

**THE MEDIATION CENTER**

REPORT OF INDEPENDENT AUDITOR  
AND FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

CORLISS & SOLOMON, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

# THE MEDIATION CENTER

## TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2012

Report of Independent Auditor .....	1
Financial Statements:	
<i>Statement of Financial Position</i> .....	2
<i>Statement of Activities</i> .....	3
<i>Statement of Functional Expenses</i> .....	4
<i>Statement of Cash Flows</i> .....	5
Notes to Financial Statements .....	6 - 9

**CORLISS & SOLOMON, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

242 Charlotte Street  
Suite 1  
Asheville, NC 28801

Phone 828-236-0206  
Fax 828-236-0209  
www.candspllc.com

---

REPORT OF INDEPENDENT AUDITOR

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

We have audited the accompanying statement of financial position of The Mediation Center as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of The Mediation Center. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2011 financial statements and in our report dated January 6, 2012, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of The Mediation Center at June 30, 2012, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Corliss & Solomon, PLLC*

Corliss & Solomon, PLLC  
February 28, 2013

**The Mediation Center**  
Statement of Financial Position

As of June 30, 2012

(With summarized, comparative totals as of June 30, 2011)

	<b>2012</b>	<b>2011</b>
<b><u>Assets</u></b>		
<b><u>Current Assets</u></b>		
Cash and Cash Equivalents	\$ 501	\$ 24,634
Grant and Program Service Fee Receivables	24,775	47,600
Sales Tax Receivable	833	1,178
Prepaid Expenses	11,105	3,542
Total Current Assets	37,214	76,954
 <b><u>Long-Term Assets</u></b>		
Property and Equipment, Net	31,805	15,391
Security Deposits	4,160	3,300
Total Long-Term Assets	35,965	18,691
<b>Total Assets</b>	<b>\$ 73,179</b>	<b>\$ 95,645</b>
 <b><u>Liabilities and Net Assets</u></b>		
<b><u>Current Liabilities</u></b>		
Accounts Payable	\$ 16,416	\$ 10,939
Payroll Tax Liabilities	6,086	4,664
Deferred Revenue	805	-
Accrued Vacation	9,557	8,217
Total Current Liabilities	32,864	23,820
 <b><u>Net Assets</u></b>		
Available for Operations	(5,217)	48,804
Invested in Property and Equipment, Net	31,805	15,391
Total Unrestricted	26,588	64,195
Temporarily Restricted	13,097	7,000
Permanently Restricted	630	630
Total Net Assets	40,315	71,825
<b>Total Liabilities and Net Assets</b>	<b>\$ 73,179</b>	<b>\$ 95,645</b>

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

**The Mediation Center**  
**Statement of Activities**

Year Ended June 30, 2012

(With summarized, comparative totals for the prior year)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2012</u>	<u>Total 2011</u>
<b><u>Support and Revenue</u></b>					
NC Governmental Funding	\$ 141,390	\$ -	\$ -	\$ 141,390	\$ 358,277
County Funding	44,241	-	-	44,241	29,603
United Way Allocations	105,039	-	-	105,039	99,400
Program Service Fee Revenue	105,428	-	-	105,428	30,244
Foundation Grants	20,213	20,000	-	40,213	12,000
Contributions	18,433	1,285	-	19,718	7,622
Fundraising Events	10,327	-	-	10,327	506
Miscellaneous Income	2,066	-	-	2,066	220
In-Kind Donations	21,105	-	-	21,105	3,392
Net Assets Released from Restrictions	15,188	(15,188)	-	-	-
<b>Total Support and Revenue</b>	<b><u>483,430</u></b>	<b><u>6,097</u></b>	<b><u>-</u></b>	<b><u>489,527</u></b>	<b><u>541,264</u></b>
<b><u>Expenses</u></b>					
Program Services	503,046	-	-	503,046	449,923
Management and General	78,027	-	-	78,027	87,073
Fundraising	18,422	-	-	18,422	18,402
<b>Total Expenses</b>	<b><u>599,495</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>599,495</u></b>	<b><u>555,398</u></b>
Change in Net Assets Before Absorption Contribution	(116,065)	6,097	-	(109,968)	(14,134)
Contribution from Absorption	78,458	-	-	78,458	-
Total Change in Net Assets	(37,607)	6,097	-	(31,510)	(14,134)
Net Assets Beginning of Year	64,195	7,000	630	71,825	85,959
<b>Net Assets End of Year</b>	<b><u>\$ 26,588</u></b>	<b><u>\$ 13,097</u></b>	<b><u>\$ 630</u></b>	<b><u>\$ 40,315</u></b>	<b><u>\$ 71,825</u></b>

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

**The Mediation Center**  
**Statement of Functional Expenses**

Year Ended June 30, 2012

(With summarized comparative totals for the prior year)

