

Center for Children & Families, Inc.
Norman, Oklahoma

***REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION***

For the Year Ended December 31, 2016

SAUNDERS & ASSOCIATES, PLLC

Certified Public Accountants

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CENTER FOR CHILDREN & FAMILIES, INC.
Norman, Oklahoma

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Center for Children & Families, Inc.

We have audited the accompanying financial statements of Center for Children & Families, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 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. The prior year summarized comparative information has been derived from Center for Children & Families, Inc.'s 2015 financial statements, and in our report dated May 23, 2016 we expressed an unqualified opinion on those 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. 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 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 Center for Children & Families, Inc. as of December 31, 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.

Other-Matter

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2017 on our consideration of Center for Children & Families, Inc.'s internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information, as listed in the preceding table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Saunders & Associates, PLLC
SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants
Ada, Oklahoma

May 24, 2017

FINANCIAL INFORMATION

CENTER FOR CHILDREN & FAMILIES, INC.
Norman, Oklahoma

STATEMENT OF FINANCIAL POSITION

December 31, 2016
(With Comparative Totals for 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 274,667	\$ 41,959	\$ 0	\$ 316,626	\$ 424,927
Investments	0	0	181,881	181,881	175,937
Accounts Receivable	188,977	0	0	188,977	181,697
Pledges Receivable	748,428	0	0	748,428	823,330
Reserve for Uncollectible Pledges	(78,210)	0	0	(78,210)	(73,289)
Inventory	4,970	0	0	4,970	7,026
Prepaid Expenses	6,483	0	0	6,483	6,122
Security Deposits	2,170	0	0	2,170	2,170
Total Current Assets	1,147,485	41,959	181,881	1,371,325	1,547,920
Noncurrent Assets:					
Pledges Receivable	0	1,146,013	0	1,146,013	1,618,252
Property & Equipment	3,319,852	0	0	3,319,852	3,319,852
Less: Accumulated Depreciation	(173,807)	0	0	(173,807)	(97,758)
Total Noncurrent Assets	3,146,045	1,146,013	0	4,292,058	4,840,346
TOTAL ASSETS	\$ 4,293,530	\$ 1,187,972	\$ 181,881	\$ 5,663,383	\$ 6,388,266
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts Payable	\$ 4,513	\$ 0	\$ 0	\$ 4,513	\$ 62,394
Accrued Expenses	1,204	0	0	1,204	1,670
Long-Term Debt - Current Portion	60,986	0	0	60,986	11,667
Total Current Liabilities	66,703	0	0	66,703	75,731
Noncurrent Liabilities:					
Long-Term Debt	673,314	0	0	673,314	987,050
Liability for Compensated Absences	29,369	0	0	29,369	29,546
Total Noncurrent Liabilities	702,683	0	0	702,683	1,016,596
Total Liabilities	769,386	0	0	769,386	1,092,327
Net Assets:					
Undesignated	3,524,144	1,161,704	0	4,685,848	5,031,156
Designated - Capital Campaign	0	26,268	0	26,268	88,846
Permanently Restricted	0	0	181,881	181,881	175,937
Total Net Assets	3,524,144	1,187,972	181,881	4,893,997	5,295,939
TOTAL LIABILITIES AND NET ASSETS	\$ 4,293,530	\$ 1,187,972	\$ 181,881	\$ 5,663,383	\$ 6,388,266

