Center for Children & Families, Inc.

Norman, Oklahoma

REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

For the Year Ended December 31, 2018

SAUNDERS & ASSOCIATES, PLLC

Certified Public Accountants

630 East 17th Street
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CENTER FOR CHILDREN & FAMILIES, INC.
Norman, Oklahoma

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December 31, 2018

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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, 2018, 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 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 Center for Children & Families, Inc.'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 Center for Children & Families, Inc.'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, 2018, 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 Center for Children & Families, Inc.'s December 31, 2017 financial statements and our report dated April 23, 2018, 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 December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

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.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated April 22, 2019 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* in considering Center for Children & Families, Inc.'s internal control over financial reporting and compliance.

Saunders & Associates, PLLC

SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants
Ada, Oklahoma

April 22, 2019

FINANCIAL INFORMATION

CENTER FOR CHILDREN & FAMILIES, INC.
Norman, Oklahoma

STATEMENT OF FINANCIAL POSITION

December 31, 2018
(With Comparative Totals for 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 346,132	$ 24,567	$ 370,699	$ 423,015
Unconditional Promises to Give:				
United Way Services Funding for 18-19	0	74,000	74,000	69,500
Pledges Receivable, net	376,154	0	376,154	534,620
Accounts Receivable	89,964	0	89,964	86,454
Inventory	3,217	0	3,217	3,036
Prepaid Expenses	9,184	0	9,184	7,145
Security Deposits	1,651	0	1,651	2,170
Total Current Assets	826,302	98,567	924,869	1,125,940
Noncurrent Assets:				
Investments	55,209	178,163	233,372	197,227
Pledges Receivable	0	470,887	470,887	740,078
Property & Equipment	3,319,852	0	3,319,852	3,319,852
Less: Accumulated Depreciation	(325,494)	0	(325,494)	(249,856)
Total Noncurrent Assets	3,049,567	649,050	3,698,617	4,007,301
TOTAL ASSETS	$ 3,875,869	$ 747,617	$ 4,623,486	$ 5,133,241
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts Payable	$ 6,080	$ 0	$ 6,080	$ 3,280
Accrued Expenses	527	0	527	0
Long-Term Debt - Current Portion	0	0	0	483,362
Total Current Liabilities	6,607	0	6,607	486,642
Noncurrent Liabilities:				
Long-Term Debt	246,693	0	246,693	0
Liability for Compensated Absences	36,264	0	36,264	36,542
Total Noncurrent Liabilities	282,957	0	282,957	36,542
Total Liabilities	289,564	0	289,564	523,184
Net Assets:				
Without Donor Restrictions	3,586,305	0	3,586,305	4,298,926
With Donor Restrictions	0	747,617	747,617	311,131
Total Net Assets	3,586,305	747,617	4,333,922	4,610,057
TOTAL LIABILITIES AND NET ASSETS	$ 3,875,869	$ 747,617	$ 4,623,486	$ 5,133,241

* 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, 2018
(With Comparative Totals for 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
REVENUE AND SUPPORT				
Grants and Contracts	$ 29,253	$ 725,920	$ 755,173	$ 840,566
Contributions:				
United Way Services	2,089	148,000	150,089	139,000
Bringing Up Babies	0	3,225	3,225	5,782
Divorce Services	0	15,000	15,000	0
Parenting Assistance	0	2,000	2,000	6,760
Counseling Services	0	70,000	70,000	25,000
Trauma Training	0	16,300	16,300	10,000
Boys & Girls Club of Norman	0	68,819	68,819	127,714
Other	370,336	0	370,336	355,142
Program and Class Fees	400	165,455	165,855	165,783
Other Revenue	5,687	7,920	13,607	31,691
In-Kind	3,052	80,047	83,099	206,522
Net Assets Released From Restriction:				
Satisfaction of Time Restrictions - United Way	143,500	(143,500)	0	0
Satisfaction of Purpose Restrictions - Capital Acq.	15,906	(15,906)	0	0
Satisfaction of Program Restrictions	1,469,667	(1,469,667)	0	0
Total Revenues	2,039,890	(326,387)	1,713,503	1,913,960
EXPENSES				
Program Expense	1,655,340	0	1,655,340	1,885,840
Trauma Training	31,827	0	31,827	0
General and Administrative Expenses	119,776	0	119,776	122,572
Capital Campaign	15,906	0	15,906	29,118
Fund Raising Expense	152,417	0	152,417	162,829
Total Expenses	1,975,266	0	1,975,266	2,200,359
Change in Net Assets Before Other Gains and Losses	64,624	(326,387)	(261,763)	(286,399)
Other Gains and Losses:				
Interest	3,288	0	3,288	3,441
Unrealized Gain (Loss) on Investments	(17,660)	0	(17,660)	(982)
Total Other Gains and Losses	(14,372)	0	(14,372)	2,459
Change in Net Assets	50,252	(326,387)	(276,135)	(283,940)
Net Assets, Beginning of Year	3,536,053	1,074,004	4,610,057	4,893,997
Interfund Transfers	0	0	0	0
NET ASSETS, END OF YEAR	$ 3,586,305	$ 747,617	$ 4,333,922	$ 4,610,057

