CALIFORNIA PARENTING INSTITUTE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2014

GORANSON AND ASSOCIATES, INC.

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Support, Revenue and Functional Expense	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 15

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
California Parenting Institute
Santa Rosa, California

We have audited the accompanying financial statements of California Parenting Institute (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Parenting Institute as of June 30, 2014, 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 the California Parenting Institute's financial statements for the year ended June 30, 2013, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 10, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Goranson and Associates, Inc.

November 17, 2014

Santa Rosa, California

CALIFORNIA PARENTING INSTITUTE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014
(With summarized comparative totals for June 30, 2013)

	2014	2013
ASSETS		
Current assets:		
Cash	$ 1,036,131	$ 1,288,744
Accounts receivable	407,985	380,869
Prepaid expenses and deposits	24,056	19,079
Total current assets	1,468,172	1,688,692
Fixed assets:		
Buildings	5,638,996	4,658,271
Furniture and equipment	202,533	172,557
Subtotal	5,841,529	4,830,828
Less accumulated depreciation	(1,821,170)	(1,624,031)
Net fixed assets	4,020,359	3,206,797
Total assets	$ 5,488,531	$ 4,895,489
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 244,864	$ 216,915
Security deposits	10,032	14,236
Current portion of long-term debt	54,159	44,591
Total current liabilities	309,055	275,742
Long-term debt, net of current portion	2,788,920	2,344,981
Total liabilities	3,097,975	2,620,723
Net assets:		
Unrestricted:		
Undesignated	1,756,080	1,630,575
Board-designated operating reserves	485,600	485,600
Board-designated building reserves	100,000	100,000
Total unrestricted net assets	2,341,680	2,216,175
Temporarily restricted	48,876	58,591
Total net assets	2,390,556	2,274,766
Total liabilities and net assets	$ 5,488,531	$ 4,895,489

The accompanying notes are an integral part of these financial statements

CALIFORNIA PARENTING INSTITUTE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014
(with summarized comparative totals for the year ended June 30, 2013)

	Unrestricted	Temporarily Restricted	2014 Total	2013 Total
SUPPORT AND REVENUE:				
Grants and contracts	$ 3,339,794	$ 43,771	$ 3,383,565	$ 2,408,012
Fees	78,900	-	78,900	72,608
Contributions	287,641	-	287,641	336,146
Community event	13,297	-	13,297	24,105
Special events, net of $10,289 expenses	16,776	-	16,776	31,596
Investment income	1,349	-	1,349	1,988
Gain(Loss) on investments	-	-	-	3,373
Other income	26,306	21,342	47,648	40,496
Net assets released from restriction	74,828	(74,828)	-	-
Total support and revenue	3,838,891	(9,715)	3,829,176	2,918,324
EXPENSES:				
Program	3,641,655	-	3,641,655	2,836,532
Management and general	97,136	-	97,136	27,035
Fundraising	57,183	-	57,183	47,527
Total expenses	3,795,974	-	3,795,974	2,911,094
Change in net assets before other revenue	42,917	(9,715)	33,202	7,230
OTHER REVENUE:				
Rental income, net of expenses	1,189	-	1,189	13,714
Change in net assets before goodwill	44,106	(9,715)	34,391	20,944
Acquisition of goodwill	81,399	-	81,399	102,158
CHANGE IN NET ASSETS	125,505	(9,715)	115,790	123,102
NET ASSETS, beginning	2,216,175	58,591	2,274,766	2,151,664
NET ASSETS, ending	$ 2,341,680	$ 48,876	$ 2,390,556	$ 2,274,766

The accompanying notes are an integral part of these financial statements

CALIFORNIA PARENTING INSTITUTE
STATEMENT OF SUPPORT, REVENUE AND FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2014
(with summarized comparative totals for the year ended June 30, 2013)