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

CENTER FOR CHILDREN & FAMILIES, INC.
Norman, Oklahoma

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016
(With Comparative Totals for 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
<u>REVENUE AND SUPPORT</u>					
Grants and Contracts	\$ 13,551	\$ 789,415	\$ 0	\$ 802,966	\$ 843,268
Contributions	298,540	206,950	0	505,490	1,003,165
United Way	0	161,000	0	161,000	154,000
Program and Class Fees	290	144,647	0	144,937	94,861
Other Revenue	8,750	1,211	0	9,961	17,295
In-Kind	11,975	292,980	0	304,955	179,659
Net Assets Released From Restriction:					
Satisfaction of Program and Time Restrictions	2,318,003	(2,318,003)	0	0	0
Total Revenues	2,651,109	(721,800)	0	1,929,309	2,292,248
<u>EXPENSES</u>					
Program Expense	1,994,238	0	0	1,994,238	1,844,601
General and Administrative Expenses	134,949	0	0	134,949	127,030
Capital Campaign	71,062	0	0	71,062	60,613
Fund Raising Expense	140,347	0	0	140,347	155,869
Total Expenses	2,340,596	0	0	2,340,596	2,188,113
Increase (Decrease) in Net Assets Before Other Gains and Losses	310,513	(721,800)	0	(411,287)	104,135
Other Gains and Losses:					
Interest	3,680	0	9	3,689	5,074
Unrealized Gain (Loss) on Investments	(751)	472	5,935	5,656	(4,775)
Total Other Gains and Losses	2,929	472	5,944	9,345	299
Increase (Decrease) in Net Assets	313,442	(721,328)	5,944	(401,942)	104,434
Net Assets, Beginning of Year	3,210,702	1,909,300	175,937	5,295,939	5,191,505
Interfund Transfers	0	0	0	0	0
NET ASSETS, END OF YEAR	\$ 3,524,144	\$ 1,187,972	\$ 181,881	\$ 4,893,997	\$ 5,295,939

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

CENTER FOR CHILDREN & FAMILIES, INC.
Norman, Oklahoma

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016
(With Comparative Totals for 2015)

	<u>Divorce Services</u>	<u>Parents' Assistance</u>	<u>Teenage Parenting</u>	<u>Bringing Up Babies</u>
<u>EXPENSES</u>				
Salaries and Wages	\$ 120,734	\$ 140,912	\$ 4,084	\$ 123,033
Fringe Benefits and Taxes	27,191	35,023	1,830	38,795
Accounting	903	996	48	1,079
Advertising	25	75	0	0
Bank Service Charges	16	4	0	4
Client Support	10	16	0	1,407
Communications	1,492	1,240	455	1,933
Conferences, Conventions & Meetings	929	1,356	77	2,525
Consultants and Contract Labor	13,808	18,565	1,138	2,214
Depreciation Expense	5,959	8,421	741	8,792
Dues, Subscriptions & Licensure	4,138	6,214	451	2,008
Equipment Rent & Maintenance	228	305	17	294
Equipment Acquisition	73	130	7	96
Insurance	2,674	2,950	142	3,195
Interest	0	0	0	0
Mileage & Travel	835	648	89	7,753
Miscellaneous	278	256	0	377
Occupancy	2,468	4,662	192	3,067
Office Supplies	494	660	41	677
Supplies - Other	0	0	0	0
Postage	239	163	6	200
Printing & Artwork	3,296	1,753	41	749
Program Materials	121	166	0	217
Program Snacks	0	0	0	12
In-Kind Expenses:				
Space	31,590	75,000	0	0
Goods	14,441	23,798	1,594	22,121
TOTAL EXPENSES	\$ <u>231,942</u>	\$ <u>323,313</u>	\$ <u>10,953</u>	\$ <u>220,548</u>

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

CENTER FOR CHILDREN & FAMILIES, INC.
Norman, Oklahoma

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016
(With Comparative Totals for 2015)

