

THE MEDIATION CENTER
INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016



CERTIFIED PUBLIC ACCOUNTANTS

THE MEDIATION CENTER

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2016

Independent Auditor’s Report..... 1 - 2

Financial Statements:

Statement of Financial Position3

Statement of Activities4

Statement of Functional Expenses5

Statement of Cash Flows.....6

Notes to Financial Statements 7 - 10



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Mediation Center
Asheville, North Carolina

We have audited the accompanying financial statements of The Mediation Center, which comprise the statement of financial position as of June 30, 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 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 The Mediation Center 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 The Mediation Center's 2015 financial statements, and our report dated January 19, 2016, expressed an unmodified opinion on those audited financial statements. 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.

Carliss + Salaman, PLLC

Asheville, North Carolina
June 21, 2017

The Mediation Center
Statement of Financial Position

As of June 30, 2016

(With summarized, comparative totals as of June 30, 2015)

	2016	2015
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 13,368	\$ 1,417
Grants and Program Service Revenue Receivable	23,364	24,156
Sales Tax Receivables	409	538
Prepaid Expenses	322	322
Total Current Assets	37,463	26,433
<u>Long-Term Assets</u>		
Property and Equipment, Net	6,959	11,121
Security Deposits	4,160	4,160
Total Long-Term Assets	11,119	15,281
Total Assets	\$ 48,582	\$ 41,714
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 8,726	\$ 12,563
Payroll Tax Liabilities	1,855	5,242
Deferred Revenue	-	125
Accrued Vacation	7,262	8,980
Note Payable- Current Portion	3,261	19,997
Total Current Liabilities	21,104	46,907
<u>Long-Term Liabilities</u>		
Note Payable- Long Term Portion	5,541	-
Total Long-Term Liabilities	5,541	-
Total Liabilities	26,645	46,907
<u>Net Assets</u>		
Unrestricted		
Unrestricted Deficit	(10,652)	(26,944)
Invested in Property and Equipment, Net	6,959	11,121
Total Unrestricted	(3,693)	(15,823)
Temporarily Restricted	25,000	10,000
Permanently Restricted	630	630
Total Net Assets	21,937	(5,193)
Total Liabilities and Net Assets	\$ 48,582	\$ 41,714

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

The Mediation Center
Statement of Activities

Year Ended June 30, 2016

(With summarized, comparative totals for the prior year)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
<u>Support and Revenue</u>					
NC Government Grants	\$ -	\$ 170,976	\$ -	\$ 170,976	\$ 176,056
United Way Allocations	-	87,277	-	87,277	93,221
Program Services Revenue	178,863	-	-	178,863	183,151
Foundation Grants	-	98,000	-	98,000	63,500
County Funding	-	30,000	-	30,000	20,000
Contributions	28,276	-	-	28,276	54,632
Fundraising Events	12,521	-	-	12,521	30,954
Miscellaneous Income	1,333	-	-	1,333	1,809
In-Kind Donations	-	-	-	-	1,000
Net Assets Released from Restrictions	<u>371,253</u>	<u>(371,253)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>592,246</u>	<u>15,000</u>	<u>-</u>	<u>607,246</u>	<u>624,323</u>
<u>Expenses</u>					
Program Services	435,065	-	-	435,065	517,751
Management and General	86,113	-	-	86,113	83,169
Fundraising	<u>58,938</u>	<u>-</u>	<u>-</u>	<u>58,938</u>	<u>69,675</u>
Total Expenses	<u>580,116</u>	<u>-</u>	<u>-</u>	<u>580,116</u>	<u>670,595</u>
Total Change in Net Assets	<u>12,130</u>	<u>15,000</u>	<u>-</u>	<u>27,130</u>	<u>(46,272)</u>
Net Assets Beginning of Year	<u>(15,823)</u>	<u>10,000</u>	<u>630</u>	<u>(5,193)</u>	<u>41,079</u>
Net Assets End of Year	<u>\$ (3,693)</u>	<u>\$ 25,000</u>	<u>\$ 630</u>	<u>\$ 21,937</u>	<u>\$ (5,193)</u>

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

The Mediation Center
Statement of Functional Expenses

Year Ended June 30, 2016

(With summarized comparative totals for the prior year)

