Cash: Valued at the deposit amount.

Mutual funds: Valued at the net asset value of shares held at year-end.

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 ChildSavers 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, ChildSavers' assets at fair value as of June 30, 2015:

	Level 1	Level 2	Level 3	Total
Cash	\$ 8,523	\$ -	\$ -	\$ 8,523
Mutual bond funds:				
Multisector bond	129,515	-	-	129,515
High yield	34,201	-	-	34,201
Corporate debt	35,045	-	-	35,045
Mutual equity funds:				
Large cap value	49,456	-	-	49,456
International multi-cap growth	15,609	-	-	15,609
Emerging markets	8,119	-	-	8,119
Small blend	9,739	-	-	9,739
Large cap growth	58,257	-	-	58,257
	<u>\$348,464</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$348,464</u>

Note 10. Endowment Investing and Spending Policies

ChildSavers' endowment consists solely of amounts designated by the board of directors to be held for endowment. These funds are invested with the objective to ensure, over a long-term, a level of assets that will adequately supplement the capital and operating needs of ChildSavers.

ChildSavers has adopted investment and spending policies for endowment assets that attempt to maintain the purchasing power of the endowment assets while also providing a potential source of support for its current programs. Under this policy, the endowment assets are invested in a manner that is intended to provide long-term capital appreciation. Actual returns in any given year may vary.

NOTES TO FINANCIAL STATEMENTS

Note 10. Endowment Investing and Spending Policies (Continued)

To satisfy its long-term objectives, ChildSavers 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). ChildSavers targets a diversified asset allocation to achieve its long-term objectives within prudent risk constraints.

Historically, ChildSavers has not applied a spending policy to its endowment in an effort to allow the endowment to grow. This is consistent with ChildSavers' objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

A summary of the activity in endowment funds for the year ended June 30, 2015, is as follows:

Endowment net assets, beginning	\$351,398
Contributions	-
Investment income, net	19,105
Net appreciation	(22,039)
Endowment net assets, ending	<u>\$348,464</u>

Note 11. Subsequent Events

Management has evaluated subsequent events through November 24, 2015, the date which the financial statements were available for issue.

Note 12. Prior Year Summarized Comparative Information

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with ChildSavers' financial statements for the year ended June 30, 2014, from which the summarized information was derived.



**INDEPENDENT AUDITORS' 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***

Board of Directors
ChildSavers - Memorial Child Guidance Clinic
Richmond, Virginia

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 of America, the financial statements of ChildSavers - Memorial Child Guidance Clinic, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 24, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered ChildSavers - Memorial Child Guidance Clinic'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 ChildSavers - Memorial Child Guidance Clinic's internal control. Accordingly, we do not express an opinion on the effectiveness of ChildSavers - Memorial Child Guidance Clinic's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ChildSavers - Memorial Child Guidance Clinic'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mitchell, Wiggins & Company LLP

Richmond, Virginia
November 24, 2015



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
ChildSavers - Memorial Child Guidance Clinic
Richmond, Virginia

Report on Compliance for Each Major Federal Program

We have audited ChildSavers - Memorial Child Guidance Clinic's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of ChildSavers - Memorial Child Guidance Clinic's major federal programs for the year ended June 30, 2015. ChildSavers - Memorial Child Guidance Clinic's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for ChildSavers - Memorial Child Guidance Clinic's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ChildSavers - Memorial Child Guidance Clinic's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of ChildSavers - Memorial Child Guidance Clinic's compliance.

Opinion on Each Major Federal Program

In our opinion, ChildSavers - Memorial Child Guidance Clinic complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of ChildSavers - Memorial Child Guidance Clinic is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ChildSavers - Memorial Child Guidance Clinic's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ChildSavers - Memorial Child Guidance Clinic's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mitchell, Wiggins & Company LLP

Richmond, Virginia
November 24, 2015

CHILDSAVERS - MEMORIAL CHILD GUIDANCE CLINIC

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Total Federal Expenditures	Expenditures to Subrecipients
<u>United States Department of Agriculture:</u>			
Child and Adult Care Food Program, United States Department of Agriculture Agreement Number 02-51-58766-00 3	10.558	\$ 975,154	\$ -
<u>United States Department of Health and Human Services/ Virginia Department of Social Services:</u>			
Child Care and Development Block Grant; Virginia Quality Rating and Improvement System (Contract # OECD-13-054-01)	93.575	302,818	39,760
		\$ 1,277,972	\$ 39,760

See Notes to Schedule of Expenditures of Federal Awards.

CHILDSAVERS - MEMORIAL CHILD GUIDANCE CLINIC

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of ChildSavers - Memorial Child Guidance Clinic and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CHILDSAVERS – MEMORIAL CHILD GUIDANCE CLINIC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.558	United States Department of Agriculture; Child and Adult Care Food Program
93.575	United States Department of Health and Human Services; Child Care and Development Block Grant

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee? X Yes No

CHILDSAVERS - MEMORIAL CHILD GUIDANCE CLINIC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended June 30, 2015

II. FINANCIAL STATEMENT FINDINGS

None

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

CHILDSAVERS - MEMORIAL CHILD GUIDANCE CLINIC

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2015

ChildSavers - Memorial Child Guidance Clinic had no audit findings from the June 30, 2014 audit.