



# ChildSavers – Memorial Child Guidance Clinic

## Financial Statements

June 30, 2016

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***Chief Executive Officer***

*L. Robert Bolling*

# ***ChildSavers - Memorial Child Guidance Clinic***

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## ***Independent Auditor's 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, 2016, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ChildSavers - Memorial Child Guidance Clinic as of June 30, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 24, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 December 15, 2016, 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  
December 15, 2016

## **ChildSavers - Memorial Child Guidance Clinic**

### **Statement of Financial Position June 30, 2016, with Comparative Totals as of June 30, 2015**

<b>Assets</b>	<b>2016</b>	<b>2015</b>
Cash	\$ 523,617	\$ 277,202
Investments	<b>190,940</b>	348,464
Accounts receivable		
Clinic fees and program contracts, less allowance for doubtful accounts 2016 \$66,000; 2015 \$30,000	254,072	256,699
Other	3,304	6,622
Grants receivable	<b>157,871</b>	238,225
Contributions receivable, due within one year	33,513	45,214
United Way Services funding commitment for the next fiscal year, 2016 and 2015	56,250	112,500
Prepaid expenses	31,770	8,507
Property and equipment, net	<b>213,695</b>	241,250
<b>Total assets</b>	<b>\$1,465,032</b>	\$ 1,534,683
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 154,555	\$ 210,476
Accrued vacation	100,699	67,263
Due to providers	70,646	75,463
Deferred revenue	-	33,983
<b>Total liabilities</b>	<b>325,900</b>	387,185
<b>Net Assets</b>		
Unrestricted	403,327	370,739
Board designated	340,940	348,464
<b>Total unrestricted net assets</b>	<b>744,267</b>	719,203
Temporarily restricted	394,865	428,295
<b>Total net assets</b>	<b>1,139,132</b>	1,147,498
<b>Total liabilities and net assets</b>	<b>\$1,465,032</b>	\$ 1,534,683

*See Notes to Financial Statements*

**ChildSavers - Memorial Child Guidance Clinic**

**Statement of Activities**

**Year Ended June 30, 2016, with Comparative Totals for the Year Ended June 30, 2015**

	Unrestricted	Temporarily Restricted	<b>Totals</b>	
			<b>2016</b>	<b>2015</b>
<b>Revenue and Support</b>				
Contributions	\$ 728,384	\$ -	\$ 728,384	\$ 627,404
Program contracts	605,765	-	605,765	648,526
Grants	25,250	726,545	751,795	594,335
Endowment Fund of Memorial Child Guidance Clinic, Inc.	178,039	-	178,039	176,022
United States Department of Agriculture program revenue	957,746	-	957,746	975,154
United Way services	-	168,750	168,750	270,500
Clinic fees, net of adjustments 2016 \$215,632; 2015 \$149,666	801,004	-	801,004	479,285
Preventive services, training, and consulting fees	26,068	-	26,068	13,150
Other income	13,320	-	13,320	17,144
Gain on sale of investments	3,850	-	3,850	2,906
Unrealized loss on investments	(24,335)	-	(24,335)	(22,039)
Investment income	20,604	-	20,604	23,137
	3,335,695	895,295	4,230,990	3,805,524
<b>Net Assets Released From Restrictions</b>				
Satisfaction of program restrictions	703,725	(703,725)	-	-
Satisfaction of time restrictions	225,000	(225,000)	-	-
<b>Total revenue and support</b>	<b>4,264,420</b>	<b>(33,430)</b>	<b>4,230,990</b>	<b>3,805,524</b>
<b>Expenses</b>				
Mental health services	1,640,166	-	1,640,166	1,293,282
Child development services	1,703,797	-	1,703,797	1,699,097
Management and general	577,045	-	577,045	544,296
Fundraising	318,348	-	318,348	269,310
<b>Total expenses</b>	<b>4,239,356</b>	<b>-</b>	<b>4,239,356</b>	<b>3,805,985</b>
<b>Change in net assets</b>	<b>25,064</b>	<b>(33,430)</b>	<b>(8,366)</b>	<b>(461)</b>
Net assets, beginning	719,203	428,295	1,147,498	1,147,959
Net assets, ending	<b>\$ 744,267</b>	<b>\$ 394,865</b>	<b>\$ 1,139,132</b>	<b>\$ 1,147,498</b>

