

MARIN ADVOCATES FOR CHILDREN

SAN RAFAEL, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2004

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Marin Advocates for Children
San Rafael, California

I have audited the accompanying Statement of Financial Position of Marin Advocates for Children as of June 30, 2004, and the related Statement of Activities, Statement of Functional Expenses, and Statement of Cash Flows for the year then ended. These financial statements are the responsibility of Marin Advocates for Children's management. My responsibility is to express an opinion on these financial statements based on my audit. The prior-year summarized comparative information has been derived from Marin Advocates for Children's 2003 financial statements and, in my report dated November 10, 2003, I expressed an unqualified opinion on those financial statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marin Advocates for Children as of June 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Ralph J. Ricciardi
Certified Public Accountant

San Rafael, California
October 8, 2004

Marin Advocates for Children
STATEMENT OF FINANCIAL POSITION
 June 30, 2004
 (With Comparative Totals for June 30, 2003)

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 165,653	\$ 90,658
Restricted cash	8,377	40,963
Investments	108,468	100,650
Grants receivable	18,400	18,398
Prepaid expenses	<u>5,306</u>	<u>5,222</u>
 Total current assets	 <u>306,204</u>	 <u>255,891</u>
 Fixed assets, net of accumulated depreciation	 <u>3,225</u>	 <u>5,524</u>
 Total assets	 <u>\$ 309,429</u>	 <u>\$ 261,415</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ -	\$ 7,230
Accrued vacation payable	31,155	26,947
Family Finders trust payable	<u>8,377</u>	<u>40,963</u>
 Total current liabilities	 <u>39,532</u>	 <u>75,140</u>
 Net assets - Exhibit A:		
Unrestricted	<u>269,897</u>	<u>186,275</u>
 Total net assets	 <u>269,897</u>	 <u>186,275</u>
 Total liabilities and net assets	 <u>\$ 309,429</u>	 <u>\$ 261,415</u>

The accompanying notes are an integral part of these financial statements.

Marin Advocates for Children
STATEMENT OF ACTIVITIES

Exhibit A

For the Year Ended June 30, 2004

(With Comparative Totals for the Year Ended June 30, 2003)

	2004	2003
Revenues:		
Grants/contracts	\$ 353,473	\$ 310,988
Friends of Children - donations	38,127	32,278
Partners for Children - donations	1,360	2,800
Year-end appeal - donations	22,705	-
Family Finders	32,586	-
Special events/fundraisers	242,401	286,164
Planned Giving	5,000	33,000
In-kind	507,313	487,046
Special needs fund	3,120	10,000
Contributions	169	7,785
Interest and dividend income	3,294	2,770
Other income	5,929	759
Unrealized loss	(1,948)	-
	<u>1,213,529</u>	<u>1,173,590</u>
Expenses:		
Program services	974,344	907,837
Management and general	64,592	65,414
Special events/fundraisers	90,971	100,987
	<u>1,129,907</u>	<u>1,074,238</u>
Changes in net assets	83,622	99,352
Net assets, beginning of period	<u>186,275</u>	<u>86,923</u>
Net assets, end of period	<u>\$ 269,897</u>	<u>\$ 186,275</u>

The accompanying notes are an integral part of these financial statements.

Marin Advocates for Children
STATEMENT OF FUNCTIONAL EXPENSES

Exhibit B

For the Year Ended June 30, 2004
 (With Comparative Totals for the Year Ended June 30, 2003)

	Program Services	Management and General	Special Events/ Fundraisers	2004 Total	2003 Total
Expenses:					
Salaries	\$ 258,824	\$ 28,758	\$ -	\$ 287,582	\$ 298,379
Payroll taxes	22,257	2,473	-	24,730	21,740
Employee benefits	25,609	2,845	-	28,454	23,969
Regional Coordinator Admin	-	7,500	-	7,500	-
Community/public relations	3,728	-	-	3,728	677
Volunteer recognition	1,537	-	-	1,537	715
Insurance	12,992	1,444	-	14,436	12,264
Dues and subscriptions	-	1,056	-	1,056	1,724
Supplies/equipment/software	6,107	679	-	6,786	6,597
Office rent	68,507	7,612	-	76,119	71,495
Phones and utilities	4,346	483	-	4,829	5,532
Rental and maintenance	4,559	507	-	5,066	2,422
Newsletter/printing	4,071	452	-	4,523	6,451
Postage	3,473	386	-	3,859	6,842
Professional services	546,611	4,366	-	550,977	495,895
Board/staff/volunteer training	4,390	488	-	4,878	4,196
Conferences	-	2,442	-	2,442	3,170
Special events/fundraisers	-	-	90,971	90,971	100,987
Miscellaneous	7,333	802	-	8,135	6,048
Depreciation	-	2,299	-	2,299	5,135
	<u>\$ 974,344</u>	<u>\$ 64,592</u>	<u>\$ 90,971</u>	<u>\$ 1,129,907</u>	<u>\$ 1,074,238</u>
Total expenses	<u>\$ 974,344</u>	<u>\$ 64,592</u>	<u>\$ 90,971</u>	<u>\$ 1,129,907</u>	<u>\$ 1,074,238</u>

The accompanying notes are an integral part of these financial statements.