* 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, 2018
(With Comparative Totals for 2017)

	Divorce Services	Parents' Assistance	Bringing Up Babies	Counseling
EXPENSES				
Salaries and Wages	$ 96,251	$ 150,189	$ 66,283	$ 358,287
Fringe Benefits and Taxes	28,695	43,562	18,549	102,015
Accounting	780	1,193	891	3,282
Advertising	0	0	0	278
Bank Service Charges	556	0	0	0
Client Support	354	646	212	1,304
Communications	1,418	780	1,442	5,481
Conferences, Conventions & Meetings	387	171	261	1,164
Consultants and Contract Labor	15,320	11,137	1,077	26,920
Depreciation Expense	5,529	9,229	2,818	24,452
Dues, Subscriptions & Licensure	3,575	5,024	376	13,195
Equipment Rent & Maintenance	182	273	138	719
Equipment Acquisition	14	23	39	252
Insurance	2,494	3,788	2,737	10,605
Interest	0	0	0	0
Legal Fees	0	0	0	0
Mileage & Travel	1,200	309	1,915	565
Miscellaneous	303	38	63	487
Occupancy	3,494	5,268	3,101	16,337
Office Supplies	447	625	310	1,637
Supplies - Other	25	71	27	138
Postage	71	112	35	288
Printing & Artwork	2,105	1,215	519	2,249
Program Materials	203	147	55	357
Program Snacks	113	170	0	565
In-Kind Expenses:				
Space	26,640	0	0	3,600
Goods	4,830	7,117	1,968	17,810
Professional Services	6	10	3	24
TOTAL EXPENSES	$ 194,992	$ 241,097	$ 102,819	$ 592,011

* 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, 2018
(With Comparative Totals for 2017)

	Boys & Girls Club of Norman	Total Program Expenses	Trauma Training	General and Admin. Expense
EXPENSES				
Salaries and Wages	$ 319,890	$ 990,900	$ 0	$ 76,388
Fringe Benefits and Taxes	87,619	280,440	0	18,550
Accounting	2,559	8,705	0	645
Advertising	0	278	0	70
Bank Service Charges	0	556	0	4,812
Client Support	1,279	3,795	0	4,120
Communications	4,208	13,329	0	361
Conferences, Conventions & Meetings	1,708	3,691	7,088	705
Consultants and Contract Labor	8,028	62,482	24,739	0
Depreciation Expense	22,237	64,265	0	5,238
Dues, Subscriptions & Licensure	7,372	29,542	0	199
Equipment Rent & Maintenance	604	1,916	0	143
Equipment Acquisition	34	362	0	14
Insurance	9,311	28,935	0	1,536
Interest	0	0	0	0
Legal Fees	0	0	0	0
Mileage & Travel	759	4,748	0	23
Miscellaneous	3,346	4,237	0	1,469
Occupancy	25,435	53,635	0	2,191
Office Supplies	1,400	4,419	0	478
Supplies - Other	120	381	0	178
Postage	248	754	0	23
Printing & Artwork	2,408	8,496	0	664
Program Materials	6,794	7,556	0	579
Program Snacks	1,023	1,871	0	0
In-Kind Expenses:				
Space	0	30,240	0	0
Goods	15,421	47,146	0	1,385
Professional Services	2,618	2,661	0	5
TOTAL EXPENSES	$ 524,421	$ 1,655,340	$ 31,827	$ 119,776

* 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, 2018
(With Comparative Totals for 2017)