	Program	Management and General	Fundraising	Total 2016	Total 2015
<u>Personnel</u>					
Salaries	\$ 245,079	\$ 38,263	\$ 31,059	\$ 314,401	\$ 380,357
Payroll Taxes	21,661	3,382	2,746	27,789	34,151
Health Insurance	44,356	6,925	5,621	56,902	43,822
Retirement	992	155	125	1,272	1,752
Subtotal-Personnel	<u>312,088</u>	<u>48,725</u>	<u>39,551</u>	<u>400,364</u>	<u>460,082</u>
Contract Services	3,348	61	49	3,458	10,662
Dues and Subscriptions	422	307	38	767	1,550
Equipment	4,882	762	619	6,263	7,865
Financial Services	-	18,679	-	18,679	18,384
Fundraising Events	-	-	5,481	5,481	9,507
Fundraising Consulting	-	-	-	-	5,000
Information Technology	3,010	470	381	3,861	3,056
Insurance	4,888	763	619	6,270	7,565
Interest Expense	-	1,185	-	1,185	1,219
Meeting Expenses	737	115	93	945	1,513
Office Supplies	2,028	317	256	2,601	3,444
Postage and Delivery	1,472	294	197	1,963	2,572
Printing and Publicity	2,123	425	282	2,830	1,281
Professional Development	10,012	-	-	10,012	3,578
Program Supplies	319	-	-	319	1,360
Rent	69,369	10,830	8,791	88,990	92,890
Utilities	7,195	1,123	912	9,230	12,052
Repairs and Maintenance	3,348	523	424	4,295	4,099
Travel	6,580	1,027	834	8,441	11,838
Subtotal	<u>431,821</u>	<u>85,606</u>	<u>58,527</u>	<u>575,954</u>	<u>659,517</u>
Depreciation Expenses	<u>3,244</u>	<u>507</u>	<u>411</u>	<u>4,162</u>	<u>11,078</u>
Total Expenses	<u>\$ 435,065</u>	<u>\$ 86,113</u>	<u>\$ 58,938</u>	<u>\$ 580,116</u>	<u>\$ 670,595</u>

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

The Mediation Center
Statement of Cash Flows

Year Ended June 30, 2016

(With summarized comparative totals for the prior year)

	2016	2015
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ 27,130	\$ (46,272)
Adjustments to reconcile change in net assets to net cash provided or (used) by operating activities:		
Depreciation Expenses	4,162	11,078
(Increase)/Decrease in Operating Assets		
Grants and Program Service Revenue Receivable	792	27,167
Sales Tax Receivable	129	1,907
Prepaid Expenses	-	5,862
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	(3,837)	(370)
Payroll Liabilities	(3,387)	292
Deferred Revenue	(125)	125
Accrued Vacation and Wages	(1,718)	(202)
Net Cash Provided/(Used) by Operating Activities	23,146	(413)
<u>Cash Flows from Financing Activities</u>		
Proceeds from Promissory Note	-	20,000
Principal Payments on Promissory Note	(11,195)	(20,003)
Net Cash Used by Financing Activities	(11,195)	(3)
Net Change in Cash	11,951	(416)
Cash and Equivalents, Beginning of Year	1,417	1,833
Cash and Equivalents, End of Year	\$ 13,368	\$ 1,417
Cash paid for Interest	\$ 1,185	\$ 1,219

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

The Mediation Center

Notes to Financial Statements

Year Ended June 30, 2016

1. Description of the Organization and Summary of Significant Accounting Policies

Description of the Organization

The mission of The Mediation Center (TMC) is to create opportunity from conflict. TMC provides professional mediation, facilitation and training for individuals, youth, families, and organizations in Buncombe, Henderson, Transylvania and Polk counties. It provides supervised visitation services in Buncombe County.

Funding

TMC's primary sources of support are governmental grants, United Way allocations, fees for services, and contributions from the public.

Corporate and Tax-Exempt Status

TMC was established in 1984 as a nonprofit corporation under the laws of the State of North Carolina. It qualifies for exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, it is classified as a publicly supported organization under Section 509(a)(1).

Basis of Accounting

The accompanying basic financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Financial Statement Presentation

U.S. GAAP establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally imposed restrictions. Descriptions of the three net asset classes are as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions and that are available for general operating expenses of the organization.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions as to the purpose and/or time of use.

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by the organization.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. As restrictions expire, net assets are reclassified to unrestricted net assets and are reported on the statement of activities as "net assets released from restrictions."

Cash and Cash Equivalents

For purposes of reporting on the statement of cash flows, the organization considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment purchases are capitalized at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. The capitalization threshold is \$500 per item.

Fair Value Measurements

In accordance with U.S. GAAP, TMC follows "Fair Value Measurements." This standard establishes a single definition of fair value and a framework for measuring fair value in financial statements under U.S. GAAP. Fair value is defined as "the price that would be received to sell an asset in an orderly transaction between market participants at an agreed upon measurement date. That is, fair value is based on an exit price, which may differ from the price paid to acquire the asset. If there is a principal market for the asset, fair value represents the price in that market." TMC does not have any financial assets that it carries at fair value on a recurring basis.

Income Taxes/Uncertain Tax Positions

TMC is generally exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code. Under the Code, however, income from certain activities not related to the organization's tax-exempt purpose may be subject to taxation as unrelated business income. The organization had no income from unrelated business activities in the year ended June 30, 2016 and was, therefore, not required to file Federal Form 990-T (Exempt Organization Business Income Tax Return). The organization believes that it has appropriate support for all tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

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

Functional Allocation of Expenses

TMC reports its expenses in the functional areas of Program, Management and General, and Fundraising. Expenses that can be identified for a specific area are assigned directly to that area. Other expenses that are common to two or more functions are allocated by management estimate.

