

CALIFORNIA PARENTING
INSTITUTE
dba CHILD PARENT
INSTITUTE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
California Parenting Institute
dba Child Parent Institute
Santa Rosa, California

We have audited the accompanying financial statements of California Parenting Institute dba Child Parent Institute (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial 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.



Goranson and Associates, Inc.

717 College Avenue, First Floor, Santa Rosa, CA 95404 Phone: 707/542-1256 Fax 707/978-3090

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Parenting Institute dba Child Parent Institute as of June 30, 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the California Parenting Institute dba Child Parent Institute's financial statements for the year ended June 30, 2015, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 12, 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.

Goranson and Associates, Inc.

November 21, 2016
Santa Rosa, California

CALIFORNIA PARENTING INSTITUTE
 dba CHILD PARENT INSTITUTE
 STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2016

(With summarized comparative totals for June 30, 2015)

	2016	2015
ASSETS		
Current assets:		
Cash	\$ 2,062,562	\$ 2,317,761
Accounts receivable	314,135	448,371
Prepaid expenses and deposits	15,153	19,083
Total current assets	2,391,850	2,785,215
Fixed assets:		
Buildings	5,218,597	5,148,376
Furniture and equipment	235,194	202,533
Subtotal	5,453,791	5,350,909
Less accumulated depreciation	(1,663,136)	(1,462,455)
Net fixed assets	3,790,655	3,888,454
Total assets	\$ 6,182,505	\$ 6,673,669
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 231,260	\$ 247,121
Security deposits	10,032	10,032
Current portion of long-term debt	66,021	48,762
Total current liabilities	307,313	305,915
Long-term debt, net of current portion	2,799,674	2,829,041
Total liabilities	3,106,987	3,134,956
Net assets:		
Unrestricted:		
Undesignated	2,423,052	2,861,253
Board-designated operating reserves	485,600	485,600
Board-designated building reserves	100,000	100,000
Total unrestricted net assets	3,008,652	3,446,853
Temporarily restricted	66,866	91,860
Total net assets	3,075,518	3,538,713
Total liabilities and net assets	\$ 6,182,505	\$ 6,673,669

The accompanying notes are an integral part of these financial statements

CALIFORNIA PARENTING INSTITUTE
 dba CHILD PARENT INSTITUTE
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2016
 (with summarized comparative totals for the year ended June 30, 2015)

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
SUPPORT AND REVENUE:				
Grants and contracts	\$ 3,486,018	\$ 40,500	\$ 3,526,518	\$ 3,240,170
Contributions	100,233	-	100,233	1,158,186
Fees	90,150	-	90,150	110,837
Community event	13,056	-	13,056	19,023
Special events, net of \$20,644 expenses	44,840	-	44,840	32,662
Investment income	1,699	-	1,699	14,680
Gain(Loss) on sale of assets	-	-	-	433,011
Other income	98,353	22,243	120,596	40,893
Net assets released from restriction	87,737	(87,737)	-	-
Total support and revenue	<u>3,922,086</u>	<u>(24,994)</u>	<u>3,897,092</u>	<u>5,049,462</u>
EXPENSES:				
Program	4,129,582		4,129,582	3,679,736
Management and general	139,780		139,780	140,380
Fundraising	72,357		72,357	56,183
Total expenses	<u>4,341,719</u>		<u>4,341,719</u>	<u>3,876,299</u>
Change in net assets before other revenue	(419,633)	(24,994)	(444,627)	1,173,163
OTHER REVENUE:				
Rental income, net of expenses	<u>(18,568)</u>	<u>-</u>	<u>(18,568)</u>	<u>(25,006)</u>
CHANGE IN NET ASSETS	(438,201)	(24,994)	(463,195)	1,148,157
NET ASSETS, beginning	<u>3,446,853</u>	<u>91,860</u>	<u>3,538,713</u>	<u>2,390,556</u>
NET ASSETS, ending	<u>\$ 3,008,652</u>	<u>\$ 66,866</u>	<u>\$ 3,075,518</u>	<u>\$ 3,538,713</u>

The accompanying notes are an integral part of these financial statements

CALIFORNIA PARENTING INSTITUTE
dba CHILD PARENT INSTITUTE
STATEMENT OF SUPPORT, REVENUE AND FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2016
(with summarized comparative totals for the year ended June 30, 2015)