<u>Program</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total 2012</u>	<u>Total 2011</u>	
<u>Personnel</u>					
Salaries	\$ 292,076	\$ 41,139	\$ 11,060	\$ 344,275	\$ 312,084
Payroll Taxes	27,470	3,870	1,040	32,380	20,871
Health Insurance	30,636	4,315	1,160	36,111	30,231
Retirement	1,712	241	65	2,018	2,445
Subtotal-Personnel	<u>351,894</u>	<u>49,565</u>	<u>13,325</u>	<u>414,784</u>	<u>365,631</u>
Contract Services	14,765	1,664	134	16,563	51,304
Dues and Subscriptions	1,053	766	96	1,915	1,435
Equipment	4,098	577	155	4,830	-
Financial Services	8,254	9,319	-	17,573	9,189
Information Technology	1,881	265	71	2,217	4,359
Insurance	3,388	477	129	3,994	4,012
Meetings Expense	1,432	202	54	1,688	6,139
Office Supplies	2,335	329	88	2,752	3,313
Postage and Delivery	1,895	379	253	2,527	1,471
Printing and Publicity	2,798	560	372	3,730	5,754
Professional Development	2,984	-	-	2,984	4,390
Program Supplies	3,811	-	-	3,811	5,499
Rent	71,829	10,117	2,720	84,666	69,647
Utilities	8,131	1,145	309	9,585	3,941
Repairs and Maintenance	5,841	823	221	6,885	7,368
Travel	7,351	1,035	279	8,665	7,544
Subtotal	<u>493,740</u>	<u>77,223</u>	<u>18,206</u>	<u>589,169</u>	<u>550,996</u>
Contributed Equipment	3,600	-	-	3,600	-
Depreciation Expense	5,706	804	216	6,726	4,402
<b>Total Expenses</b>	<b><u>\$ 503,046</u></b>	<b><u>\$ 78,027</u></b>	<b><u>\$ 18,422</u></b>	<b><u>\$ 599,495</u></b>	<b><u>\$ 555,398</u></b>

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

**The Mediation Center**  
**Statement of Cash Flows**  
Year Ended June 30, 2012

(With summarized comparative totals for the prior year)

	<b>2012</b>	<b>2011</b>
<b><u>Cash Flows from Operating Activities</u></b>		
Change in Net Assets	\$ (109,968)	\$ (14,134)
Adjustments to reconcile change in net assets to net cash provided or (used) by operating activities:		
Depreciation Expense	6,726	4,402
Contributed Equipment and Software	(21,105)	(3,392)
(Increase)/Decrease in Operating Assets		
Grant and Program Service Fee Receivables	22,825	7,883
Sales Tax Receivable	345	(557)
Prepaid Expenses	(7,563)	6,467
Security Deposit	(860)	-
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	5,477	(5,437)
Payroll Liabilities	1,422	(1,324)
Deferred Revenue	805	-
Accrued Vacation	1,340	(1,340)
Retirement Contribution Payable	-	(1,419)
Net Cash Used by Operating Activities	(100,556)	(8,851)
<b><u>Cash Flows from Investing Activities</u></b>		
Property and Equipment Purchases	(2,035)	(4,612)
Contribution from Absorption	78,458	-
Net Cash Provided/(Used) by Investing Activities	76,423	(4,612)
Net Change in Cash	(24,133)	(13,463)
Cash and Equivalents, Beginning of Year	24,634	38,097
<b>Cash and Equivalents, End of Year</b>	<b>\$ 501</b>	<b>\$ 24,634</b>

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

# The Mediation Center

## Notes to Financial Statements

Year Ended June 30, 2012

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

#### Description of the Organization

The mission of the Mediation Center is to create opportunity from conflict. The organization provides professional mediation, facilitation, and supervised visitation and training for community individuals, youth, families, and organizations.

As of October 1, 2011, The Mediation Center absorbed two other mediation organizations -- the Henderson County Dispute Settlement Center (HCDSC) in Henderson County and the Center for Dialogue (CFD) in Transylvania County. (See Note 2 for further information).

#### Funding

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

#### Corporate and Tax-Exempt Status

The Center 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).

#### Combination of Organizations

In accordance with U.S. GAAP, the Mediation Centers' absorption of the HCDSC and the CFD was accounted for as an "Acquisition," recorded at the fair value of the assets received.

#### 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

The Center follows FASB ASC 820-10 “Fair Value Measurements.” This standard establishes a single definition of fair value and a framework for measuring fair value in U.S. GAAP, and it expands disclosures about fair value measurements. Fair Value is defined as “the price that would be received to sell an asset in an orderly transaction between market participants at the 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.” The Center does not have any financial assets that it carries at fair value on a recurring basis.