	<u>Counseling</u>	<u>Disaster Response</u>	<u>Mental Health Consultation</u>	<u>Boys & Girls Club of Norman</u>	<u>Total Program Expenses</u>
EXPENSES					
Salaries and Wages	\$ 303,422	\$ 6,130	\$ 0	\$ 330,949	\$ 1,029,264
Fringe Benefits and Taxes	88,149	1,162	0	78,465	270,615
Accounting	2,444	146	0	2,636	8,252
Advertising	25	0	0	0	125
Bank Service Charges	14	0	0	9	47
Client Support	2,378	7,360	0	218	11,389
Communications	3,763	30	0	4,989	13,902
Conferences, Conventions & Meetings	4,013	18	0	6,120	15,038
Consultants and Contract Labor	46,314	300	24,317	5,914	112,570
Depreciation Expense	21,829	172	0	20,093	66,007
Dues, Subscriptions & Licensure	15,040	41	0	9,093	36,985
Equipment Rent & Maintenance	725	27	0	726	2,322
Equipment Acquisition	522	3	0	1,973	2,804
Insurance	7,240	433	0	7,809	24,443
Interest	0	0	0	0	0
Mileage & Travel	1,915	111	0	1,724	13,075
Miscellaneous	136	1	408	3,704	5,160
Occupancy	8,860	174	0	37,580	57,003
Office Supplies	1,862	121	0	1,731	5,586
Supplies - Other	8	0	0	8	16
Postage	262	201	0	253	1,324
Printing & Artwork	2,216	617	0	3,394	12,066
Program Materials	348	81	0	13,326	14,259
Program Snacks	1,481	0	0	7,977	9,470
In-Kind Expenses:					
Space	0	0	0	0	106,590
Goods	59,483	520	0	53,969	175,926
TOTAL EXPENSES	\$ 572,449	\$ 17,648	\$ 24,725	\$ 592,660	\$ 1,994,238

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

CENTER FOR CHILDREN & FAMILIES, INC.
Norman, Oklahoma

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016
(With Comparative Totals for 2015)

	General and Admin. Expense	Capital Campaign	Fund Raising Expense	2016 Total	2015 Total
EXPENSES					
Salaries and Wages	\$ 77,231	\$ 0	\$ 64,584	\$ 1,171,079	\$ 1,118,266
Fringe Benefits and Taxes	22,213	0	23,483	316,311	292,607
Accounting	585	0	909	9,746	9,550
Advertising	25	0	25	175	611
Bank Service Charges	2,661	861	1,227	4,796	5,104
Client Support	1,316	0	446	13,151	17,525
Communications	539	0	446	14,887	13,788
Conferences, Conventions & Meetings	1,467	0	453	16,958	23,383
Consultants and Contract Labor	1,199	20,000	7,356	141,125	177,244
Depreciation Expense	4,828	0	5,214	76,049	72,745
Dues, Subscriptions & Licensure	570	0	6,821	44,376	41,314
Equipment Rent & Maintenance	229	375	255	3,181	2,818
Equipment Acquisition	513	21,024	66	24,407	18,144
Insurance	1,731	0	2,693	28,867	27,824
Interest	0	28,802	0	28,802	37,717
Mileage & Travel	159	0	84	13,318	16,563
Miscellaneous	1,839	603	113	7,715	12,259
Occupancy	1,944	0	2,341	61,288	60,442
Office Supplies	1,115	0	586	7,287	10,756
Supplies - Other	15	0	0	31	0
Postage	62	0	1,195	2,581	3,230
Printing & Artwork	765	(603)	3,582	15,810	18,863
Program Materials	1,886	0	7,961	24,106	21,296
Program Snacks	82	0	43	9,595	6,405
In-Kind Expenses:					
Space	0	0	0	106,590	53,640
Goods	11,975	0	10,464	198,365	126,019
TOTAL EXPENSES	\$ 134,949	\$ 71,062	\$ 140,347	\$ 2,340,596	\$ 2,188,113

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

CENTER FOR CHILDREN & FAMILIES, INC.
Norman, Oklahoma

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2016
(With Comparative Totals for 2015)