2. Cash and Cash Equivalents

Cash and cash equivalents consists of the following:

<u>As of June 30:</u>	<u>2016</u>	<u>2015</u>
Checking Account	\$ 13,072	\$ 1,117
Money Market Account	296	300
Total Cash and Cash Equivalents	<u>\$ 13,368</u>	<u>\$ 1,417</u>

3. Grants and Program Service Revenue Receivable

Grants and program service revenue receivable consists of the following:

<u>As of June 30:</u>	<u>2016</u>	<u>2015</u>
NC Governor's Crime Commission	\$ 9,015	\$ 9,771
County Departments of Social Services	10,077	10,075
Mediation Network of NC	1,772	1,677
Other Receivables	2,500	2,633
Total Receivable	<u>\$ 23,364</u>	<u>\$ 24,156</u>

4. Property and Equipment

Property and equipment consist of the following:

<u>As of June 30:</u>	<u>2016</u>	<u>2015</u>
Office Furniture and Equipment	\$ 60,087	\$ 81,192
Accumulated Depreciation	(53,128)	(70,071)
Property and Equipment, Net	<u>\$ 6,959</u>	<u>\$ 11,121</u>

5. North Carolina Government Grants

North Carolina government grants consist of funding from the following agencies within the NC Department of Public Safety:

<u>Year Ended June 30:</u>	<u>2016</u>	<u>2015</u>
Governor's Crime Commission	\$ 99,676	\$ 99,976
Division of Juvenile Justice	71,300	76,080
Total NC Governmental Funding	<u>\$ 170,976</u>	<u>\$ 176,056</u>

6. Program Services Revenue

Program service revenue consists of the following:

<u>Year Ended June 30:</u>	<u>2016</u>	<u>2015</u>
County DSS Mediation Services	\$ 120,893	\$ 121,208
Medicaid Appeals	15,915	16,390
Family Visitation Service Fees	17,226	12,187
Training Fees	16,664	13,790
Family Mediation Fees	4,837	10,641
Dispute Resolution Service Fees	3,078	7,125
Other Program Service Revenue	250	1,810
Total Program Service Revenue	<u>\$ 178,863</u>	<u>\$ 183,151</u>

7. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

<u>As of June 30:</u>	<u>2016</u>	<u>2015</u>
Youth Conflict Resolution-Henderson County	\$ -	\$ 10,000
Re-entry Mediation- Black Mountain	25,000	-
Total Temporarily Restricted Net Assets	<u>\$ 25,000</u>	<u>\$ 10,000</u>

8. Permanently Restricted Net Assets

Permanently restricted net assets consist of \$630 held in the organization's cash accounts.

9. Funds Benefiting The Mediation Center

The Mediation Center is the beneficiary of an endowment fund at the Community Foundation of Western North Carolina. The fund was established by a donor as an endowment to benefit the Center for Dialogue (now, The Mediation Center's Transylvania County office). The organization received distributions of \$1,330 and \$1,130 from the fund in the years ended June 30, 2016 and 2015, respectively.

10. Benefit Plans

During the audit year, The Mediation Center contributed a two percent match of salaries to a tax deferred annuity retirement plan for participating employees. Contributions for the year ended June 30, 2016 and 2015 were \$1,272 and \$1,752, respectively.

11. Notes Payable

Notes payable consisted of the following as of June 30, 2016

Note payable to First Bank:

In February 2016, TMC refinanced the line of credit into a note payable over three years with interest at 5.5% and monthly payments of \$297.

Balance as of June 30, 2016	8,802
Less Current Maturities	(3,261)
Notes Payable, Net of Current Maturities	<u>\$ 5,541</u>

Principal maturities for the next five years are as follows:

Years ending June 30:

2017	\$ 3,261
2018	3,403
2019	2,138
Total	<u>\$ 8,802</u>

12. Lease Commitments

TMC has three lease agreements for the mediation and visitation portions of its Buncombe County operating facility. These three lease agreements were amended to expire June 30, 2017 and September 30, 2017. TMC also has leases for the Hendersonville and Transylvania locations through September 2017 and October 2016, respectively.

The remaining lease obligations, by year and facility, are as follows:

<u>Year Ending June 30:</u>	<u>Buncombe</u>	<u>Henderson</u>	<u>Transylvania</u>
2017	\$ 70,080	\$ 12,960	\$ 3,400
2018	7,380	3,240	-
Remaining Lease Obligations	<u>\$ 77,460</u>	<u>\$ 16,200</u>	<u>\$ 3,400</u>

In March 2014, TMC entered a five-year operating lease agreement for office equipment. Payments are \$275 per month. The agreement ends February 2019.

13. Summarized, Comparative Data

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived. In addition, certain reclassifications have been made to prior year information to facilitate comparison to the current year.

14. Subsequent Events

In October 2016, TMC received a promissory note in the amount of \$29,000 to assist with expected operating expenses and cash flow needs. The note is payable over three years with interest at 6.75% and payments of \$893 per month.

Subsequent events have been evaluated through June 21, 2017, which is the date the financial statements were available to be issued.