

**THE MEDIATION CENTER**

REPORT OF INDEPENDENT AUDITOR  
AND FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

CORLISS & SOLOMON, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

# THE MEDIATION CENTER

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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, 2011, 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 2010 financial statements and in our report dated January 17, 2011, 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, 2011, 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  
January 6, 2012

**The Mediation Center**  
Statement of Financial Position

As of June 30, 2011

(With summarized, comparative totals as of June 30, 2010)

	<b>2011</b>	<b>2010</b>
<b><u>Assets</u></b>		
<b><u>Current Assets</u></b>		
Cash and Cash Equivalents	\$ 23,890	\$ 38,097
Grants Receivable	47,600	55,483
Sales Tax Receivable	1,178	621
Prepaid Expenses	3,542	10,009
Total Current Assets	76,210	104,210
 <b><u>Long-Term Assets</u></b>		
Property and Equipment, Net	15,391	11,789
Security Deposit	3,300	3,300
Total Long-Term Assets	18,691	15,089
<b>Total Assets</b>	<b>\$ 94,901</b>	<b>\$ 119,299</b>
 <b><u>Liabilities and Net Assets</u></b>		
<b><u>Current Liabilities</u></b>		
Accounts Payable	\$ 10,195	\$ 16,376
Payroll Tax Liabilities	4,664	5,988
Retirement Contribution Payable	-	1,419
Accrued Vacation	8,217	9,557
Total Current Liabilities	23,076	33,340
 <b><u>Net Assets</u></b>		
Unrestricted	64,195	70,329
Temporarily Restricted	7,000	15,000
Permanently Restricted	630	630
Total Net Assets	71,825	85,959
<b>Total Liabilities and Net Assets</b>	<b>\$ 94,901</b>	<b>\$ 119,299</b>

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

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

For the Year Ended June 30, 2011

(With summarized, comparative totals for the prior year)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2011</u>	<u>Total 2010</u>
<b><u>Support and Revenue</u></b>					
Governmental Funding:					
NC Admin. Office of the Courts	\$ 79,800	\$ -	\$ -	\$ 79,800	\$ 84,000
NC Governor's Crime Comm.	227,995	-	-	227,995	161,764
NC Dept. of Juvenile Justice	33,577	-	-	33,577	39,149
NC Interest on Trust Accounts	1,005	-	-	1,005	1,305
NC Medicaid	15,900	-	-	15,900	14,380
Buncombe DSS-Visitation	23,170	-	-	23,170	22,800
Buncombe DSS-Life Skills	6,433	-	-	6,433	2,114
United Way Allocations	99,400	-	-	99,400	87,331
Program Service Revenue	30,244	-	-	30,244	30,289
Foundation Grants	-	12,000	-	12,000	24,000
Contributions	7,622	-	-	7,622	5,759
Fundraising Events	506	-	-	506	6,900
Interest Income	195	-	-	195	432
Miscellaneous Income	25	-	-	25	7,478
In-Kind Donations	3,392	-	-	3,392	5,200
Net Assets Released from Restrictions	20,000	(20,000)	-	-	-
<b>Total Support and Revenue</b>	<b><u>549,264</u></b>	<b><u>(8,000)</u></b>	<b><u>-</u></b>	<b><u>541,264</u></b>	<b><u>492,901</u></b>
<b><u>Expenses</u></b>					
Program Services	449,923	-	-	449,923	372,237
Management and General	87,073	-	-	87,073	97,595
Fundraising	18,402	-	-	18,402	22,117
<b>Total Expenses</b>	<b><u>555,398</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>555,398</u></b>	<b><u>491,949</u></b>
Change in Net Assets During Year	(6,134)	(8,000)	-	(14,134)	952
Net Assets Beginning of Year	70,329	15,000	630	85,959	85,007
<b>Net Assets End of Year</b>	<b><u>\$ 64,195</u></b>	<b><u>\$ 7,000</u></b>	<b><u>\$ 630</u></b>	<b><u>\$ 71,825</u></b>	<b><u>\$ 85,959</u></b>