	<u>2016</u> <u>Total</u>	<u>2015</u> <u>Total</u>
<u>Cash Flows From Operating Activities</u>		
Change in Net Assets	\$ (411,287)	\$ 104,135
Adjustment to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	76,049	72,745
(Increase) Decrease in:		
Accounts Receivable	(7,280)	(17,857)
Pledges Receivable	547,141	317,841
Reserve for Uncollectible Pledges	4,921	(16,134)
Inventory	2,056	4,266
Prepaid Expense	(361)	(131)
Security Deposits	0	0
Increase (Decrease) in:		
Accounts Payable	(57,881)	(66,873)
Accrued Liabilities	(643)	(129)
Net Cash Provided (Used) by Operating Activities	<u>152,715</u>	<u>397,863</u>
<u>Cash Flows From Investing Activities</u>		
Acquisition/Disposition of Capital Assets	0	(139,792)
Interest on Deposits	3,689	5,074
Unrealized Gain (Loss) on Investments	(288)	1,010
Net Cash Provided (Used) by Investing Activities	<u>3,401</u>	<u>(133,708)</u>
<u>Cash Flows From Financing Activities</u>		
Acquisition of Debt Principal	0	35,000
Payment of Debt Principal	(264,417)	(350,677)
Net Cash Provided (Used) by Investing Activities	<u>(264,417)</u>	<u>(315,677)</u>
Increase (Decrease) in Cash	(108,301)	(51,522)
Cash and Cash Equivalents, Beginning of Year	<u>424,927</u>	<u>476,449</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 316,626</u>	<u>\$ 424,927</u>
<u>Other Disclosures:</u>		
Capitalized Interest Costs	<u>\$ 0</u>	<u>\$ 0</u>
Interest Expense	<u>\$ 28,802</u>	<u>\$ 37,717</u>

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

CENTER FOR CHILDREN & FAMILIES, INC.
Norman, Oklahoma

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activities – Center for Children & Families, Inc. (CCFI) was incorporated as Juvenile Services, Inc. on August 18, 1969, for the purpose of supporting existing juvenile programs and to improve and expand services for juveniles in Cleveland County. In 1999, the Board of Directors voted to change the name of the organization from Juvenile Services, Inc. to Center for Children & Families, Inc. The programs currently supported by the organization are:

Divorce Services – Support and education for divorced, separated, or never married parents through classes, mediation, counseling and supervised visits and exchanges.

Parents Assistance – Provides support and education for parents struggling day-to-day with abuse, neglect and other related issues through specialized classes and respite care.

Teenage Parenting – Supports pregnant or parenting teens in Norman, by providing peer based support and education classes.

Counseling (Trauma Focused Services) – Provides therapy, education and support to children and youth with histories of neglect and/or emotional abuse, and their parents, foster or adoptive caregivers.

Baby Pantry – Completely stocked by the community, the Baby Pantry at CCFI provides formula, baby and toddler food, diapers, and other basic necessities to over 100 visitors each month.

Bringing Up Babies – Provides parent education, support and case management to teen and other at risk new parents through home visits.

Mental Health Consultation – Under this contract with the Oklahoma Department of Mental Health Substance Abuse Services, CCFI furnishes resources to provide consulting services to Griffin Memorial Hospital and Central Oklahoma Mental Health Center.

Boys & Girls Club of Norman - Provides youth development services in accordance with BGCA's policies to create positive outcomes in the lives of local youth with an emphasis in 1) academic success, 2) healthy lifestyles, and 3) character and leadership development.

CCFI is an independent agency funded by grants from the Department of Mental Health and Substance Abuse Services, Department of Human Services, Oklahoma State Department of Health, contracts with governmental entities and donations from individuals, businesses, and other not-for-profit organizations.

CENTER FOR CHILDREN & FAMILIES, INC.
Norman, Oklahoma

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Accounting – Financial statements have been prepared using the accrual basis of accounting. Under the accrual basis of accounting, contract funds are recognized as revenue when allowable expenses are incurred and a receivable represents that portion of the contract which CCFI has earned and/or requested, but not received. Medicaid receipts and contributions are recorded upon receipt. Expenses are recorded when a liability is incurred. Expenses incurred but not paid at year-end are represented by a liability on the statement of financial position. Grant funds received, but not yet expended for their specified purpose, are recognized as temporarily restricted net assets. Other revenue (i.e. donations) is recognized when received. Net asset balances represent cumulative revenue received over expenses incurred.