SUPPORT AND REVENUE:	Management				2016	2015
	Program	and General	Fundraising	Rental	Total	Total
Grants and contracts	\$ 3,493,137	\$ 33,381			\$ 3,526,518	\$ 3,240,170
Fees	100,233	-			100,233	110,837
Contributions	44,451	45,305	\$ 394		90,150	1,158,186
Community events	13,056	-	-		13,056	19,023
Special events, net of \$12,281 expenses	-	-	44,840		44,840	32,661
Investment income	-	1,699	-		1,699	1,199
Gain(Loss) on investments	-	-	-		-	13,481
Gain(Loss) on sale of assets	-	-	-		-	433,011
Other income	120,596	-	-	\$ 136,672	257,268	172,867
Total support and revenue	<u>3,771,473</u>	<u>80,385</u>	<u>45,234</u>	<u>136,672</u>	<u>4,033,764</u>	<u>5,181,435</u>
EXPENSES:						
Salaries and wages	2,628,040	40,162	42,420	5,043	2,715,665	2,320,227
Payroll tax expenses	231,144	3,225	3,735	437	238,541	210,363
Employee benefits	179,979	32,336	64	38	212,417	194,991
Occupancy	45,682	31,275	-	32,628	109,585	128,481
Professional fees	126,038	58,357	11,352	14,616	210,363	182,126
Subgrantee	193,609	-	-	-	193,609	244,256
Interest expense	63,429	18,175	-	42,777	124,381	136,158
Depreciation	28,706	112,589	-	59,386	200,681	200,242
Supplies and equipment	151,432	4,483	94	-	156,009	105,391
SCBC expense	22,824	-	-	-	22,824	24,852
Computer support	17,298	30,829	1,370	315	49,812	61,469
Travel and conferences	52,812	738	1,686	-	55,236	43,883
Communications	10,525	12,581	-	-	23,106	18,851
Insurance	235	46,445	-	-	46,680	42,818
Community outreach	14,530	8,004	103	-	22,637	15,169
Postage	568	2,975	202	-	3,745	3,968
Printing and duplication	12,185	2,072	353	-	14,610	9,979
Equipment rental and repair	25,283	11,062	-	-	36,345	48,021
Other operating expense	27,475	22,260	10,978	-	60,713	42,035
Indirect Cost Allocation	297,788	(297,788)	-	-	-	-
Total expenses	<u>4,129,582</u>	<u>139,780</u>	<u>72,357</u>	<u>155,240</u>	<u>4,496,959</u>	<u>4,033,280</u>
CHANGE IN NET ASSETS	<u>\$ (358,109)</u>	<u>\$ (59,395)</u>	<u>\$ (27,123)</u>	<u>\$ (18,568)</u>	<u>\$ (463,195)</u>	<u>\$ 1,148,155</u>

The accompanying notes are an integral part of these financial statements

CALIFORNIA PARENTING INSTITUTE
dba CHILD PARENT INSTITUTE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
(with summarized comparative totals for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (463,195)	\$ 1,148,157
Adjustments to reconcile change in net assets to cash from operations		
Depreciation and amortization	200,681	200,242
Gain on sale of investments	-	(13,481)
Gain on sale of assets	-	(433,011)
(Increase) decrease in:		
Accounts and grants receivable	134,236	(40,386)
Prepaid expenses and deposits	3,930	4,973
Increase (decrease) in:		
Accounts payable and accrued expenses	(15,861)	2,257
Total cash provided by operations	<u>(140,209)</u>	<u>868,751</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(102,882)	(791,845)
Sales proceeds from sale of property and equipment	-	1,170,000
Total cash provided (used) by investing activities	<u>(102,882)</u>	<u>378,155</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long term debt	48,687	800,000
Principal payments on long-term debt	(60,795)	(765,276)
Total cash provided by investing activities	<u>(12,108)</u>	<u>34,724</u>
NET CHANGE IN CASH	(255,199)	1,281,630
CASH, beginning of year	<u>2,317,761</u>	<u>1,036,131</u>
CASH, end of year	<u>\$ 2,062,562</u>	<u>\$ 2,317,761</u>
Supplemental information:		
Cash paid for interest	<u>\$ 124,381</u>	<u>\$ 138,918</u>

The accompanying notes are an integral part of these financial statements

CALIFORNIA PARENTING INSTITUTE
dba CHILD PARENT INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 ORGANIZATION

California Parenting Institute dba Child Parent Institute (CPI) is a family resource center founded in 1978 in Sonoma County. CPI's mission is to end child abuse and strengthen the health of children, parents and families. CPI provide education and counseling for parents and children. We treat children and families who have experienced trauma and abuse. CPI has been designated by the State of California as the county's provider of treatment for child victims of abuse and neglect. Primary sources of revenue and support include government funding, program fees, and contributions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – CPI reports information regarding its financial position and activities on an accrual basis according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed stipulations that may be fulfilled by actions of CPI to meet the stipulations or that become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be retained and invested permanently by CPI to use all or part of the investment return on these net assets for specified or unspecified purposes.