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

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

For the Year Ended June 30, 2011

(With summarized comparative totals for the prior year)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total 2011</u>	<u>Total 2010</u>
<u>Personnel</u>					
Salaries	\$ 251,132	\$ 49,319	11,633	\$ 312,084	\$ 289,803
Payroll Taxes	16,795	3,298	778	20,871	19,933
Health Insurance	24,327	4,777	1,127	30,231	24,486
Retirement	1,967	386	92	2,445	3,959
Subtotal-Personnel	<u>294,221</u>	<u>57,780</u>	<u>13,630</u>	<u>365,631</u>	<u>338,181</u>
Contract Services	51,304	-	-	51,304	27,691
Dues and Subscriptions	789	574	72	1,435	2,262
Financial Services	-	9,189	-	9,189	8,020
Fundraising Events	-	-	-	-	1,289
Information Techonology	3,508	689	162	4,359	-
Insurance	3,229	634	149	4,012	5,292
Meetings Expense	4,940	970	229	6,139	7,242
Miscellaneous Expense	-	-	-	-	532
Office Supplies	2,666	524	123	3,313	4,350
Postage and Delivery	1,103	221	147	1,471	973
Printing and Publicity	4,630	909	215	5,754	4,021
Professional Development	3,865	424	101	4,390	4,463
Program Supplies	4,910	477	112	5,499	3,114
Rent and Utilities	56,723	11,140	2,627	70,490	64,340
Repairs and Maintenance	5,929	1,164	275	7,368	8,777
Telephone	2,493	490	115	3,098	2,958
Travel	6,071	1,192	281	7,544	5,888
Subtotal	<u>446,381</u>	<u>86,377</u>	<u>18,238</u>	<u>550,996</u>	<u>489,393</u>
Depreciation Expense	<u>3,542</u>	<u>696</u>	<u>164</u>	<u>4,402</u>	<u>2,556</u>
<b>Total Expenses</b>	<b><u>\$ 449,923</u></b>	<b><u>\$ 87,073</u></b>	<b><u>\$ 18,402</u></b>	<b><u>\$ 555,398</u></b>	<b><u>\$ 491,949</u></b>

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

**The Mediation Center**  
**Statement of Cash Flows**

For the Year Ended June 30, 2011

(With summarized comparative totals for the prior year)

	<b>2011</b>	<b>2010</b>
<b><u>Cash Flows from Operating Activities</u></b>		
Change in Net Assets	\$ (14,134)	\$ 952
Adjustments to reconcile change in net assets to net cash provided or (used) by operating activities:		
Depreciation Expense	4,402	2,556
Donor Contribution of Property and Equipment	(3,392)	(5,200)
(Increase)/Decrease in Operating Assets		
Grants Receivable	7,883	(45,816)
Sales Tax Receivable	(557)	48
Prepaid Expenses	6,467	-
Security Deposit	-	(1,000)
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	(6,181)	13,241
Payroll Liabilities	(1,324)	3,046
Accrued Vacation	(1,340)	1,713
Retirement Contribution Payable	(1,419)	1,419
Net Cash Provided/(Used) by Operating Activities	(9,595)	(29,041)
<b><u>Cash Flows from Investing Activities</u></b>		
Property and Equipment Purchases	(4,612)	(2,446)
Net Cash Used by Investing Activities	(4,612)	(2,446)
Net Change in Cash	(14,207)	(31,487)
Cash and Equivalents, Beginning of Year	38,097	69,584
<b>Cash and Equivalents, End of Year</b>	<b>\$ 23,890</b>	<b>\$ 38,097</b>

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

# **The Mediation Center**

## Notes to Financial Statements

For the Year Ended June 30, 2011

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

#### *A. 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.

#### *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 has been classified as a publicly supported organization under Section 509(a)(1).