Financial Statement Presentation – The financial statements are presented in accordance with generally accepted accounting principles, which require the organization to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as described below.

Unrestricted – These net assets are available for general obligations

Temporarily Restricted – These net assets represent contributions that contain donor imposed stipulations that expire with the passage of time or are fulfilled by the actions of the organization.

Permanently Restricted – These net assets would represent contributions or other assets whose use by the organization is limited by donor imposed stipulations that do not expire with time, or cannot be fulfilled or otherwise removed by actions of the Organization. The investment income earned on these permanently restricted net assets would be either temporarily restricted or unrestricted based upon donor designations.

Promises to Give – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

As discussed in Note 5, the Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience, industry standards, and management's analysis of specific promises made.

Property and Equipment – Acquisitions of property and equipment are stated at cost at date of acquisition or fair value at date of donation or contribution. Expenditures for maintenance and repairs are charged to expense as incurred. Assets costing \$5,000 or more are capitalized using the straight-line method based on the estimated useful life of the asset.

Inventory – Inventories are stated at the lower of cost or market value and consist of diapers, formula and other items donated to be distributed to charitable beneficiaries at the Organization's discretion.

CENTER FOR CHILDREN & FAMILIES, INC.
Norman, Oklahoma

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes and Uncertain Tax Positions

Income Tax Status – The Organization qualifies as an organization exempt from income taxes under Section 501(c)(3) of the *Internal Revenue Code* and is subject to a tax on income from any unrelated business, as defined by Section 509(a)(1) of the Code. The Organization currently has unrelated business income related to its contract with the Oklahoma Department of Mental Health and Substance Abuse Services to provide consulting services to Griffin Memorial Hospital and Central Oklahoma Mental Health Center. No provision of tax liability has been recorded as any resulting liability would not be material to the financial statements.

The Organization has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return only when it is determined that the income tax position will more-likely-than-not be sustained upon examinations by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations, or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2016.

Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination. Currently, the Organization has no open examinations with the Internal Revenue Service or the Oklahoma Tax Commission.

Cash and Cash Equivalents – For purposes of the statement of cash flows, cash and cash equivalents include bank accounts and investments readily convertible to cash.

Concentrations of Credit Risk – Financial instruments that potentially expose CCFI to concentrations of credit risk consist of cash, accounts receivable, and pledges receivable. Cash is deposited in high-quality financial institutions and accounts at each institution are insured by the Federal Deposit Insurance Corporation. Accounts receivable consist of billings made to grantor agencies for services rendered or under the terms of the various grants and contracts and are considered to be fully collectible. As discussed in Note 5, CCFI has established a reserve for uncollectible pledges to more accurately report risks associated with its pledges receivable.

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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Information – The financial statements include certain 2015 comparative information. With respect to the statement of activities, such prior information is not presented by net asset class. In the statement of functional expenses, 2015 expenses by object are presented in total rather than by function category. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015 from which the summarized information was derived.

CENTER FOR CHILDREN & FAMILIES, INC.
Norman, Oklahoma

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 2: INVESTMENTS

Investments of the organization consist of the following:

Permanently Restricted

Beneficial Interest in Assets Held by Others

CCFI has placed funds with the following foundations to be held in endowment funds.

<u>Communities Foundation of Oklahoma</u>	<u>2016</u>	<u>2015</u>
Balance, Beginning of Year	\$ 687	\$ 739
Interest and Dividends	9	0
Net Investment Income (Loss)	51	0
Management Fees	(40)	(52)
Balance, End of Year	<u>\$ 707</u>	<u>\$ 687</u>
<u>Oklahoma City Community Foundation</u>	<u>2016</u>	<u>2015</u>
Balance, Beginning of Year	\$ 175,250	\$ 180,983
Reciprocal Transfers	0	0
Reinvestment of Allocation	0	0
Distribution	0	0
Net Investment Income (Loss)	5,924	(5,733)
Balance, End of Year	<u>\$ 181,174</u>	<u>\$ 175,250</u>
Total Permanently Restricted Investments	<u>\$ 181,881</u>	<u>\$ 175,937</u>

Investments in equity securities with readily determinable fair values are measured at fair value in the statement of financial position. Fair values are determined by reference to quoted market prices and other relevant information generated by market transactions. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. Restricted gains and investment income whose restrictions are met in the same reporting period are reported as unrestricted income.

