

7TH JUDICIAL DISTRICT CHILD ADVOCACY CENTER
DBA THE DOLPHIN HOUSE

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2020

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INDEPENDENT AUDITORS' REPORT

May 4, 2021

To the Board of Directors
7th Judicial District Child Advocacy Center
dba The Dolphin House

We have audited the accompanying statement of financial position of 7th Judicial District Child Advocacy Center dba The Dolphin House (a nonprofit organization) as of December 31, 2020, 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 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 7th Judicial District Child Advocacy Center dba The Dolphin House as of December 31, 2020, 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.

Chadwick, Steinkirchner, Davis & Co., P.C.

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7th Judicial District Child Advocacy Center dba The Dolphin House

STATEMENT OF FINANCIAL POSITION

December 31, 2020

ASSETS

Cash	\$	198,303
Investments		175,000
Contributions receivable		57,948
Beneficial interest in assets held by others		46,660
Property, plant and equipment		325,250

TOTAL ASSETS \$ 803,161

LIABILITIES

Accounts payable	\$	2,620
Accrued liabilities		21,573
Deferred revenue		8,136

TOTAL LIABILITIES 32,329

NET ASSETS

Without donor restrictions		724,172
With donor restrictions		46,660

TOTAL NET ASSETS 770,832

TOTAL LIABILITIES AND NET ASSETS \$ 803,161

The accompanying notes are an integral part of this financial statement.

7th Judicial District Child Avocacy Center dba The Dolphin House

STATEMENT OF ACTIVITIES

Year ended December 31, 2020

	Without donor restriction	With donor restriction	Total
SUPPORT			
Contributions	\$ 432,101	\$ -	\$ 432,101
Special events (net of expenses of \$10,461)	32,986	-	32,986
Investment return, net	3,541	3,461	7,002
Total support	<u>468,628</u>	<u>3,461</u>	<u>472,089</u>
EXPENSES			
Program services	288,709	-	288,709
Supporting services			
Management and general	106,914	-	106,914
Fundraising	5,872	-	5,872
Total supporting services	<u>112,786</u>	<u>-</u>	<u>401,495</u>
Total expenses	<u>401,495</u>	<u>-</u>	<u>401,495</u>
Contribution to beneficial interest in assets held by others	<u>(20,000)</u>	<u>20,000</u>	<u>-</u>
CHANGE IN NET ASSETS	47,133	23,461	70,594
Net assets at beginning of year			
As previously reported	677,039	-	677,039
Prior period adjustment	-	23,199	23,199
As restated	<u>677,039</u>	<u>23,199</u>	<u>700,238</u>
Net assets at end of year	<u>\$ 724,172</u>	<u>\$ 46,660</u>	<u>\$ 770,832</u>

The accompanying notes are an integral part of this financial statement.

7th Judicial District Child Advocacy Center dba The Dolphin House

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2020

	Program	Supporting Services		Total
	Services	Management and General	Fundraising	
	Center			
Compensation and benefits	\$ 225,794	\$ 32,718	\$ 3,993	\$ 262,505
Payroll taxes and benefits	17,969	32,147	329	50,445
Contract services	17,885	-	-	17,885
Occupancy	2,113	3,984	-	6,097
Depreciation	18,810	2,493	-	21,303
Advertising	-	-	1,550	1,550
Insurance	-	5,331	-	5,331
Professional fees	-	11,003	-	11,003
Supplies	331	180	-	511
Office	1,967	17,183	-	19,150
Maintenance and repairs	-	1,725	-	1,725
Meetings	890	150	-	1,040
Education and training	2,950	-	-	2,950
	<u>\$ 288,709</u>	<u>\$ 106,914</u>	<u>\$ 5,872</u>	<u>\$ 401,495</u>

The accompanying notes are an integral part of this financial statement.