Marin Advocates for Children
STATEMENT OF CASH FLOWS

Exhibit C

For the Year Ended June 30, 2004

(With Comparative Totals for the Year Ended June 30, 2003)

	2004	2003
Cash flows from operating activities:		
Change in net assets	\$ 83,622	\$ 99,352
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,299	5,135
Changes in certain assets and liabilities:		
Grants receivable	(2)	(18,398)
Prepaid expenses	(84)	(1,861)
Accounts payable	(7,230)	3,872
Accrued vacation payable	4,208	2,113
Family Finders trust payable	(32,586)	24,487
Net cash provided (used) by operating activities	50,227	114,700
Cash flows from investing activities:		
Restricted cash	32,586	(24,487)
Acquisition of investments	(7,818)	(100,650)
Purchase of fixed assets	-	(1,542)
Net cash provided (used) by investing activities	24,768	(126,679)
Net increase (decrease) in cash during the year	74,995	(11,979)
Cash balance, beginning of period	90,658	102,637
Cash balance, end of period	\$ 165,653	\$ 90,658

The accompanying notes are an integral part of these financial statements.

Marin Advocates for Children
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 1 - GENERAL

Marin Advocates for Children (the Organization) is a nonprofit organization whose mission is to prevent the abuse and advocate for the best interest of children in Marin County. The Organization recruits, trains, and supervises community volunteers to serve as independent advocates for court-dependent children. The Organization also trains mandated child abuse and neglect reporters such as day-care providers, public and private school teachers and public safety officers. The Organization also convenes meetings in the community to facilitate communication on issues related to child abuse and neglect and to develop solutions to reduce the number of children who are at risk.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements and records of the Organization are prepared on the accrual basis of accounting and, therefore, include all support and revenues when earned and all expenses when incurred, regardless of whether the support and revenues or expenses were received or paid as of the end of a period. Grants are recognized as support when earned in accordance with the terms of each grant or agreement.

B. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization 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.

C. Unrestricted Net Assets

Unrestricted net assets generally result from revenues obtained by providing services, receiving unrestricted contributions, and receiving interest and dividends from income-producing assets. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization and the purposes specified in its Articles of Incorporation or Bylaws and limits resulting from contractual agreements entered into by the Organization in the course of its operations.

D. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents include all cash accounts that are not subject to withdrawal restrictions or penalties and all highly liquid debt instruments purchased with a maturity of three months or less.

E. Restricted Cash

The Organization acts as a fiscal agent for Family Finders of Marin. As a result, the remaining cash balance of Family Finders of Marin is maintained in a trust account with the Organization and is restricted for use at their discretion.

Marin Advocates for Children
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Investments

Investments are recorded at fair market value. During the year, the Organization acquired Payden short-term bonds with Charles Schwab investment agency. This investment account is their third level of reserves that is set aside for the purpose of providing an income stream for annual operations.

G. Tangible Property Accounting

The Organization records purchased property and equipment at cost and records donated fixed assets at fair market value on the date received. At present, tangible property consists of office furniture and equipment, all of which is depreciated by the straight-line method over their estimated useful lives.

H. Donations

Donations represent contributions to the Organization from private organizations and individuals, and are recognized as support when received. Donated marketable securities are recorded as contributions at their estimated fair market value on the date of donation.

I. Allocation of Expenses

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

J. Concentrations of Risk

Financial instruments which potentially expose the Organization to concentrations of investment risk consist primarily of marketable securities. The Organization will sell its donated securities within a short period of time to limit the amount of risk exposure. As a result, management does not consider this risk a particular concern at this time.

K. Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on informed estimates and judgements of management with consideration given to materiality. Actual results could differ from those estimates.

L. Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Organization carries commercial insurance.

Marin Advocates for Children
NOTES TO FINANCIAL STATEMENTS
 June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

M. Contingencies

Grant support is subject to audit by the grantor. In the event a grantor audit should result in costs being disallowed, the Organization would be obligated to reimburse the grantor for disallowed costs. Any such disallowance would be paid from the Unrestricted Net Assets fund.

N. Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

NOTE 3 - INCOME TAXES

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from California franchise taxes under Section 23701(d) of the Revenue and Taxation Code and, therefore, has made no provision for Federal or California income taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

NOTE 4 - CASH AND CASH EQUIVALENTS

Cash balances at June 30 consisted of the following:

	2004	2003
Bank of Marin checking	\$ 11,604	\$ 9,457
Memorial Funds account	4,063	57,905
Charles Schwab money market	81,059	23,296
Bay Area CAPC Coalition	68,927	-
Total	\$ 165,653	\$ 90,658

Cash balances held in each bank are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

NOTE 5 - RESTRICTED CASH - FAMILY FINDERS OF MARIN

Restricted cash as of June 30 are as follows:

	2004	2003
Beginning balance	\$ 40,963	\$ -
Add:		
County of Marin	10,000	-
Marin Community Foundation	-	40,476
Fireman's Fund Foundation	-	5,000
In-N-Out Burger	-	2,500
Cash transfer	-	1,000
Interest income	84	184
Less:		
Consultant expense	(42,670)	(8,197)
Ending balance	\$ 8,377	\$ 40,963

Marin Advocates for Children
NOTES TO FINANCIAL STATEMENTS
 June 30, 2004

NOTE 6 - INVESTMENTS

The Organization periodically receives donations of marketable securities. The Organization takes several precautions to reduce risks related to investment activities. Marketable securities are recorded at fair market value on the statement of financial position.

	Charles Schwab
Account balance as of 6/30/03	\$ 100,650
Transfers in/deposits	7,000
Unrealized capital losses, net of commissions and fees	(1,948)
Dividends and interest	2,766
Investments as of 6/30/04	\$ 108,468

NOTE 7 - GRANTS RECEIVABLE

Grants receivable as of June 30 represent that portion of grants/contracts earned, but funds not yet received as of year end. The amount of funds to be received are:

	2004	2003
CASA of Marin County	\$ 18,400	\$ 18,398

The Organization has not accrued a loss for allowances for uncollectible receivables since it is the opinion of management that it is highly probable that all receivables will be collected.

NOTE 8 - FIXED ASSETS

The fixed assets as of June 30 are as follows:

	<u>Life</u>	<u>Balance</u> 6/30/03	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 6/30/04
Office furniture and equipment	5 yrs.	\$ 46,873	\$ -	\$ -	\$ 46,873
Less: accumulated depreciation		(41,349)			(43,648)
Fixed assets, net		\$ 5,524			\$ 3,225

Depreciation expense was \$2,299 and \$5,135 for the years ended June 30, 2004 and 2003, respectively.

NOTE 9 - ACCRUED VACATION PAYABLE

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. The accumulated vacation payable was \$31,155 and \$26,947 for the years ended June 30, 2004 and 2003, respectively.

NOTE 10 - IN-KIND

Values assigned to in-kind contributions and the related expenses are based on federal guidelines. In accordance with those guidelines, values are based upon estimated area-wide averages for purchased services or supplies of a similar type. In-kind contributions and expenses are recorded when used in the program and are not carried forward. In-kind contributions were \$507,313 and \$487,046 for the years ended June 30, 2004 and June 30, 2003, respectively.

Marin Advocates for Children
NOTES TO FINANCIAL STATEMENTS
 June 30, 2004

NOTE 11 - GRANTS/CONTRACTS

As of June 30, grants/contracts consisted of the following:

	<u>Unrestricted</u>	
	<u>2004 Total</u>	<u>2003 Total</u>
Grants/contracts:		
Grants	\$ 22,753	\$ -
Marin Community Foundation	97,863	121,214
Judicial Council of California	39,536	44,069
Marin Charitable Association	5,000	3,500
County of Marin	50,500	42,089
County of Marin - Co Children Trust Fund	30,163	30,163
Amica Companies Foundation	500	-
East Bay Community Foundation	-	1,453
Joseph Parker Foundation	4,000	3,500
Price Charitable Foundation	10,000	10,000
Lehman Foundation	-	500
Children's Hospital and Health Center	-	4,500
Fenwick Trust	5,000	10,000
Regional Coordinator Funding	44,958	-
Hart Family Foundation	40,000	40,000
Parent Outreach Funding	3,200	-
Total grants/contracts	<u>\$ 353,473</u>	<u>\$ 310,988</u>

NOTE 12 - SPECIAL EVENTS/FUNDRAISERS

As of June 30, special events/fundraisers consisted of the following:

			2004	2003
	<u>Revenues</u>	<u>Expenses</u>	<u>Net Amount</u>	<u>Net Amount</u>
Special events/fundraisers:				
Hoops	\$ 28,658	\$ 5,414	\$ 23,244	\$ 17,880
A Child's Dream	62,860	18,343	44,517	65,565
Valentine's Ball	-	-	-	21,483
CAPC April Luncheon	19,875	7,278	12,597	5,406
Kid's Day at the Landing	108,561	49,075	59,486	74,555
Moseley Golf Tournament	1,175	167	1,008	-
Coalition Events	19,222	9,874	9,348	-
Other	2,050	820	1,230	288
Total special events/fundraisers	<u>\$ 242,401</u>	<u>\$ 90,971</u>	<u>\$ 151,430</u>	<u>\$ 185,177</u>