Both the Communities Foundation of Oklahoma and the Oklahoma City Community Foundation also receive donations designated for CCFI by other donors. Both Foundations have been granted variance power and have the authority to distribute those donations as they see fit; therefore, those donations are not reflected in the Organization's financial statements. The corpus of the funds may not be withdrawn; however, income distributed to the organization by the funds may be used for any purpose. The interest in the endowment funds is recorded in the financial statements in accordance with generally accepted accounting principles and relevant funding agreements. At December 31, 2016, the market value of investments attributable to third-part donors equaled \$121,695 held by the Oklahoma City Community Foundation.

CENTER FOR CHILDREN & FAMILIES, INC.
Norman, Oklahoma

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 2: INVESTMENTS, CONTINUED

Endowment Investment and Spending Policies

The Foundations have adopted investment and spending policies, approved by their respective Boards of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The primary objective of the investments will be to provide for long-term return growth of principle and income without undue exposure to risk enabling the Foundations to make grants on a continuing and reasonably consistent basis. Therefore, the focus is on consistent long-term capital appreciation, with income generation as a secondary consideration. The Foundations' target is a diversified asset allocation that will enable the foundations to achieve their long-term return objectives within prudent risk parameters.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consists of requests for advances and/or reimbursements to grantor and pass-through agencies for grant funds, as well as balances due from individuals and organizations for program fees.

NOTE 4: PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Due in 1 year	\$ 748,428	\$ 823,330
Due in 2 – 5 years	1,122,346	1,496,311
Due in 6 – 10 years	23,667	121,942
TOTAL	<u>\$ 1,894,441</u>	<u>\$ 2,441,583</u>

NOTE 5: RESERVE FOR UNCOLLECTIBLE PLEDGES

A reserve for uncollectible pledges has been established in order to more accurately reflect the value of pledges receivable. Based on historical information and trend analysis, management has established the reserve at 4% of total pledges receivable. The reserve account equaled \$78,210 on December 31, 2016 and \$73,289 on December 31, 2015.

CENTER FOR CHILDREN & FAMILIES, INC.
Norman, Oklahoma

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2016, consists of the following:

	Balance <u>12/31/15</u>	Additions	Retirements	Balance <u>12/31/16</u>
Buildings	\$ 3,221,173	\$ 0	\$ 0	\$ 3,221,173
Furniture and Fixtures	21,256	0	0	21,256
Office Equipment	5,852	0	0	5,852
Play Equipment	<u>71,571</u>	<u>0</u>	<u>0</u>	<u>71,571</u>
	3,319,852	<u>\$ 0</u>	<u>\$ 0</u>	3,319,852
Less Accumulated Depreciation	<u>(97,758)</u>	<u>\$ (76,049)</u>	<u>\$ 0</u>	<u>(173,807)</u>
Net Property and Equipment	<u>\$ 3,222,094</u>			<u>\$ 3,146,045</u>

Current year depreciation expense equaled \$76,049.

NOTE 7: LONG-TERM DEBT

- 1) The organization is party to a \$3 million line of credit (LOC) with a local bank. This LOC bears a 3.5% variable interest rate with a 4.25% ceiling rate and has a 5-year term, maturing in May 2018. Monthly or quarterly interest payments are at the option of the Borrower.
- 2) Promissory note to a foundation in the amount of \$35,000. This note does not bear interest and matures in August 2018. Quarterly payments in the amount of \$2,917 are required under the terms of the agreement.