	Capital Campaign	Fund Raising Expense	2018 Total	2017 Total
EXPENSES				
Salaries and Wages	$ 0	$ 90,976	$ 1,158,264	$ 1,235,585
Fringe Benefits and Taxes	0	23,268	322,258	300,326
Accounting	0	799	10,149	9,952
Advertising	0	35	383	153
Bank Service Charges	0	0	5,368	5,713
Client Support	0	0	7,915	6,245
Communications	0	423	14,113	14,433
Conferences, Conventions & Meetings	0	6,363	17,847	19,786
Consultants and Contract Labor	0	0	87,221	59,128
Depreciation Expense	0	6,134	75,637	76,048
Dues, Subscriptions & Licensure	0	7,614	37,355	46,749
Equipment Rent & Maintenance	0	174	2,233	2,523
Equipment Acquisition	0	31	407	1,297
Insurance	0	2,460	32,931	29,034
Interest	15,867	0	15,867	24,592
Legal Fees	0	0	0	499
Mileage & Travel	0	56	4,827	16,120
Miscellaneous	39	400	6,145	17,086
Occupancy	0	2,614	58,440	81,310
Office Supplies	0	398	5,295	6,387
Supplies - Other	0	0	559	579
Postage	0	1,462	2,239	2,188
Printing & Artwork	0	6,574	15,734	14,444
Program Materials	0	974	9,109	20,431
Program Snacks	0	0	1,871	3,229
In-Kind Expenses:				
Space	0	0	30,240	47,600
Goods	0	1,656	50,187	151,522
Professional Services	0	6	2,672	7,400
TOTAL EXPENSES	$ 15,906	$ 152,417	$ 1,975,266	$ 2,200,359

* 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, 2018
(With Comparative Totals for 2017)

	2018 Total	2017 Total
Cash Flows From Operating Activities		
Change in Net Assets	$ (261,763)	$ (286,399)
Adjustment to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	75,638	76,049
(Increase) Decrease in:		
Accounts Receivable	(3,510)	33,023
Pledges Receivable, net	423,157	541,533
Inventory	(181)	1,934
Prepaid Expense	(2,039)	(662)
Security Deposits	519	0
Increase (Decrease) in:		
Accounts Payable	2,800	(1,233)
Accrued Liabilities	249	5,969
Net Cash Provided (Used) by Operating Activities	234,870	370,214
Cash Flows From Investing Activities		
Acquisition/Disposition of Capital Assets	0	0
Interest on Deposits	3,288	3,441
Increase in Investments	(53,805)	(16,328)
Net Cash Provided (Used) by Investing Activities	(50,517)	(12,887)
Cash Flows From Financing Activities		
Acquisition of Debt Principal	0	0
Payment of Debt Principal	(236,669)	(250,938)
Net Cash Provided (Used) by Investing Activities	(236,669)	(250,938)
Increase (Decrease) in Cash	(52,316)	106,389
Cash and Cash Equivalents, Beginning of Year	423,015	316,626
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 370,699	$ 423,015
Other Disclosures:		
Capitalized Interest Costs	$ 0	$ 0
Interest Expense	$ 15,867	$ 24,592

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

NOTE 1: 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.

Counseling – 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.

Trauma Training – CCFI provides training to counselors and organizations in dealing with children and families experiencing traumatic life events.

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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

New Accounting Pronouncement – On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities,* CCFI has adjusted the presentation of its financial statements accordingly. The new standards change the following aspects of CCFI's financial statements.

- The temporarily restricted and permanently restricted net assets have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 3).

The changes have the following effect on net assets at December 31, 2017.

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted	$ 3,536,053	$ 0
Temporarily Restricted	876,777	0
Permanently Restricted	197,227	0
Net Assets Without Donor Restrictions	0	3,536,053
Net Assets With Donor Restrictions	0	1,074,004
Total Net Assets	$ 4,610,057	$ 4,610,057

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 net assets with donor restrictions. Other revenue (i.e. donations) is recognized when received. Net asset balances represent cumulative revenue received over expenses incurred.

Basis of Presentation – CCFI's financial statement presentation follows the Financial Accounting Standards Board ASU 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities.* Accordingly, net assets of CCFI and changes therein are classified and reported as follows:

- Net assets with donor restrictions – net assets subject to donor imposed restrictions
- Net assets without donor restrictions – net assets not subject to donor-imposed restrictions

Recognition of Donor Restrictions – Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of the passage of time or other events specified by donors.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Bank balances at year end are categorized as follows to give an indication of the level of risk assumed by the organization.

Category	Balance Per Bank
1) Insured or collateralized with securities held by the organization or by its agent in the organization's name.	$ 250,000
2) Collateralized with securities held by the pledging financial institution's trust department.	193,704
3) Uncollateralized	0
TOTAL	$ 443,704

Investments – Investments of the organization consist of the following:

Without donor restrictions – Investments consist of stocks donated at year end which were valued at $55,209. It is the policy of CCFI to liquidate any stock contributions upon receipt. However, management was not aware of this contribution until after December 31st. These stocks were recorded at their market value on date of receipt.

