THE MEDIATION CENTER

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

CORLISS & SOLOMON, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

THE MEDIATION CENTER

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YEAR ENDED JUNE 30, 2014

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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, 2014, 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, 2014, 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 2013 financial statements, and our report dated February 6, 2014, 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, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Corliss & Solomon, PLLC

Corliss & Solomon, PLLC
Asheville, North Carolina
February 06, 2015

The Mediation Center

Statement of Financial Position

As of June 30, 2014

(With summarized, comparative totals as of June 30, 2013)

	2014	2013
Assets		
Current Assets		
Cash and Cash Equivalents	$ 1,833	$ 3,603
Grants and Program Service Fee Receivables	51,323	50,387
Sales Tax Receivables	2,445	1,544
Prepaid Expenses	6,184	4,548
Total Current Assets	61,785	60,082
Long-Term Assets		
Property and Equipment, Net	22,199	25,457
Security Deposits	4,160	4,160
Total Long-Term Assets	26,359	29,617
Total Assets	**$ 88,144**	**$ 89,699**
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	$ 12,933	$ 15,278
Payroll Tax Liabilities	4,950	8,768
Accrued Vacation	9,182	10,146
Line of Credit	20,000	-
Total Current Liabilities	47,065	34,192
Net Assets		
Unrestricted		
Available for Operations	4,425	27,420
Invested in Property and Equipment, Net	22,199	25,457
Total Unrestricted	26,624	52,877
Temporarily Restricted	13,825	2,000
Permanently Restricted	630	630
Total Net Assets	41,079	55,507
Total Liabilities and Net Assets	**$ 88,144**	**$ 89,699**

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

The Mediation Center

Statement of Activities

Year Ended June 30, 2014

(With summarized, comparative totals for the prior year)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Total 2013
Support and Revenue					
NC Government Grants	$ 223,832	$ -	$ -	$ 223,832	$ 213,250
United Way Allocations	116,177	-	-	116,177	120,205
Program Services Revenue	167,835	-	-	167,835	169,782
Medicaid Appeal Mediations	27,160	-	-	27,160	92,370
Foundation Grants	-	76,814	-	76,814	3,000
County Funding	19,500	-	-	19,500	40,020
Contributions	25,162	-	-	25,162	20,358
Fundraising Events	35,013	-	-	35,013	23,337
Gain on Equipment Trade-In	3,984	-	-	3,984	-
Miscellaneous Income	2,847	-	-	2,847	85
In-Kind Donations	1,249	-	-	1,249	-
Net Assets Released from Restrictions	64,989	(64,989)	-	-	-
Total Support and Revenue	**687,748**	**11,825**	**-**	**699,573**	**682,407**
Expenses					
Program Services	569,767	-	-	569,767	581,413
Management and General	76,161	-	-	76,161	58,851
Fundraising	68,073	-	-	68,073	26,951
Total Expenses	**714,001**	**-**	**-**	**714,001**	**667,215**
Total Change in Net Assets	(26,253)	11,825	-	(14,428)	15,192
Net Assets Beginning of Year	52,877	2,000	630	55,507	40,315
Net Assets End of Year	**$ 26,624**	**$ 13,825**	**$ 630**	**$ 41,079**	**$ 55,507**

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

The Mediation Center

Statement of Functional Expenses

Year Ended June 30, 2014

(With summarized comparative totals for the prior year)

	Program	Management and General	Fundraising	Total 2014	Total 2013
Personnel					
Salaries	$ 332,285	$ 33,914	$ 30,713	$ 396,912	$ 365,918
Payroll Taxes	28,096	2,867	2,597	33,560	41,612
Health Insurance	35,773	3,651	3,307	42,731	37,036
Retirement	2,136	218	198	2,552	2,775
Subtotal-Personnel	398,290	40,650	36,815	475,755	447,341
Contract Services	27,735	2,748	2,733	33,216	31,590
Dues and Subscriptions	1,751	1,274	159	3,184	1,098
Equipment	4,859	496	449	5,804	3,747
Financial Services	-	17,400	-	17,400	19,243
Fundraising Events	-	-	10,808	10,808	7,615
Fundraising Consulting	-	-	5,000	5,000	-
Information Technology	2,982	304	276	3,562	2,105
Insurance	3,658	373	339	4,370	4,680
Meeting Expenses	2,208	225	204	2,637	2,027
Office Supplies	2,624	268	242	3,134	3,710
Postage and Delivery	1,580	316	211	2,107	2,677
Printing and Publicity	2,600	520	346	3,466	3,704
Professional Development	4,907	-	-	4,907	2,319
Program Supplies	3,050	-	-	3,050	3,870
Rent	76,910	7,850	7,109	91,869	91,156
Utilities	12,849	1,311	1,187	15,347	13,479
Repairs and Maintenance	3,761	384	347	4,492	3,997
Travel	9,102	929	841	10,872	7,575
Subtotal	558,866	75,048	67,066	700,980	651,933
Depreciation Expenses	10,901	1,113	1,007	13,021	12,024
Unused Grant Funds Returned	-	-	-	-	3,258
Total Expenses	**$ 569,767**	**$ 76,161**	**$ 68,073**	**$ 714,001**	**$ 667,215**