	Balance <u>12/31/15</u>	Additions	Retirements	Balance <u>12/31/16</u>
Note 1	\$ 966,634	\$ 0	\$ 252,750	\$ 713,884
Note 2	<u>32,083</u>	<u>0</u>	<u>11,667</u>	<u>20,416</u>
Total	<u>\$ 998,717</u>	<u>\$ 0</u>	<u>\$ 264,417</u>	<u>\$ 734,300</u>

CENTER FOR CHILDREN & FAMILIES, INC.
Norman, Oklahoma

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 8 FAIR VALUE MEASUREMENT

The definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

Fair value is defined as the amount that would be received from the sale of an asset or paid for the transfers of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs.

Level 1: Quoted Prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spread and credit risk).

Level 3: Significant unobservable inputs (including the organization's own assumptions in determining the fair value of investments).

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31st are as follows:

Fiscal year ended December 31, 2016

<u>Description</u>	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Other Significant Observable Inputs (Level 2)</u>
Investments:			
Community Foundation of Oklahoma	\$ 707	\$ 707	\$ 0
Oklahoma City Community Foundation	<u>181,174</u>	<u>181,174</u>	<u>0</u>
Total Investments	<u>\$ 181,881</u>	<u>\$ 181,881</u>	<u>\$ 0</u>

Fiscal year ended December 31, 2015

<u>Description</u>	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Other Significant Observable Inputs (Level 2)</u>
Investments:			
Community Foundation of Oklahoma	\$ 687	\$ 687	\$ 0
Oklahoma City Community Foundation	<u>175,250</u>	<u>175,250</u>	<u>0</u>
Total Investments	<u>\$ 175,937</u>	<u>\$ 175,937</u>	<u>\$ 0</u>

CENTER FOR CHILDREN & FAMILIES, INC.
Norman, Oklahoma

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 9: CONCENTRATIONS

CCFI derives a significant amount of its revenue from service contracts and grants from federal and state agencies. A significant reduction in the level of revenue from these agencies could have a material effect on the organization's programs, activities and operations.

NOTE 10: DONATED MATERIALS AND SERVICES

Donated materials and services are reflected as contributions at their estimated value on the date of receipt based on industry standards. The financial statements include the following in-kind donations:

	<u>2016</u>	<u>2015</u>
Space	\$ 106,590	\$ 53,640
Donated Goods	198,365	126,019
Professional Services	<u>0</u>	<u>0</u>
Total	<u>\$ 304,955</u>	<u>\$ 179,659</u>

No amounts have been reflected in the financial statements for non-professional donated services. Many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services. Volunteers provided 7,149 hours of non-professional services in 2016 and 8,880 hours in 2015.

NOTE 11: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31st consist of the following:

	<u>2016</u>	<u>2015</u>
Restricted for Use in Specific Programs	\$ 41,959	\$ 291,048
Restricted for Use in Subsequent Year	<u>1,146,013</u>	<u>1,618,252</u>
Total Temporarily Restricted	<u>\$ 1,187,972</u>	<u>\$ 1,909,300</u>

NOTE 12: CONTINGENCIES

In the normal course of operations, CCFI receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting of the funds. Any liability for a reimbursement which may arise as the result of the audits of the grant funds is not believed to be material.

NOTE 13: COMPENSATED ABSENCES

Employees may accrue 8-20 hours of vacation time per month, depending on years of employment ranging from 3 to 25 years. Employees may accrue maximum days ranging from 12 to 30, again depending upon length of service. At December 31, 2016 and 2015, the organization's liability for compensated absences equaled \$29,369 and \$29,546 respectively.

CENTER FOR CHILDREN & FAMILIES, INC.
Norman, Oklahoma

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 14: EMPLOYEE BENEFIT PLANS

IRC Section 125 Flexible Benefits Plan – The organization maintains a cafeteria plan under Section 125 of the Internal Revenue Code. The benefits offered are medical expense reimbursement and dependent care reimbursement. An employee is eligible to participate if he/she works a minimum of 20 hours per week and may become a participant on the first day of the month following 30 days of employment.