With donor restrictions – Beneficial Interest in Assets Held by Others – CCFI has placed funds with the following foundations to be held in endowment funds.

Communities Foundation of Oklahoma	2018	2017
Balance, Beginning of Year	$ 726	$ 707
Interest and Dividends	6	6
Net Investment Income (Loss)	(83)	15
Management Fees	(2)	(2)
Balance, End of Year	$ 647	$ 726

Oklahoma City Community Foundation	2018	2017
Balance, Beginning of Year	$ 196,501	$ 181,174
Reciprocal Transfers	0	0
Reinvestment of Allocation	0	0
Distribution	(9,127)	(8,294)
Net Investment Income (Loss)	(9,858)	23,621
Balance, End of Year	$ 177,516	$ 196,501
Total Investments with Donor Restrictions	$ 178,163	$ 197,227

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 net assets without donor restrictions 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 without donor restrictions.

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. The market value of investments attributable to third-part donors held by the Oklahoma City Community Foundation equaled $122,054 and $133,763 at December 31, 2018 and 2017 respectively.

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.

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.

Pledges Receivable – Pledges (promises to give) are recognized when the donor makes a promise to give to CCFI that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Pledges receivable at December 31st were as follows:

	2018	2017
Due in 1 year	$ 439,458	$ 620,784
Due in 2 – 5 years	440,287	713,761
Due in 5 – 10 years	30,600	26,317
Total	$ 910,345	$ 1,360,862

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Reserve for Uncollectible Pledges – CCFI uses the allowance method to determine uncollectible promises receivable. This reserve has been established to more accurately reflect the value of pledges receivable. Based on historical information and trend analysis, management established this reserve at 6.9% of total pledges receivable at December 31, 2018 and 9% of total pledges receivable at December 31, 2017. The reserve account equaled $63,304 on December 31, 2018 and $86,164 on December 31, 2017.

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.

Cost Allocation – The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and benefits are charged directly to the programs for which work has been done based on estimates of time and effort. Occupancy costs are allocated on a square footage basis and other costs such as supplies, printing, travel, etc. which cannot be specifically identified to a program or supporting function are allocated to programs based on each program's direct salaries to total salaries expense. Allocation percentages are developed during the budget process.

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 previously discussed, 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 2017 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, 2017 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, 2017 from which the summarized information was derived.

NOTE 2: 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. From time to time, the Organization has unrelated business income related to contracts 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 services were provided during the period under review and the organization had no unrelated business income to report.

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, 2018.

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.

NOTE 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects CCFI's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions or board mandated restriction within one year of the statement of financial position date. Donor-restricted resources are available to support general expenditures to the extent that restrictions on those resources will be met by conducting the normal activities of CCFI's programs in the coming year.

Financial assets at year end	$ 1,615,076
Less those unavailable for general expenditures within one year	
Pledges receivable due in more than one year	(470,888)
Donor restricted investments	(178,163)
Board designated reserves:	
For operations	(174,494)
For maintenance	(26,911)
For unemployment	(1,823)
Retirement forfeitures	(14)
Financial assets available to meet cash needs for general expenditures within one year	$ 762,783

As part of CCFI's liquidity management, it invests cash in excess of daily requirements in short-term investments, typically, money market funds. In addition, the Organization has access to a $500,000 line of credit for operating funds. To date, no draws have been made on this line of credit.

NOTE 4: PROPERTY AND EQUIPMENT

Activity related to property and equipment is identified below.

	Balance 12/31/17	Additions	Retirements	Balance 12/31/18
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	71,571	0	0	71,571
	3,319,852	$ 0	$ 0	3,319,852
Less Accumulated Depreciation	(249,856)	$(75,638)	$ 0	(325,494)
Net Property and Equipment	$ 3,069,996			$ 2,994,358

Current year depreciation expense equaled $75,638.

NOTE 5: LONG-TERM DEBT

1) The organization is party to a $1 million line of credit (LOC) with a local bank which has been utilized for capital construction costs. This LOC bears a 5% variable interest rate and has a 3-year term, maturing in May 2021. Outstanding principal and all accrued unpaid interest are due May 31, 2021. Borrower is to pay regular semi-annual payments of all accrued unpaid interest beginning November 30, 2018 with subsequent payments due each half-year after that.

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.

3) CCFI is party to a $500,000 line of credit (LOC) with a local bank. This LOC bears a 5% variable interest rate and matures June 2021. The LOC is to be used for operations as needed. To date, no draws have been made on this LOC.