Net assets released from restriction – Temporarily restricted net assets are “released” to unrestricted net assets when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

Other Basis of Presentation Policies – Revenues or support are reported as increases in unrestricted net assets unless subject to donor-imposed restrictions. If temporary restrictions are fulfilled in the same time period the revenue or support is received, CPI reports the revenue or support as unrestricted. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets of liabilities are reported as increases or decreases in unrestricted net assets unless restricted by explicit donor stipulation or by law.

CALIFORNIA PARENTING INSTITUTE
dba CHILD PARENT INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Cash and Cash Equivalents – Cash equivalents consist primarily of money market accounts and other investments with an original maturity of 90 days or less.

Concentration of Credit Risk – CPI maintains cash balances at institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The amount in excess of the FDIC limit totaled \$157,628 at June 30, 2016. In addition, at times during the year, CPI held cash and cash equivalent balances in excess of federally insured limits.

Accounts receivable – Accounts receivable consists primarily of contract fees and grant reimbursements due to CPI. Management believes that all receivables are collectable and, therefore, an allowance for uncollectable receivables is not recorded.

Property and Equipment – Property and equipment are stated at cost and depreciated or amortized using the straight-line method over estimated useful lives of 3 to 39 years. Contributed property and equipment is recorded at fair market value at the date of donation. In the absence of donor stipulations, all contributions of property and equipment are recorded as unrestricted support and depreciated or amortized over the asset's estimated useful life. CPI capitalizes property and equipment if cost equals or exceeds \$2,500.

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

Assets purchased with grantor funds are expensed in the period acquired in accordance with the grantor's funding terms and conditions.

CALIFORNIA PARENTING INSTITUTE
dba CHILD PARENT INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes – CPI is exempt from Federal and State Income taxes under Internal Revenue Code Section 501(c)(3) and California Franchise Tax Board Code Section 23701d. Therefore, no provision for income taxes has been made in the accompanying financial statements. In addition, the Internal Revenue Service has determined the Organization is not a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

Management of CPI considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to the CPI's status as a not-for-profit entity. Management believes CPI met the requirements to maintain its tax-exempt status and, therefore, no provision for income taxes has been provided in these financial statements. CPI does file an unrelated business income tax return to report certain unrelated income items. The CPI's tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

Fair Value Measures – CPI reports its fair value measures by using a fair value hierarchy defined by generally accepted accounting principles (GAAP) that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

The three level of the fair value hierarchy under GAAP are:

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

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices for valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (inputs are supported by little or no market activity).

CALIFORNIA PARENTING INSTITUTE
 dba CHILD PARENT INSTITUTE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Use of estimates – The preparation of 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allocation of Expenses – CPI's expenses are presented on a functional basis, showing basic program activities and support services. CPI allocates expenses to program and support services based on the organizational cost centers in which expenses are incurred. In certain instances, expenses are allocated between support and program services based upon a systematic methodology.

Summarized financial 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CPI'S financial statements for the year ended June 30, 2015, from which the summarized information was derived.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 2016:

County of Sonoma - MHSA	\$ 95,964
Medi-Cal Care	92,269
Sonoma County Office of Education	69,024
County of Sonoma - MC Collaborative	16,116
Finley Foundation	9,614
County of Sonoma Sherrif's Office	11,401
Sonoma County Children and Families Commission	8,788
CA Governor's Office of Emergency Services	5,782
Other receivables	5,177
Total	<u>\$ 314,135</u>

CALIFORNIA PARENTING INSTITUTE
dba CHILD PARENT INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 ACCRUED VACATION AND SICK LEAVE

Accumulated unpaid employee vacation benefits are recognized as liabilities of CPI. The value of accrued vacation at June 30, 2016 was \$62,871.

Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated sick leave benefits are not recognized as liabilities since payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenses in the period taken.

NOTE 5 BANK LINE OF CREDIT

CPI has renewed a \$200,000 unsecured revolving line of credit, with variable interest payable at 4.50% or 1.9% percent over the prime rate as published in the Western Edition of the Wall Street Journal at June 30, 2016. The credit line matures November 2016. There is no balance at June 30, 2016.

NOTE 6 LONG-TERM DEBT

At June 30, 2016, long term debt consists of the following:

A note payable to a bank was refinanced on March 17, 2015 with a maturity date of June 1, 2020. Principal and interest payments are \$11,993 for the first sixty-four months with a balloon payment estimated at \$1,889,193 due on June 1, 2020. Interest is at a fixed rate of 5.25%. A minimum interest rate of 4.95% can be reset once on August 1, 2019. The note is secured by the building which houses the main operations of CPI. \$ 2,042,124

A note payable to Northern Trust Bank with a maturity date of November 6, 2019 was signed on November 6, 2015 backed by a security agreement. Outstanding principal will accrue interest daily at the rate of 2.17% per annum and no principal is due for the first year of the loan. Principal and interest are payable November 2016, to be paid in 60 consecutive monthly installments of principal and interest totaling \$4,111.79 per month. All principal and interest outstanding as of November 6, 2019 shall be paid in a lump sum of \$666,489.89. 777,062

CALIFORNIA PARENTING INSTITUTE
 dba CHILD PARENT INSTITUTE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 6 LONG-TERM DEBT, continued

A note payable to Sonoma County Community Development Commission for \$29,000 with a maturity date of April 2035. The interest rate is two percent annually. Monthly payments are \$152. Payments commenced May 2015 and end on the maturity date.

26,945

A note payable to Sonoma County Community Development Commission for \$15,000 with a maturity date of April 2035. The interest rate is two percent annually. There are no monthly payments. The principal and interest are due in full January 2020. If all requirements of the note are met, the loan is forgivable.

15,000

A note payable for an equipment lease for \$6,743 with a maturity date of November 2018. The interest rate is 3.10 percent annually. Monthly payments are \$199. Payments commenced November 2015 and end on the maturity date.

4,563

	Total notes payable	2,865,695
	Less current portion	<u>(66,021)</u>
	Noncurrent portion	\$ <u>2,799,674</u>

Future maturities are as follows at June 30:

2017	\$ 66,021
2018	68,044
2019	68,519
2020	727,228
2021	1,919,623
Thereafter	16,260

CALIFORNIA PARENTING INSTITUTE
dba CHILD PARENT INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2016:

Sonoma County Breastfeeding Coalition (SCBC)	\$ 26,366
Creative Arts	25,000
Basic Needs	<u>15,500</u>
Total	<u>\$ 66,866</u>

NOTE 8 BOARD-DESIGNATED RESERVES

The Board of Directors approved two reserves: an operating reserve in the amount of \$485,600 and a building reserve in the amount of \$100,000 for future repairs and maintenance. The total board-designated reserves, which are unrestricted net assets, are \$3,008,652 at June 30, 2016.

NOTE 9 BENEFICIAL INTEREST IN ENDOWMENT

An endowment fund was established at the Community Foundation of Sonoma County (Foundation) whereby CPI is the beneficiary of the income earned from the endowment. In accordance with the agreement, the annual net earnings from the fund are available to CPI from the Foundation, according to a formula set by the Foundation. At June 30, 2016, the value of the assets held for CPI at the Foundation totaled \$167,756, of which \$82,226 was available for use.

NOTE 10 TAX-DEFERRED ANNUITY PLAN

CPI provides a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code (IRS). Employees may make voluntary contributions to the plan up to the maximum amount allowed by the IRS. CPI does not make any contributions to the plan.

CALIFORNIA PARENTING INSTITUTE
dba CHILD PARENT INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11 CONTINGENCIES

CPI receives a substantial portion of its support from governmental grants which makes up 53% of total income received and 91% percent of total grants received. The ultimate determination of these programs generally is based upon allowable costs reported to and accounted for the funding agencies. A significant reduction in the level of this support may have an effect on CPI's programs.

NOTE 12 SUBSEQUENT EVENTS

CPI has evaluated subsequent events through November 21, 2016, the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to June 30, 2016 that would have a material impact on CPI's results of operations or financial position.