IRC Section 403(b) Plan – Employees have the option to participate in a tax deferred investment plan under Section 403(b) of the Internal Revenue Code. The Board of Directors may vote annually to augment this benefit, based on available financial resources, by a percentage to be determined by the Board of each employee's annual salary. Employees that work a minimum of 20 hours per week are automatically eligible to receive employer contributions. The employer contribution for the years ended December 31, 2016 and 2015 was \$37,154 and \$37,277 respectively.

NOTE 15: SUBSEQUENT EVENTS

Management of CCFI has evaluated subsequent events through May 24, 2017, which is the date the financial statements were available to be issued.

Saunders & Associates, PLLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Center for Children & Families, Inc.

We have audited the financial statements of Center for Children & Families, Inc. as of and for the year ended December 31, 2016, and have issued our report thereon dated May 24, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. The prior year summarized comparative information has been derived from Center for Children & Families, Inc.'s 2015 financial statements, and in our report dated May 23, 2016 we expressed an unqualified opinion on those financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Center for Children & Families, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Center for Children & Families, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Center for Children & Families, Inc.'s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Center for Children & Families, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance with applicable provisions of laws, regulations, contracts, and grant agreements and the results of our testing, and to provide an opinion on Center for Children & Families, Inc.'s compliance but not to provide an opinion on the effectiveness of Center for Children & Families, Inc.'s internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Center for Children & Families, Inc.'s compliance and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Saunders & Associates, PLLC
SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants
Ada, Oklahoma

May 24, 2017

SUPPLEMENTAL INFORMATION

CENTER FOR CHILDREN & FAMILIES, INC.
Norman, Oklahoma

SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS

For the Year Ended December 31, 2016

State Funding:

Program Title/Source	Award	Expenditures
<u>Oklahoma Department of Human Services</u>		
Parent's Assistance Program:		
Child Abuse Prevention (16-17)	\$ 94,500	\$ 38,353
Child Abuse Prevention (15-16)	92,000	44,858
Access and Visitation Services (16-17)	20,000	13,984
Access and Visitation Services (15-16)	20,000	4,307
Total Oklahoma Department of Human Services		101,502
<u>Oklahoma Department of Mental Health</u>		
Divorce Counseling and Support (16-17)	88,851	44,938
Divorce Counseling and Support (15-16)	88,851	44,509
Central Oklahoma Mental Health Center (COMHC) (15-16)	18,533	7,989
Griffin Memorial - Psychosocial Consultation Services (16-17)	46,200	3,282
Griffin Memorial - Psychosocial Consultation Services (15-16)	30,555	15,477
Total Oklahoma Department of Mental Health		116,195
<u>Oklahoma Department of Health</u>		
Community-Based Family Resource and Support(16-17)	193,575	88,100
Community-Based Family Resource and Support (15-16)	193,575	82,299
Total Oklahoma Department of Health		170,399
TOTAL EXPENDITURES OF STATE AWARDS		\$ 388,096
Federal Funding:		
<u>U. S. Department of Justice</u>		
Passed Through Oklahoma District Attorney Council:		
VOCA Program (16-17)	392,934	\$ 149,059
VOCA Program (15-16)	176,581	92,169
Total U. S. Department of Justice		241,228
<u>Corporation for National and Community Service</u>		
Passed Through Oklahoma Community Service Commission:		
AmeriCorps(16-17)	20,160	11,088
AmeriCorps (15-16)	19,200	10,100
Total Corporation for National and Community Services		21,188
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 262,416

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

CENTER FOR CHILDREN & FAMILIES, INC.
Norman, Oklahoma

STATUS OF PRIOR AUDIT FINDINGS

December 31, 2016

None reported.

CENTER FOR CHILDREN & FAMILIES, INC.
Norman, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended December 31, 2016

None reported.