The Mediation Center

Independent Auditor's Report
And Financial Statements

Year Ended June 30, 2017

CORLISS & SOLOMON PLLC

Certified Public Accountants

THE MEDIATION CENTER

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YEAR ENDED JUNE 30, 2017

CORLISS & SOLOMON PLLC

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, 2017, 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, 2017, 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.

242 Charlotte Street, Ste. 1 | Asheville, NC 28801 | T: 828 236 0206 | F: 828 236 0209 | CERTIFIED PUBLIC ACCOUNTANTS

Report on Summarized Comparative Information

We have previously audited The Mediation Center's 2016 financial statements, and our report dated June 21, 2017, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carliss & Solomon, PLLC

Asheville, North Carolina
July 31, 2018

The Mediation Center

Statement of Financial Position

As of June 30, 2017

(With summarized, comparative totals as of June 30, 2016)

	2017	2016
Assets		
Current Assets		
Cash and Cash Equivalents	$ 10,244	$ 13,368
Grants and Program Service Revenue Receivable	49,111	23,364
Sales Tax Receivables	1,173	409
Prepaid Expenses	-	322
Total Current Assets	60,528	37,463
Long-Term Assets		
Property and Equipment, Net	3,562	6,959
Security Deposits	4,160	4,160
Total Long-Term Assets	7,722	11,119
Total Assets	**$ 68,250**	**$ 48,582**
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	$ 11,604	$ 8,726
Payroll Tax Liabilities	8,189	1,855
Accrued Vacation	8,642	7,262
Note Payable- Current Portion	12,870	3,261
Total Current Liabilities	41,305	21,104
Long-Term Liabilities		
Note Payable- Long Term Portion	15,525	5,541
Total Long-Term Liabilities	15,525	5,541
Total Liabilities	56,830	26,645
Net Assets		
Unrestricted		
Available for Operations	7,228	(10,652)
Invested in Property and Equipment, Net	3,562	6,959
Total Unrestricted	10,790	(3,693)
Temporarily Restricted	-	25,000
Permanently Restricted	630	630
Total Net Assets	11,420	21,937
Total Liabilities and Net Assets	**$ 68,250**	**$ 48,582**

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

The Mediation Center

Statement of Activities

Year Ended June 30, 2017

(With summarized, comparative totals for the prior year)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
Support and Revenue					
Government Grants/Contracts	$ 53,458	$ 238,809	$ -	$ 292,267	$ 170,976
United Way Allocations	-	65,077	-	65,077	87,277
Program Service Revenue	132,098	-	-	132,098	178,863
Foundation Grants	-	1,500	-	1,500	98,000
County Funding	-	31,500	-	31,500	30,000
Contributions	25,504	-	-	25,504	28,276
Fundraising Events	12,202	-	-	12,202	12,521
Miscellaneous Income	1,355	-	-	1,355	1,333
In-Kind Donations	4,536	-	-	4,536	-
Net Assets Released from Restrictions	361,886	(361,886)	-	-	-
Total Support and Revenue	**591,039**	**(25,000)**	**-**	**566,039**	**607,246**
Expenses					
Program Services	463,385	-	-	463,385	435,065
Management and General	81,149	-	-	81,149	86,113
Fundraising	32,022	-	-	32,022	58,938
Total Expenses	**576,556**	**-**	**-**	**576,556**	**580,116**
Total Change in Net Assets	14,483	(25,000)	-	(10,517)	27,130
Net Assets Beginning of Year	(3,693)	25,000	630	21,937	(5,193)
Net Assets End of Year	**$ 10,790**	**$ -**	**$ 630**	**$ 11,420**	**$ 21,937**

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

The Mediation Center

Statement of Functional Expenses

Year Ended June 30, 2017

(With summarized comparative totals for the prior year)

