

SONOMA COUNTY CHILDREN'S VILLAGE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sonoma County Children's Village
Santa Rosa, California

Report on the Financial Statements

We have audited the accompanying financial statements of Sonoma County Children's Village (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 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.



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 Sonoma County Children's Village as of December 31, 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.

Goranson and Associates, Inc.

May 30, 2017

Santa Rosa, California

SONOMA COUNTY CHILDREN'S VILLAGE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
ASSETS			
Current assets:			
Cash	\$ 3,470,300	\$ 3,858	\$ 3,474,158
Other assets:			
Cash and cash equivalents, restricted for long-term assets	-	67,743	67,743
Total assets	\$ 3,470,300	\$ 71,601	\$ 3,541,901
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accrued expenses	\$ 6,121		\$ 6,121
Grants payable	10,200	-	10,200
Total liabilities	16,321	-	16,321
Net assets:	3,453,979	71,601	3,525,580
Total liabilities and net assets	\$ 3,470,300	\$ 71,601	\$ 3,541,901

The accompanying notes are an integral part of these financial statements

SONOMA COUNTY CHILDREN'S VILLAGE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Contributions	\$ 12,507		\$ 12,507
Rental income	8,640		8,640
Investment income	6,434		6,434
Net assets released restriction	192,000	\$ (192,000)	-
Total support and revenue	<u>219,581</u>	<u>(192,000)</u>	<u>27,581</u>
EXPENSES:			
Program	10,200		10,200
Administration	237,084		237,084
Total expenses	<u>247,284</u>		<u>247,284</u>
CHANGES IN OPERATING NET ASSETS	<u>(27,703)</u>	<u>(192,000)</u>	<u>(219,703)</u>
OTHER INCOME AND EXPENSES			
Gain on sale of assets	1,174,610		1,174,610
Restricted capital campaign funds refunded	(192,000)		(192,000)
Total other income and expenses	<u>982,610</u>		<u>982,610</u>
CHANGE IN NET ASSETS	954,907	(192,000)	762,907
NET ASSETS, BEGINNING	<u>2,499,072</u>	<u>263,601</u>	<u>2,762,673</u>
NET ASSETS, ENDING	<u>\$ 3,453,979</u>	<u>\$ 71,601</u>	<u>\$ 3,525,580</u>

The accompanying notes are an integral part of these financial statements

SONOMA COUNTY CHILDREN'S VILLAGE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program	Management and General	Total
Salaries and wages		\$ 82,360	\$ 82,360
Payroll tax expenses		7,451	7,451
Employee benefits		34,348	34,348
Interest expense		25,690	25,690
Occupancy		10,505	10,505
Depreciation		22,999	22,999
Insurance		18,268	18,268
Orthodontia	\$ 10,200	-	10,200
Office	-	1,409	1,409
Vehicle expenses	-	2,493	2,493
Postage and printing	-	256	256
Information technology	-	1,028	1,028
Fees and licenses	-	3,951	3,951
Staff development	-	199	199
Professional services	-	25,630	25,630
Public relations and newsletter	-	341	341
Other operating expenses	-	156	156
Total expenses	\$ 10,200	\$ 237,084	\$ 247,284

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

SONOMA COUNTY CHILDREN'S VILLAGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 762,907
Adjustments to reconcile change in net assets to cash from operations	
Depreciation	22,999
Gain on sale of fixed assets	(1,174,610)
(Increase) decrease in:	
Prepaid expenses	4,998
Increase (decrease) in:	
Accounts payable and accrued expenses	(86,913)
Grants payable	10,200
Deposits	(2,500)
Total cash used by operating activities	<u>(462,919)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Change in restricted long-term cash	192,000
Proceeds from sale of fixed assets	5,638,994
Total cash provided by investing activities	<u>5,830,994</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal payments on long-term debt	<u>(2,220,457)</u>
NET CHANGE IN CASH	3,147,618
CASH, beginning of year	<u>326,540</u>
CASH, end of year	<u>\$ 3,474,158</u>
Supplemental information:	
Cash paid for interest	<u>\$ 16,339</u>

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

SONOMA COUNTY CHILDREN'S VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 ORGANIZATION

Sonoma County Children's Village (SCCV) is a California nonprofit with the mission to improve the lives of Sonoma County foster children and to support foster youth so that they can grow into well-adjusted, healthy and productive adults. It was founded as a non-profit in 1999 and started to provide services to foster youth in 2006.

The original purpose of SCCV was to provide nurturing, stable family-style homes to children in foster care. Due to California policy changes resulting from AB 403, which mandates care in foster families rather than group homes in most cases, the SCCV campus with family-style group homes was closed in the fall of 2015 and sold in the spring of 2016. Since then, SCCV has evolved to support foster children in different capacities. In the fall of 2016, the new "Extraordinary Cost Program" was launched to support foster youth by funding urgent needs and services directly benefitting individual foster youths that are not covered by other funding sources, such as specialized therapy, orthodontics, and driving school, as well as to fund needs that would enable foster families to take in sibling groups. Implementation and scaling of this new program continues in 2017.