*See Notes to Financial Statements*

**ChildSavers - Memorial Child Guidance Clinic**

**Statement of Functional Expenses**

**Year Ended June 30, 2016, with Comparative Totals for the Year Ended June 30, 2015**

	Program Services				Totals	
	Mental Health Services	Child Development Services	Management & General	Fundraising	2016	2015
Salaries and wages	\$ 1,041,233	\$ 556,408	\$ 303,794	\$ 207,960	\$ 2,109,395	\$ 1,694,965
USDA program expenses	-	820,668	-	-	820,668	840,776
Benefits	101,538	65,703	29,451	13,256	209,948	173,680
Professional fees	16,411	11,448	132,851	8,360	169,070	167,489
Rent	80,505	40,475	21,616	11,580	154,176	154,562
Payroll taxes	67,202	32,324	21,232	15,632	136,390	109,731
Supplies	9,449	67,200	17,212	740	94,601	125,888
Bad debts	73,343	356	-	-	73,699	81,497
Depreciation	70,357	8,412	4,711	2,407	85,887	77,504
Repairs, maintenance, and equipment rentals	39,200	17,709	9,072	6,068	72,049	79,588
Insurance	38,794	19,504	2,173	5,581	66,052	39,924
Utilities	29,589	14,876	7,945	4,257	56,667	62,525
Software	26,692	145	315	3,876	31,028	31,115
Travel	6,734	20,881	819	123	28,557	32,071
Special event expense	7,477	3,566	3,856	10,966	25,865	19,681
Telephone and internet	14,185	6,128	1,717	1,931	23,961	16,558
Other	2,003	1,161	7,987	2,800	13,951	15,469
Public relations	83	3,015	1,732	8,981	13,811	8,438
Training and professional development	6,124	4,814	701	769	12,408	22,325
Printing	581	2,522	1,166	5,906	10,175	15,674
Postage	632	2,508	2,265	4,297	9,702	9,056
Food and beverage	659	949	4,398	1,316	7,322	9,893
Dues and subscriptions	3,368	952	271	785	5,376	5,573
Payroll processing	1,932	971	841	278	4,022	4,173
Taxes, property	1,677	965	450	241	3,333	3,105
Recruiting	398	137	470	238	1,243	4,578
Interest	-	-	-	-	-	147
<b>Total expenses</b>	<b>\$ 1,640,166</b>	<b>\$ 1,703,797</b>	<b>\$ 577,045</b>	<b>\$ 318,348</b>	<b>\$ 4,239,356</b>	<b>\$ 3,805,985</b>

*See Notes to Financial Statements*

## **ChildSavers - Memorial Child Guidance Clinic**

### **Statement of Cash Flows** **Year Ended June 30, 2016**

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#### **Cash Flows From Operating Activities**

Change in net assets	\$ (8,366)
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#### *Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities*

Depreciation	85,887
Gain on sale of investments	(3,850)
Unrealized loss on investments	24,335

#### *Changes in operating assets*

Accounts receivable	5,945
Grants receivable	80,354
Contributions receivable	11,701
United Way Services receivable	56,250
Prepaid expenses	(23,263)

#### *Changes in operating liabilities*

Accounts payable and accrued expenses	(55,921)
Accrued vacation	33,436
Due to providers	(4,817)
Deferred revenue	<u>(33,983)</u>
<b>Net cash provided by operating activities</b>	<b><u>167,708</u></b>

#### **Cash Flows from Investing Activities**

Proceeds from sale of investments	337,439
Purchase of investments	(200,400)
Purchase of property and equipment	<u>(58,332)</u>
<b>Net cash provided by investing activities</b>	<b><u>78,707</u></b>

<b>Net change in cash</b>	<b>246,415</b>
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Cash, beginning	<u>277,202</u>
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Cash, ending	<b><u>\$523,617</u></b>
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*See Notes to Financial Statements*

# **ChildSavers - Memorial Child Guidance Clinic**

## **Notes to Financial Statements**

**June 30, 2016**

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### **Note 1. Nature of Activities and Summary of Significant Accounting Policies**

#### **Nature of activities**

ChildSavers - Memorial Child Guidance Clinic (ChildSavers) is a nonprofit, trauma-informed organization dedicated to guiding Central Virginia's children through life's critical moments with trauma-informed mental health and child development services. Located in Richmond, Virginia, ChildSavers provides comprehensive outpatient and immediate response mental health services to the children and their guardians in the Greater Richmond Area. Additionally, ChildSavers helps parents locate quality child care services as well as trains and provides resources to child care providers throughout Central Virginia, including 40 localities. The agency's vision of children who are safe, happy, healthy, and ready to learn drives ChildSavers to address the whole child and the environments in which they learn.