Income Taxes/Uncertain Tax Positions

The Center is exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code. Exempt organizations, however, may be subject to income tax on unrelated business income. The Center had less than \$1,000 of income from unrelated business activities in 2012 and was, therefore, not required to file Federal Form 990-T (Exempt Organization Business Income Tax Return). The Center 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. The Center’s Forms 990 for the 2008-09, 2009-10 and 2010-11 fiscal years are subject to examination by the IRS, generally for three years after being filed.

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

The organization reports its expenses in the functional areas of Program, Management and General and Fundraising. Expenses that can be identified with 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. Absorption of Other Mediation Organizations

As described in Note 1, the Mediation Center absorbed the Henderson County Dispute Settlement Center in Henderson County and the Center for Dialogue in Transylvania County as of October 1, 2011, after almost a year of planning. The purpose of the merger was to gain efficiencies from centralized administration and finance that will reduce the non-program costs of the combined entity.

The Mediation Center continued to provide services in each county through the transition utilizing employees of HCDSC and CFD, who were hired as part of the agreement. The finance and administration functions of these two county operations were moved to the Mediation Center in Buncombe County. The primary funders for HCDSC and CFD indicated they would continue to fund activities in their respective counties, through the Mediation Center.

Total assets received from the two entities totaled \$78,458, consisting of \$74,008 in cash transfers (\$62,838 from HCDSC and \$11,170 from CFD), \$3,600 in computer equipment and lease deposits of \$850 reassigned to the Center. The assets are recognized as contributions from absorption on the accompanying Statement of Activities. Consistent with the absorption agreement, there were no liabilities assumed by the Mediation Center in the process. HCDSC and CFD have dissolved their corporate entities.

## 3. Cash and Cash Equivalents

The cash and cash equivalents balance consisted of the following:

<u>As of June 30:</u>	<u>2012</u>	<u>2011</u>
Money Market Account	\$ 501	\$ 24,634
Total Cash and Cash Equivalents	<u>\$ 501</u>	<u>\$ 24,634</u>

## 4. Grants and Program Service Fee Receivables

Grants and program service fee receivables consisted of the following:

<u>As of June 30</u>	<u>2012</u>	<u>2011</u>
NC Governor's Crime Commission	\$ -	\$ 45,050
NC Medicaid	-	2,550
Henderson County	4,898	-
Mediation Network of NC	2,749	-
Buncombe County DSS	13,846	-
Other Receivables	3,282	-
Total	<u>\$ 24,775</u>	<u>\$ 47,600</u>

## 5. NC Government Funding

Grants and program service fee revenue originating with the State of NC consisted of the following:

<u>Year Ended June 30</u>	<u>2012</u>	<u>2011</u>
NC Governor's Crime Commission	\$ 39,061	\$ 227,995
NC Administrative Office of the Courts	-	79,800
NC Department of Juvenile Justice	90,634	33,577
NC Interest on Trust Accounts	535	1,005
NC Medicaid	11,160	15,900
Total NC Governmental Funding	<u>\$ 141,390</u>	<u>\$ 358,277</u>

**6. Temporarily Restricted Net Assets**

Temporarily restricted net assets consisted of the following:

<u>As of June 30</u>	<u>2012</u>	<u>2011</u>
Marketing and Branding for Absorption (CFWNC)	\$ 13,097	\$ -
Re-entry Mediation Pilot Program (CFWNC)	-	7,000
Total Temporarily Restricted Net Assets	<u>\$ 13,097</u>	<u>\$ 7,000</u>

**7. Permanently Restricted Net Assets**

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

**8. Property and Equipment**

Property and Equipment consisted of the following:

<u>As of June 30:</u>	<u>2012</u>	<u>2011</u>
Office Furniture and Equipment	\$ 75,727	\$ 48,987
Accumulated Depreciation	(43,922)	(33,596)
Net Furniture and Equipment	<u>\$ 31,805</u>	<u>\$ 15,391</u>

**9. Benefit Plans**

During the audit year, the Center contributed a two percent match of salaries to a Tax Deferred Annuity Retirement Plan for participating employees. Contributions for the year were \$2,018. The organization also has a Section 125 flexible spending account plan.

**10. Lease Commitments**

The Center has two lease agreements for the mediation and visitation parts of its Buncombe County operating facility. These lease agreements were amended to expire June 30, 2013 and September 30, 2013. The Center also has one lease for each of the Hendersonville and Transylvania locations. 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>
2013	\$ 60,276	\$ 12,360	\$ 9,400
2014	7,359	3,090	9,600
2015	-	-	3,200
Remaining Lease Obligations	<u>\$ 67,635</u>	<u>\$ 15,450</u>	<u>\$ 22,200</u>

**11. Subsequent Events**

Subsequent events have been evaluated through February 28, 2013, which is the date the financial statements were available to be issued.

**12. 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, 2011, 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.