#### *B. Summary of Significant Accounting Policies*

#### *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.” As allowed under U.S. GAAP, restricted grants and contributions are reflected in the financial statements as unrestricted if restrictions are satisfied during the same reporting period as the funds were received.

### 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 (Formerly SFAS No. 157) “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 2011 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. Cash and Cash Equivalents**

The cash and cash equivalents balance consisted of the following:

<u>As of June 30:</u>	<u>2011</u>	<u>2010</u>
Bank of Asheville Checking Account	\$ (755)	\$ -
Bank of Asheville Money Market Account	4,402	17,874
Asheville Savings Money Market Account	20,232	20,123
Petty Cash	11	100
Total Cash and Cash Equivalents	<u>\$ 23,890</u>	<u>\$ 38,097</u>

**3. Grants Receivable**

Grants receivable consisted of the following:

<u>As of June 30</u>	<u>2011</u>	<u>2010</u>
NC Governor's Crime Commission	\$ 45,050	\$ 49,719
NC Medicaid	2,550	1,100
Community Foundation of WNC	-	4,000
NC Administrative Office of the Courts	-	424
Buncombe County DSS	-	240
Total Grants Receivable	<u>\$ 47,600</u>	<u>\$ 55,483</u>

**4. Temporarily Restricted Net Assets**

Temporarily restricted net assets consisted of the following:

<u>As of June 30</u>	<u>2011</u>	<u>2010</u>
Family Visitation & Life Skills (Janirve)	\$ -	\$ 15,000
Re-entry Mediation Pilot Program (CFWNC)	7,000	-
Total Temporarily Restricted Net Assets	<u>\$ 7,000</u>	<u>\$ 15,000</u>

**5. Permanently Restricted Net Assets**

In May of 2007, the Center withdrew the balance of its holdings at the Community Foundation of WNC, including the \$630 permanently restricted portion, which retains its restrictions in perpetuity. Permanently restricted net assets consist of this \$630, which the Center holds in its cash accounts.

**6. Furniture and Equipment**

Furniture and equipment consisted of the following:

<u>As of June 30:</u>	<u>2011</u>	<u>2010</u>
Office Furniture and Equipment	\$ 48,987	\$ 40,983
Accumulated Depreciation	(33,596)	(29,194)
Net Furniture and Equipment	<u>\$ 15,391</u>	<u>\$ 11,789</u>

**7. Benefit Plans**

During the audit year, the Center contributed up to a two percent match of salaries to a Tax Deferred Annuity Retirement Plan for participating employees. Contributions for the year were \$2,445. The organization also has a Section 125 flexible spending account plan which enables employees to elect a payroll deduction and receive reimbursement for medical expenses on a pretax basis.

**8. Lease Commitments**

The Center has three lease agreements for the mediation and visitation parts of its operating facility. These lease agreements were amended to expire May 31, 2012, June 30, 2013, and September 30, 2013. The remaining lease obligations by year are as follows:

Year Ending:	June 30
2012	\$ 68,987
2013	60,276
2014	7,359
Remaining Lease Obligations	<u>\$ 136,622</u>

**9. Subsequent Events**

As of October 1, 2011, The Mediation Center absorbed two other mediation organizations -- the Center for Dialogue (CFD) in Transylvania county and the Henderson County Dispute Settlement Center (HCDSC) in Henderson county. Through the absorption, TMC continued to provide services in each county without interruption, utilizing employees of CFD and HCDSC, who were hired as part of the agreement. Also, as part of the agreement, TMC received the assets of CFD and HCDSC. The assets received from each organization were as follows:

	CFD	HCDSC
Cash	\$ 18,669	\$ 47,058
Furniture & Equipment (Estimated FMV)	4,329	5,000
Totals	<u>\$ 22,998</u>	<u>\$ 52,058</u>

Subsequent events have been evaluated through January 6, 2012, which is the date the financial statements were available to be issued.

**10. 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. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2010, 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.