SUPPORT AND REVENUE:	Program	Management and General	Fundraising	Rental	2014 Total	2013 Total
Grants and contracts	$ 3,310,214	$ 73,351			$ 3,383,565	$ 2,408,012
Fees	77,600	1,300			78,900	72,608
Contributions	263,451	24,190			287,641	336,146
Community events	13,297	-			13,297	24,105
Special events, net	1,766	-	$ 15,010		16,776	31,596
Investment income	-	1,349	-		1,349	1,988
Gain(Loss) on investments	-	-	-		-	3,373
Other income	43,696	3,952	-	$ 158,447	206,095	259,227
Total support and revenue	3,710,024	104,142	15,010	158,447	3,987,623	3,137,055
EXPENSES:						
Salaries and wages	2,146,814	65,286	51,003	4,819	2,267,922	1,739,124
Payroll tax expenses	197,096	5,931	5,029	431	208,487	155,233
Employee benefits	191,288	35,469	473	46	227,276	170,345
Occupancy	75,637	22,010	-	33,131	130,778	104,461
Professional fees	159,153	30,274	-	17,688	207,115	170,239
Subgrantee	200,136	-	-		200,136	219,336
Interest expense	92,998	2,861	-	43,059	138,918	108,362
Depreciation	133,268	5,865	-	58,006	197,139	147,533
Supplies and equipment	69,624	3,120	-	78	72,822	74,273
SCBC expense	16,963	-	-	-	16,963	23,356
Computer support	38,769	19,581	-	-	58,350	37,845
Travel and conferences	52,480	1,557	428	-	54,465	46,791
Communications	15,828	1,454	225	-	17,507	11,640
Insurance	2,685	36,047	-	-	38,732	27,107
Community outreach	18,544	146	-	-	18,690	-
Postage	877	1,672	-	-	2,549	2,346
Printing and duplication	7,883	535	-	-	8,418	8,876
Equipment rental and repair	46,679	5,820	-	-	52,499	24,075
Other operating expense	27,156	7,285	25	-	34,466	45,170
Indirect Cost Allocation	147,777	(147,777)	-	-	-	-
Total expenses	3,641,655	97,136	57,183	157,258	3,953,232	3,116,112
CHANGE IN NET ASSETS	$ 68,369	$ 7,006	$ (42,173)	$ 1,189	$ 34,391	$ 20,944

The accompanying notes are an integral part of these financial statements

CALIFORNIA PARENTING INSTITUTE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014
(with summarized comparative totals for the year ended June 30, 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 115,790	$ 123,102
Adjustments to reconcile change in net assets to cash from operations		
Depreciation and amortization	197,139	147,533
Gain on sale of investments	-	(3,373)
Acquisition of goodwill	(81,399)	(102,158)
(Increase) decrease in:		
Accounts and grants receivable	(27,116)	(52,270)
Prepaid expenses and deposits	(4,977)	1,373
Increase (decrease) in:		
Security deposits	(4,204)	-
Accounts payable and accrued expenses	27,949	53,685
Total cash provided by operations	223,182	167,892
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales proceeds from sale of investment	-	8,718
Purchase of property and equipment	(1,019,406)	-
Disposal of property and equipment	90,104	(44,356)
Total cash (used) provided by investing activities	(929,302)	(35,638)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long term debt	500,000	-
Loans (principal payments) on long-term debt	(46,493)	(5,134)
Total cash (used) provided by investing activities	453,507	(5,134)
NET CHANGE IN CASH	(252,613)	127,120
CASH, beginning of year	1,288,744	1,161,624
CASH, end of year	$ 1,036,131	$ 1,288,744
Supplemental information:		
Cash paid for interest	$ 138,918	$ 108,362

The accompanying notes are an integral part of these financial statements

NOTE 1 ORGANIZATION

California Parenting 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.