	Program	Management and General	Fundraising	Total 2017	Total 2016
Personnel					
Salaries	$ 220,494	$ 33,660	$ 15,439	$ 269,593	$ 314,401
Payroll Taxes	19,627	2,997	1,373	23,997	27,789
Health Insurance	37,169	5,674	2,603	45,446	56,902
Retirement	914	140	64	1,118	1,272
Subtotal-Personnel	278,204	42,471	19,479	340,154	400,364
Contract Services	70,008	213	97	70,318	3,458
Dues and Subscriptions	316	230	29	575	767
Equipment	5,828	890	408	7,126	6,263
Financial Services	-	19,761	-	19,761	18,679
Fundraising Events	-	-	4,615	4,615	5,481
Information Technology	3,388	517	237	4,142	3,861
Insurance	4,668	713	327	5,708	6,270
Interest Expense	-	1,578	-	1,578	1,185
Meeting Expenses	463	71	32	566	945
Office Supplies	1,777	271	125	2,173	2,601
Postage and Delivery	803	161	107	1,071	1,963
Printing and Publicity	491	98	65	654	2,830
Professional Development	4,445	-	-	4,445	10,012
Program Supplies	140	-	-	140	319
Rent	68,878	10,515	4,823	84,216	88,990
Utilities	8,204	1,252	574	10,030	9,230
Repairs and Maintenance	4,761	727	333	5,821	4,295
Travel	8,233	1,257	576	10,066	8,441
Subtotal	460,607	80,725	31,827	573,159	575,954
Depreciation Expenses	2,778	424	195	3,397	4,162
Total Expenses	**$ 463,385**	**$ 81,149**	**$ 32,022**	**$ 576,556**	**$ 580,116**

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

The Mediation Center

Statement of Cash Flows

Year Ended June 30, 2017

(With summarized comparative totals for the prior year)

	2017	2016
Cash Flows from Operating Activities		
Change in Net Assets	$ (10,517)	$ 27,130
Adjustments to reconcile change in net assets to net cash provided or (used) by operating activities:		
Depreciation Expenses	3,397	4,162
(Increase)/Decrease in Operating Assets		
Grants and Program Service Revenue Receivable	(25,747)	792
Sales Tax Receivable	(764)	129
Prepaid Expenses	322	-
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	2,878	(3,837)
Payroll Liabilities	6,334	(3,387)
Deferred Revenue	-	(125)
Accrued Vacation and Wages	1,380	(1,718)
Net Cash Provided/(Used) by Operating Activities	(22,717)	23,146
Cash Flows from Financing Activities		
Proceeds from Promissory Note	29,000	-
Principal Payments on Promissory Note	(9,407)	(11,195)
Net Cash Provided/(Used) by Financing Activities	19,593	(11,195)
Net Change in Cash	(3,124)	11,951
Cash and Equivalents, Beginning of Year	13,368	1,417
Cash and Equivalents, End of Year	**$ 10,244**	**$ 13,368**
Cash Paid for Interest	$ 1,578	$ 1,185

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

The Mediation Center

Notes to Financial Statements

Year Ended June 30, 2017

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, 2017 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:

As of June 30:	2017	2016
Checking Account	$ 9,426	$ 12,572
Savings Accounts	818	796
Total Cash and Cash Equivalents	$ 10,244	$ 13,368

3. *Property and Equipment*
Property and equipment consist of the following:

As of June 30:	2017	2016
Office Furniture and Equipment	$ 60,087	$ 60,087
Accumulated Depreciation	(56,525)	(53,128)
Property and Equipment, Net	$ 3,562	$ 6,959

4. *Grants and Program Service Revenue Receivable*

Grants and program service revenue receivable consists of the following:

As of June 30:	2017	2016
NC Governor's Crime Commission	$ 23,053	$ 9,015
Department of Justice	12,323	-
County Departments of Social Services	7,175	10,077
Mediation Network of NC	3,200	1,772
Buncombe County Service Foundation	2,500	2,500
Other Receivables	860	-
Total Grants and Program Revenue Receivable	$ 49,111	$ 23,364

5. *Government Grants/Contracts*

Government grants and contracts consist of the following:

Year Ended June 30:	2017	2016
Governor's Crime Commission	$ 166,513	$ 99,676
Division of Juvenile Justice	72,296	71,300
Department of Justice	53,458	-
Total Governmental Funding	$ 292,267	$ 170,976