ChildSavers generates earned revenue and philanthropy 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.

## **ChildSavers - Memorial Child Guidance Clinic**

### **Notes to Financial Statements**

**June 30, 2016**

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#### **Note 1. Nature of Activities and Summary of Significant Accounting Policies (continued)**

##### **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.

##### **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. At June 30, 2016, ChildSavers had balances that were in excess of insurance limits.

##### **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.

## **ChildSavers - Memorial Child Guidance Clinic**

### **Notes to Financial Statements**

**June 30, 2016**

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#### **Note 1. Nature of Activities and Summary of Significant Accounting Policies (continued)**

##### **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.

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.

## **ChildSavers - Memorial Child Guidance Clinic**

### **Notes to Financial Statements**

**June 30, 2016**

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#### **Note 1. Nature of Activities and Summary of Significant Accounting Policies (continued)**

##### **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, 2013.

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, 2016.

#### **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 \$178,039 in support from the Endowment Fund during the year ended June 30, 2016.

ChildSavers operates in a building owned by the Endowment Fund. ChildSavers has included in expense \$154,176 for rent to the Endowment Fund for the year ended June 30, 2016.

#### **Note 3. Investments**

Investments as of June 30, 2016, are as follows:

	Estimated Fair Cost	Value
Cash and cash equivalents	\$ 2,945	\$ 2,945
Mutual funds	<u>183,155</u>	<u>187,995</u>
	<u><u>\$ 186,100</u></u>	<u><u>\$ 190,940</u></u>

## **ChildSavers - Memorial Child Guidance Clinic**

### **Notes to Financial Statements**

**June 30, 2016**

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#### **Note 4. Property and Equipment**

Property and equipment consists of the following at June 30, 2016:

Furniture and equipment	\$ 360,392
Leasehold improvements	<u>217,200</u>
	577,592
Less accumulated depreciation	<u>(363,897)</u>
	<u><u>\$ 213,695</u></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
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
2021	154,176	-	154,176
Thereafter	616,704	-	616,704
	<u>\$ 1,387,584</u>	<u>\$ 21,966</u>	<u>\$ 1,409,550</u>

Total rent expense for the year ended June 30, 2016 was \$170,990.

#### **Note 6. Revolving Line of Credit**

ChildSavers has a revolving line of credit with a maximum borrowing limit of \$300,000 and is secured by the ChildSavers' deposits and investments. Interest accrues on the outstanding balance at an interest rate equal to the one month LIBOR plus 2.75% (currently 3.22%) and expires on March 1, 2017. There was no amount outstanding under the line of credit as of June 30, 2016.

Interest expense for the year ended June 30, 2016 was \$0.

## **ChildSavers - Memorial Child Guidance Clinic**

### **Notes to Financial Statements**

**June 30, 2016**

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#### **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 \$32,230 for the year ended June 30, 2016.

#### **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>310,940</u>
	<u><u>\$ 340,940</u></u>

Temporarily restricted net assets are available for the following purposes:

Mental health treatment	\$ 158,005
Immediate response	169,360
Child development	<u>67,500</u>
	<u><u>\$ 394,865</u></u>

Net assets were released from donor restrictions for the year ended June 30, 2016, by incurring expenses satisfying the restricted purposes as follows:

Mental health treatment	\$ 328,511
Immediate response	367,964
Child development	172,250
Other	<u>60,000</u>
	<u><u>\$ 928,725</u></u>

#### **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

## **ChildSavers - Memorial Child Guidance Clinic**

### **Notes to Financial Statements**

**June 30, 2016**

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#### **Note 9. Fair Value Measurements (continued)**

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.

## **ChildSavers - Memorial Child Guidance Clinic**

### **Notes to Financial Statements**

**June 30, 2016**

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#### **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, 2016.