7th Judicial District Child Advocacy Center dba The Dolphin House

STATEMENT OF CASH FLOWS

Year ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Contributions received	\$ 431,955
Other special events and fees received	43,927
Interest received	3,541
Cash paid to suppliers and employees	<u>(400,712)</u>
Net cash provided (used) by operating activities	78,711
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of equipment	(18,457)
Investment in endowment	<u>(20,000)</u>
Net cash provided (used) by investing activities	<u>(38,457)</u>
Net increase (decrease) in cash	40,254
Cash at beginning of year	<u>333,049</u>
Cash at end of year	<u><u>\$ 373,303</u></u>
Reconciliation of change in net assets to net cash provided (used) by operating activities:	
Change in net assets	\$ 67,133
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	21,303
(Increase) decrease in contributions receivable	8,939
Increase (decrease) in deferred revenue	(9,085)
Increase (decrease) in accounts payable	(16,990)
Increase (decrease) in accrued liabilities	7,411
Total adjustments	<u>11,578</u>
Net cash provided (used) by operating activities	<u><u>\$ 78,711</u></u>

The accompanying notes are an integral part of this financial statement.

7th Judicial District Child Advocacy Center
dba The Dolphin House

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

The 7th Judicial District Child Advocacy Center dba The Dolphin House (the Center) was incorporated as a not-for-profit corporation in the State of Colorado in 2004 to provide coordinated and professional assessment and investigation of child abuse, and a safe place at the Dolphin House for children and families to get help. The Center serves families and individuals in the counties covered by the 7th Judicial District of the State of Colorado.

2. Basis of Presentation

The financial statements of the Center have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Center to report information regarding its financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions: Net assets that are not subject to donor-impose restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Center's management and the board of directors.
- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. The Center does not current have any net assets with donor restrictions.

Donor-restricted contributions would be reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

3. Property and Equipment

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over their useful lives. The useful lives range from five to thirty-nine years. The Center's policy is to capitalize those items with a cost of \$500 or greater and a useful life greater than one year and to expense normal repairs and maintenance as incurred. The Center's management periodically evaluates whether events or circumstances have occurred indicating that the carrying value of long-lived assets may not be recovered.

7th Judicial District Child Advocacy Center
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NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

5. Income Taxes

The Center is a not-for-profit organization, other than a private foundation, that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its tax exempt purpose, unless that income is otherwise excluded by the Code. The Center has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Center has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

6. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

7. Use of Estimates

In preparing financial statements in conformity with US GAAP, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Contributed Services

The Dolphin House does not recognize in the financial statements any support or expense from services contributed by volunteers, as the value of these services is not susceptible to objective measurement or valuation. However, service hours contributed by volunteers are assigned an appropriate dollar value dependent upon the types of service rendered, and that value is provided to those grantors who accept the amounts as matching dollars for grant purposes.

9. Concentrations of Credit Risk

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Center maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Center's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Center has not experienced, nor does it anticipate, any losses with respect to such accounts.

10. Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization would be included in contribution revenue. Conditional promises to give are not included as support until conditions are met.

As of December 31, 2020, the Center's contributions receivable consisted of unconditional promises to give in the amount of \$57,947, all of which are expected to be collected within one year.

11. Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position, and changes in fair value are reported as investment return in the statement of activities. Interest is recorded when earned. Currently, the Center's investments are held in certificates of deposit.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

12. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Center groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date

Level 2 Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs that cannot be corroborated by observable market data.

13. Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Occupancy	Square footage
Depreciation	Specific identification
Travel	Specific identification
Professional fees	Specific identification
Supplies	Time and effort
Office	Time and effort

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

14. New Accounting Pronouncements

During 2020, the Center adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, using the modified retrospective method. The update supersedes the revenue recognition requirements in *Revenue Recognition (Topic 605)* and requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the considerations to which the entity expects to be entitled in exchange for those goods or services. Additionally, this guidance requires that entities disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Analysis of various provision of this standard resulted in no significant changes in the way the Center recognized revenue and, therefore, no cumulative adjustments to beginning net assets was required as a result of the adoption. The presentation and disclosure of revenue has been enhanced in accordance with the standard.

During 2020, the Center adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 have been implemented with regard to contributions received in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

NOTE B – CASH AND INVESTMENTS

At December 31, 2020 the bank balance of the funds deposited with the financial institutions was \$373,303, all of which was covered by FDIC insurance.

At December 31, 2020 investments consisted of certificates of deposit valued at \$175,000. All investments were considered level 1 investments.