In addition, the Steering Committee and the Board of Directors of SCCV are exploring further programs, collaborations and initiatives to find sustainable solutions to persistent issues in foster care such as dental and orthodontic care, transportation for foster youth and ways to support foster families, and to foster collaboration between different organizations.

SCCV is funded by donations from individual supporters, foundations and organizations. The current operating budget is sustained by proceeds from the sale of its properties, the funds for which had been donated by supporters in the community. As SCCV continues on its mission to improve the lives and futures of Sonoma County foster children, it will resume active fundraising to ensure the long-term viability of the organization and its programs. SCCV is currently directed and managed by its volunteer board, with minimal support from paid contractors.

SONOMA COUNTY CHILDREN'S VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – SCCV 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 SCCV 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 SCCV 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, SCCV reports the revenue or support as unrestricted. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless restricted by explicit donor stipulation or by law.

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, SCCV considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentration of Credit Risk for Cash Held in Banks – At various times during the year, SCCV may maintain its cash balance with one financial institution in excess of the federally insured limit of \$250,000. At December 31, 2016, no bank accounts were over the FDIC limit.

SONOMA COUNTY CHILDREN'S VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fair Value Measures – SCCV 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).

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).

Investments – Investments are made up of certificates of deposits and are reported at their fair values in the statement of financial position. The fair value of the certificates of deposit are based upon quoted prices in active markets (Level 1 measurements). The certificates bear interest at .25 percent.

Accounts Receivable – There was no accounts receivable balance at December 31, 2016.

Fixed Assets – SCCV carries fixed assets at cost or at estimated fair market value at date of donation. Depreciation is calculated using the straight-line method over the useful life of the asset, usually five to thirty years depending upon the asset. SCCV capitalizes acquisitions of property and equipment with a cost or value in excess of \$5,000. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

Long-lived assets held and used by SCCV are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed. All fixed assets were sold or disposed of in 2016.

SONOMA COUNTY CHILDREN'S VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes – SCCV 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 SCCV is not a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

Management of SCCV 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 SCCV status as a not-for-profit entity. Management believes SCCV met the requirements to maintain its tax-exempt status and has not income subject to unrelated business income tax; therefore no provision for income taxes has been provided in these financial statements. SCCV tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. There were no fundraising expenses in 2016. Because there was minimal program activity, there were no allocated costs.

Donated Services and Items – Many people have contributed significant amounts of time and supplies to the activities of SCCV without compensation. The financial statements do not reflect the value of those contributed services and items because, although clearly substantial, no reliable basis exists for determining an appropriate valuation.

SONOMA COUNTY CHILDREN'S VILLAGE
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016

NOTE 3 FAIR VALUE MEASUREMENTS AND INVESTMENTS

The following information presents the assets and liabilities recognized in the accompanying statements of financial position that are measured at fair value on a recurring basis and the level within the fair value hierarchy in which those fair value measurements fall at December 31, 2016. Level 1 measurements consist of certificates of deposit totaling \$3,000,000. Investment earnings consist of \$6,381 in interest income for the year ended December 31, 2016.

NOTE 4 MORTGAGE PAYABLE

SCCV had two mortgages on the buildings. One was a loan from a consortium of five banks with a total credit line of \$2,200,000. Interest is at 5.50 percent with monthly payments of principal and interest of \$12,526. The property was sold and the mortgage was subsequently paid in 2016.

SCCV had a mortgage secured by property that was payable to a bank in monthly installments of \$1,552. The original loan amount was \$199,500 and the interest rate was 4.75 percent. The property was sold and the mortgage was subsequently paid in 2016.

SCCV had a loan secured by the Sonoma County Tax Collector to add solar improvements to the property. The loan carried a seven percent interest rate. The loan required bi-annual payments of principal and interest of \$8,620. The assessment was transferred to the purchaser of the property upon sale.

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of monies to complete the capital projects at SCCV as well as monies for specified program services. The restrictions were as follows for the year ended December 31, 2016:

Capital project funds	\$ 67,743
Program services	<u>3,858</u>
Total	<u>\$ 71,601</u>

SONOMA COUNTY CHILDREN'S VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 6 CHANGE IN OPERATIONS

SCCV suspended their major program services as of October 31, 2015. In February 2016, SCCV returned their license to have qualified group homes. In March 2016 all property and fixed assets were either sold or donated to other non-profit organizations.

NOTE 7 SUBSEQUENT EVENTS

SCCV has evaluated subsequent events through May 30, 2017, the date the financial statements were available to be issued for the year ended December 31, 2016.