##### *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, 2016:

	Level 1	Level 2	Level 3	Total
	\$ 2,945	\$ -	\$ -	\$ 2,945
Cash	\$ 2,945	\$ -	\$ -	\$ 2,945
Mutual bond funds				
Multisector	75,517	-	-	75,517
High yield	20,052	-	-	20,052
Long-term	20,936	-	-	20,936
Mutual equity funds				
Large cap value	25,894	-	-	25,894
Foreign large growth	9,880	-	-	9,880
Diversified emerging markets	4,846	-	-	4,846
Small blend	5,407	-	-	5,407
Large cap growth	25,463	-	-	25,463
	<u>\$ 190,940</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,940</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 - Memorial Child Guidance Clinic**

### **Notes to Financial Statements**

**June 30, 2016**

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#### **Note 10. Endowment Investing and Spending Policies (continued)**

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.

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, 2016, is as follows:

Endowment net assets, beginning	\$ 348,464
Investment income, net	16,811
Net depreciation	<u>(24,335)</u>
Endowment net assets, ending	<u><u>\$ 340,940</u></u>

#### **Note 11. Subsequent Events**

Management has evaluated subsequent events through December 15, 2016, the date which the financial statements were available for issue.

Subsequent to year-end, ChildSavers was awarded two significant multi-year grants with a committed total of \$603,325 that will provide for significant expansion of ChildSavers' mental health service and thus increase ChildSavers' impact on the mental health of the community's children. The larger of the grants involves a partner agency.

#### **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, 2015, from which the summarized information was derived.



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

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, the financial statements of ChildSavers - Memorial Child Guidance Clinic, which comprise the statement of financial position as of June 30, 2016, 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 December 15, 2016.

***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  
December 15, 2016



***Independent Auditor's Report on Compliance for Each Major Federal Program and on  
Internal Control Over Compliance Required by The Uniform Guidance***

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 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, 2016. ChildSavers - Memorial Child Guidance Clinic's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's 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; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 its major federal programs for the year ended June 30, 2016.

### ***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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Mitchell, Wiggins & Company LLP*

Richmond, Virginia  
December 15, 2016

## ***ChildSavers - Memorial Child Guidance Clinic***

### **Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2016**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>United States Department of Agriculture Direct Programs</u>			
Child and Adult Care Food Program, United States Department of Agriculture Agreement Number 02-51-58766-00 3	10.558	\$ -	\$ 957,746
<u>United States Department of Health and Human Services/</u>			
<u>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	<u>38,019</u>	<u>278,615</u>
<b><i>Total Expenditures of Federal Awards</i></b>		<b><u>\$ 38,019</u></b>	<b><u>\$ 1,236,361</u></b>

*See Notes to Schedule of Expenditures of Federal Awards*

## ***ChildSavers - Memorial Child Guidance Clinic***

### **Notes to Schedule of Expenditures of Federal Awards**

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#### **Year Ended June 30, 2016**

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#### ***Note 1. Basis of Presentation***

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of ChildSavers - Memorial Child Guidance Clinic under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of ChildSavers – Memorial Child Guidance Clinic, it is not intended to and does not present the financial position, changes in net assets, or cash flows of ChildSavers – Memorial Child Guidance Clinic.

#### ***Note 2. Summary of Significant Accounting Policies***

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. ChildSavers – Memorial Child Guidance Clinic has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

# **ChildSavers - Memorial Child Guidance Clinic**

## **Schedule of Findings and Questioned Costs** **Year Ended June 30, 2016**

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### **Section I. SUMMARY OF AUDITOR'S RESULTS**

#### *Financial Statements*

Type of report the auditor issued on whether  
the financial statements audited were  
prepared in accordance with GAAP:      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 auditor's report issued on compliance  
for major federal programs:

Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with section  
2 CFR 200.516(a)?

Yes       X      No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.558

United States Department of Agriculture;  
Child and Adult Care Food Program

Dollar threshold used to distinguish between  
type A and type B programs

\$750,000

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, 2016**

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**Section II: FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**Section III: FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

No matters were reported.

***ChildSavers - Memorial Child Guidance Clinic***

**Summary Schedule of Prior Audit Findings**

**Year Ended June 30, 2016**

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The prior year single audit disclosed no findings in the *Schedule of Findings and Questioned Costs* and no uncorrected or unresolved findings exist from the prior audit's *Summary of Prior Audit Findings*.