NOTE C – RECEIVABLES

Contributions receivable consist of the following at December 31, 2020:

Division of Criminal Justice – VOCA	\$ 43,715
Other contributions	<u>14,232</u>
	<u>\$ 57,947</u>

The contributions receivable are due within one year and the allowance for doubtful receivables is \$0.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE D – PROPERTY, LANT AND EQUIPMENT

Property, plant and equipment at December 31, 2020 consist of the following:

Building and improvements	\$ 386,359
Equipment	85,316
Furniture and fixtures	<u>4,172</u>
	475,847
Less accumulated depreciation	<u>(200,597)</u>
	275,250
Land	<u>50,000</u>
	<u>\$ 325,250</u>

Depreciation expense for the year ending December 31, 2020 was \$21,303.

NOTE E – REVENUES

In 2020, 57% of the Center’s total support and revenue was attributed to three granting agencies.

NOTE F – RESTRICTIONS ON NET ASSETS

All donor-restricted contributions are reported as increases in net assets with donor restrictions. Net assets with donor restrictions include donor-restricted contributions restricted by and time and purpose, as well as those that are held in perpetuity, depending on the nature of the restrictions. When a restriction expires, net assets with time and purpose restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Net assets held in perpetuity consist of assets the Center has transferred to the Montrose Community Foundation (the “Foundation”), which is holding them as endowed component funds (“Funds”) for the benefit of the Center. The Center has granted the Foundation variance power which gives the Foundation’s Board of Trustees the power to use the Funds for other purposes in certain circumstances. The Funds are subject to the Foundation’s investment and spending policies which allow distributions from investment earnings to the Center to support the charitable purposes for which the Funds were established. Distributions of principal are subject to approval by the Foundation, and are intended only in the event that the income from the Funds are insufficient to the meet the Center’s needs.

The Center reports the fair value of the Funds as Beneficial Interest in Assets Held by Others in the statement of financial position and reports distributions received as investment income. Changes in the value of the Funds are reported as gains or losses in the statement of activities.

The total amount of net assets restricted in perpetuity at December 31, 2020 was \$46,660.

7th Judicial District Child Advocacy Center
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NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE F – RESTRICTIONS ON NET ASSETS – CONTINUED

Changes in the Funds for the year ended December 31, 2020, are as follows:

	Operating Endowment	Capital Endowment
Balance at December 1, 2019	\$ 16,384	\$ 6,815
Additional amounts invested in Fund	15,000	5,000
Contributions received	1,275	177
Share of appreciation of Fund	1,460	549
Distributions received	-	-
Balance at December 1, 2020	<u>\$ 34,119</u>	<u>\$ 12,541</u>

NOTE G – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 4, 2021 (date of availability of financial statements for issuance) for necessary disclosures and/or financial statement adjustments. Disclosures and/or adjustments identified by management, as applicable, are included in the financial statements.

NOTE H – AVAILABILITY AND LIQUIDITY

The Center has \$429,219 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures, consisting of cash of \$198,303, investments of \$175,000, and contributions receivable of \$55,916. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the balance sheet date. The pledges receivable are subject to implied time restrictions, but are expected to be collected within one year.

The Center has a goal to have a working capital reserve sufficient to keep operating for at least a six-month period (approximately \$200,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

NOTE I – PRIOR PERIOD ADJUSTMENT

The Center established two Designated Agency Funds with the Montrose Community Foundation in 2017, the Operating Endowment Fund and Capital Endowment Fund. Cash used to establish and subsequently contribute to these funds was recorded as expenses when transferred, rather than investment in the beneficial interest in assets held by others. Accordingly, a prior period adjustment has been recorded to correct the error.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE I – PRIOR PERIOD ADJUSTMENT – CONTINUED

The effects of this adjustment on the beginning balances at January 1, 2020 are to increase beneficial interest in assets held by others by \$23,199 and to increase donor-restricted net assets by the same amount.

	<u>As previously stated</u>	<u>Prior period adjustment</u>	<u>As restated</u>
Beneficial interest in assets held by others	-	23,199	23,199
Net assets with donor restrictions	-	23,199	23,199