Sonoma County Adult and Youth Development (SCAYD) was acquired by CPI in October 2013 (see Note 9). SCAYD was a California nonprofit public benefit corporation established in 1981 in Sonoma County to develop and administer substance abuse prevention and intervention programs at the elementary and high school levels. SCAYD provides youth groups and family counseling services from their Rohnert Park office and works with the cities of Cotati and Rohnert Park and the larger community on prevention efforts. SCAYD primarily received its funding from public and private sources, as well as program fees.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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 $112,680 at June 30, 2014. 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.

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).

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.

Comparative 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, 2013, from which the summarized information was derived.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 2014:

Sonoma County Department of Health Services	$ 92,965
Medi Cal Collaborative	88,423
Sonoma County Office of Education	63,157
Department of Health Services	41,166
Urgent Response Clinic	27,184
Office of Emergency Services	25,207
RPFRC	11,580
First Five	10,476
North Bay Regional Center	10,454
Other receivables	22,012
Total	$ 392,624

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, 2014 was $51,313.

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 interest payable at 1.0 percent over the prime rate as published in the Western Edition of the Wall Street Journal at June 30, 2014. The credit line matures November 10, 2014. There is no balance at June 30, 2014.

NOTE 6 LONG-TERM DEBT

At June 30, 2014, long term debt consists of the following:

A note payable to a bank was refinanced on March 17, 2014 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.	$ 2,111,661
A note payable to a bank has a maturity date of April 2021. Minimum interest rate of 6.25% can be reset once on July 1, 2015 based on a calculation of 3.85% above the average yield on certain United States Treasury Securities. As a result of variable interest rates, the monthly payments of $4,389 began on May 1, 2013. The final balloon payment on April 1, 2021 of $578,113 and the future maturities are estimates. The note is secured by a deed of trust for two buildings used for operations and rentals as well as security agreements on certain deposit accounts, equipment and fixtures.	731,418
	2,843,079
Less current portion	54,936
Noncurrent portion	$ 2,788,143

NOTE 6 LONG-TERM DEBT

Future maturities are as follows at June 30:

2015	$ 54,159
2016	56,924
2017	59,809
2018	62,853
2019	66,052
Thereafter	2,543,282

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2014:

Sonoma County Breastfeeding Coalition (SCBC)	$ 26,037
Child Abuse Treatment Program	10,000
Collaborative Autism Training And Support Program	9,024
Guardian Angel Project	2,535
Partnership for Children	1,280
Total	$ 48,876

NOTE 8 BOARD-DESIGNATED RESERVES

The Board of Directors approved two reserves: an operating reserve in the amount of $485,600 equivalent to fifteen percent of expenses; 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 $585,600 at June 30, 2014.

NOTE 9 BUSINESS COMBINATION AND GOODWILL

On October 1, 2013, CPI completed an acquisition of Sonoma County Adult and Youth Development (SCAYD). Both CPI and SCAYD provide counseling and education services for parents and children. Through their merger, the organizations seek to further their common mission by improving their counseling and educational programs and achieving economies of scale and other synergies through integrating services. The combination resulted in goodwill in the amount of $81,399. The assets, liabilities and net assets listed below were combined with CPI as of the date of the merger.

Assets:	
Cash	$ 56,802
Grants and accounts receivable	40,934
Deposits and prepaid expense	710
Total assets	$ 98,446
Liabilities:	
Accounts payable	$ 14
Accrued expenses	4,020
Short-term debt	13,013
Total liabilities	17,047
Net assets:	
Unrestricted	58,495
Temporarily restricted	22,904
Total net assets	81,399
Total liabilities and net assets	$ 98,446

NOTE 10 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, 2014, the value of the assets held for CPI at the Foundation totaled $175,768, of which $74,500 was available for use.

NOTE 11 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.

NOTE 12 CONTINGENCIES

CPI receives a substantial portion of its support from government grants. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and accounted for by the funding agencies. A significant reduction in the level of this support may have an effect on CPI's programs.

NOTE 13 SUBSEQUENT EVENTS

CPI has evaluated subsequent events through November 17, 2014, the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to June 30, 2014 that would have a material impact on CPI's results of operations or financial position.