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

The Mediation Center

Statement of Cash Flows

Year Ended June 30, 2014

(With summarized comparative totals for the prior year)

	2014	2013
Cash Flows from Operating Activities		
Change in Net Assets	$ (14,428)	$ 15,192
Adjustments to reconcile change in net assets to net cash provided or (used) by operating activities:		
Depreciation Expenses	13,021	12,024
(Increase)/Decrease in Operating Assets		
Grants and Program Service Fee Receivables	(936)	(25,612)
Sales Tax Receivable	(901)	(711)
Prepaid Expenses	(1,636)	6,557
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	(2,345)	(1,238)
Payroll Liabilities	(3,818)	2,682
Deferred Revenue	-	(705)
Accrued Vacation	(964)	589
Net Cash Provided/(Used) by Operating Activities	(12,007)	8,778
Cash Flows from Investing Activities		
Property and Equipment Purchases	(9,763)	(5,676)
Net Cash Used by Investing Activities	(9,763)	(5,676)
Cash Flows from Financing Activities:		
Proceeds from Line of Credit	20,000	18,300
Principal Payments on Line of Credit	-	(18,300)
Net Cash Provided/(Used) by Financing Activities	20,000	-
Net Change in Cash	(1,770)	3,102
Cash and Equivalents, Beginning of Year	3,603	501
Cash and Equivalents, End of Year	**$ 1,833**	**$ 3,603**

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

The Mediation Center

Notes to Financial Statements

Year Ended June 30, 2014

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. The organization 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
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
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
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." TMC does not have any financial assets that it carries at fair value on a recurring basis.

Income Taxes/Uncertain Tax Positions
The Mediation 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. TMC had less than $1,000 of income from unrelated business activities in 2014 and was, therefore, not required to file Federal Form 990-T (Exempt Organization Business Income Tax Return). TMC 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 organization's Forms 990 for the 2010-11, 2011-12 and 2012-13 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 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***
The cash and cash equivalents balance consist of the following:

As of June 30:	2014	2013
Checking Account	$ 1,451	$ 3,152
Money Market Account	382	451
Total Cash and Cash Equivalents	$ 1,833	$ 3,603

3. *Grants and Program Service Revenue Receivable*

Grants and program services revenue receivable consist of the following:

As of June 30:	2014	2013
NC Governor's Crime Commission	$ 33,093	$ 24,842
County Departments of Social Services	10,096	10,170
Mediation Network of NC	2,827	3,450
NC Department of Juvenile Justice	-	10,185
Other Receivables	5,307	1,740
Total	$ 51,323	$ 50,387

4. *Property and Equipment*

Property and equipment consist of the following:

As of June 30:	2014	2013
Office Furniture and Equipment	$ 81,192	$ 74,822
Accumulated Depreciation	(58,993)	(49,365)
Property and Equipment, Net	$ 22,199	$ 25,457

5. *North Carolina Government Grants*

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

Year Ended June 30:	2014	2013
NC Governor's Crime Commission	$ 128,378	$ 119,611
NC Department of Juvenile Justice	94,780	93,639
Total NC Governmental Funding	$ 223,158	$ 213,250

6. *Program Services Revenue*

Program services revenue consist of the following:

Year Ended June 30:	2014	2013
County DSS Mediation Services	$ 121,197	$ 119,934
Family Visitation Service Fees	15,763	15,511
Training Fees	11,412	10,427
Family Mediation Fees	9,983	8,940
Dispute Resolution Service Fees	8,550	13,110
Other Program Service Revenue	930	1,860
Total Program Services Revenue	$ 167,835	$ 169,782

7. *Temporarily Restricted Net Assets*

Temporarily restricted net assets consist of the following:

As of June 30:	2014	2013
People in Need (CFWNC)	$ 13,825	$ -
Peer Mediation Services - Transylvania County Schools	-	2,000
Total Temporarily Restricted Net Assets	$ 13,825	$ 2,000

8. *Permanently Restricted Net Assets*

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

9. *Line of Credit*

In July 2013, The Mediation Center renewed its line of credit with First Bank, with a maximum available amount of $20,000. The balance outstanding was $20,000 as of June 30, 2014. The line must be paid in full for 30 consecutive days each year in order to be renewed as a revolving line of credit (see also Subsequent Events, Note 14).

10. *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 $1,060 and $1,010 from the fund in the years ended June 30, 2014 and 2013, respectively.

11. *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, 2014 and 2013 were $2,552 and $2,775, respectively.

12. *Lease Commitments*

The Mediation Center 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, 2015 or September 30, 2015. TMC also has a lease for each of the Hendersonville and Transylvania locations (see Subsequent Events, Note 14). The remaining lease obligations, by year and facility, are as follows:

Year Ending June 30:	Buncombe	Henderson	Transylvania
2015	$ 70,080	$ 3,090	$ 3,200
2016	7,380	-	-
Remaining Lease Obligations	$ 77,460	$ 3,090	$ 3,200

In March 2014, TMC entered into 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, 2013, 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 July 2014, The Mediation Center paid off the balance of its line of credit and renewed the $20,000 line for an additional year.

In October and November 2014, TMC renewed the leases for its Henderson and Transylvania county offices through September 2016 and October 2015, respectively.

Subsequent events have been evaluated through February 06, 2015, which is the date the financial statements were available to be issued.