6. *Program Service Revenue*

Program service revenue consists of the following:

Year Ended June 30:	2017	2016
County DSS Mediation Services	$ 61,212	$ 120,893
Medicaid Appeals	20,625	15,915
Family Visitation Service Fees	20,126	17,226
Training Fees	26,900	16,664
Family Mediation Fees	1,696	4,837
Dispute Resolution Service Fees	1,539	3,078
Other Program Service Revenue	-	250
Total Program Service Revenue	$ 132,098	$ 178,863

7. *Temporarily Restricted Net Assets*

Temporarily restricted net assets consist of the following:

As of June 30:	2017	2016
Re-entry Mediation- Black Mountain	$ -	$ 25,000
Total Temporarily Restricted Net Assets	$ -	$ 25,000

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 $1,350 and $1,330 from the fund in the years ended June 30, 2017 and 2016, 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 years ended June 30, 2017 and 2016 were $1,118 and $1,272, respectively.

11. *Notes Payable*

Notes payable consisted of the following as of June 30, 2017:

Note payable to First Bank:		
In October 2016, TMC obtained a note payable of $29,000 to be repaid over three years with interest at 6.75% and monthly payments of $893.		
Balance as of June 30, 2017		23,019
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, 2017		5,376
Summary of Notes Payable:		
Total Notes Payable		28,395
Less Current Maturities		(12,870)
Notes Payable, Net of Current Maturities	$	15,525

Principal maturities for the next three years are as follows:

Years ending June 30:		
2018	$	12,870
2019		12,182
2020		3,343
Total	$	28,395

12. *Lease Commitments*

The Mediation Center has three-year lease agreement for the mediation and visitation portions of its Buncombe County operating facility ending June 30, 2020. TMC also has leases for the Hendersonville and Transylvania locations on a month to month basis. In December 2016, TMC began receiving facilities in Henderson County at no charge and recognized $4,536 in in kind donated rent for seven months during the audit year.

The remaining lease obligations, by year are as follows:

Year Ending June 30:		
2018	$	73,920
2019		73,920
2020		36,960
Remaining Lease Obligations	$	184,800

13. *Going Concern*

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (ASU 2014-15). This standard was adopted by the Organization as of June 30, 2017. Under the new standard, management must evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued. This evaluation initially does not take into consideration the potential mitigating effect of management's plans that have not been fully implemented as of the date the financial statements are issued. When substantial doubt exists under this methodology, management evaluates whether the mitigating effect of its plans sufficiently alleviates substantial doubt about the Organization's ability to continue as a going concern. The mitigating effect of management's plans, however, is only considered if both (1) it is probable that the plans will be effectively implemented within one year after the date that the financial statements are issued, and (2) it is probable that the plans, when implemented, will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. Generally, to be considered probable of being effectively implemented, the plans must have been approved before the date that the financial statements are issued.

For the year ending June 30, 2017 The Mediation Center experienced a deficit of $10,517. This deficit, combined with the limited net assets available for operations, led to a substantial doubt that the organization would be able to continue as a going concern within one year from the issuance of these financial statements.

Starting in 2017, the Board of Directors implemented a plan to increase unrestricted income from training services to attorneys, mediators, and mental health professionals. A staff member left the organization and the Board of Directors made a strategic decision not to fill this management position but instead to hire a part time entry-level employee to continue this program. Additionally, the Board of Directors also implemented steps to reduce expenses and as a result the organization has been able to operate at a surplus for the 2017-2018 fiscal year. The organization plans to focus on its strongest core programs which it believes will grow in scope and effectiveness. It is probable that these plans, as implemented, will mitigate relevant conditions and allow the organization to continue as a going concern. It should be noted that the organization has experienced deficits in the past and that the organization has been able to continue to provide its services to the public without interruption. The Mediation Center approved its mitigation plans prior to the issuance of the financial statements on July 31, 2018.

14. ***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, 2016, 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.

15. ***Subsequent Events***

Subsequent events have been evaluated through July 31, 2018, which is the date the financial statements were available to be issued.