	Balance 12/31/17	Additions	Retirements	Balance 12/31/18
Note 1	$ 474,613	$ 0	$ 227,920	$ 246,693
Note 2	8,749	0	8,749	0
Total	$ 483,362	$ 0	$ 236,669	$ 246,693

Future debt service requirements equal:

	Principal	Interest	Total
2019	$ 0	$ 12,335	$ 12,335
2020	0	12,335	12,335
2021	244,693	5,139	251,832
	$ 246,693	$ 29,809	$ 276,502

NOTE 6 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, 2018

Description	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)
Investments:			
Common Stock	$ 55,209	$ 55,209	$ 0
Community Foundation of Oklahoma	647	647	0
Oklahoma City Community Foundation	177,516	177,516	0
Total Investments	$ 233,372	$ 233,372	$ 0

Fiscal year ended December 31, 2017

Description	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)
Investments:			
Community Foundation of Oklahoma	$ 726	$ 726	$ 0
Oklahoma City Community Foundation	196,501	196,501	0
Total Investments	$ 197,227	$ 197,227	$ 0

NOTE 7: 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 8: 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:

	2018	2017
Space	$ 30,240	$ 47,600
Donated Goods	50,187	151,522
Professional Services	2,672	7,400
Total	$ 83,099	$ 206,522

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 7,712 hours of non-professional services in 2018 and 9,290 hours in 2017.

NOTE 9: RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are available for the following purposes or periods:

United Way – support of next year's programs	$ 74,000
Donor restricted endowments	178,163
Promises to give in future periods	47,088
Subject to expenditure for program needs	24,567
	$ 747,617

NOTE 10: BOARD DESIGNATED NET ASSETS

Management has designated a portion of net assets without donor restrictions for the following uses:

	2018	2017
Operating Reserve	$ 174,494	$ 174,494
Maintenance Reserve	26,911	15,161
Unemployment Reserve	1,823	1,823
Total Designated Net Assets Without Donor Restrictions	$ 203,228	$ 191,478

NOTE 11: 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 12: COMPENSATED ABSENCES

The organization recognizes its obligation relating to employees' rights to receive compensation for future absences attributable to services already rendered. Amounts accrued have been derived from the payroll system and estimated based on hours of leave accrued. The organization's liability for compensated absences equaled $36,264 on December 31, 2018 and $36,542 on December 31, 2017.

NOTE 13: 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 – CCFI's basic employer contribution plan is an ERISA 403(b) defined contribution plan. Employees are eligible to participate if they work at least 20 hours per week. Eligibility, benefits, definitions and requirements are determined by the Plan Agreement.

The Board of Directors may provide a non-elective employer retirement contribution, based on available financial resources, by a percentage to be determined by the Board, of each employee's annual salary. The employer contribution is authorized by the Board of Directors as part of the annual budget process and, like all items within the budget, is subject to change at any time by the Board of Directors depending on the financial status and needs of the Center for Children and Families, Inc. Additionally, the employee may choose to contribute up to 2% of their annual wages to be eligible for up to 2% employer match. Employer contributions for the years ended December 31, 2018 and 2017 equaled $42,242 and $9,813 respectively.

NOTE 14: SUBSEQUENT EVENTS

Management of CCFI has evaluated subsequent events through April 22, 2019, 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, 2018, and have issued our report thereon dated April 22, 2019. 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 2017 financial statements, and in our report dated April 23, 2018 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

April 22, 2019

SUPPLEMENTAL INFORMATION

CENTER FOR CHILDREN & FAMILIES, INC.
Norman, Oklahoma

SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS

For the Year Ended December 31, 2018

State Funding:

Program Title/Source	Award	Expenditures
Oklahoma Department of Human Services		
Parent's Assistance Program:		
Child Abuse Prevention (18-19)	$ 77,500	$ 40,195
Child Abuse Prevention (17-18)	77,500	46,149
Access and Visitation Services (18-19)	22,680	15,189
Access and Visitation Services (17-18)	22,680	14,064
Youth Mentoring Incentive Grant (18-19)	8,870	3,193
Youth Mentoring Incentive Grant (17-18)	8,870	6,753
Health & Fitness Grant (18-19)	6,522	5,163
Health & Fitness Grant (17-18)	6,429	1,607
Total Oklahoma Department of Human Services		132,313
Oklahoma Department of Mental Health		
Divorce Counseling and Support (18-19)	88,851	46,503
Divorce Counseling and Support (17-18)	88,851	67,138
Total Oklahoma Department of Mental Health		113,641
TOTAL EXPENDITURES OF STATE AWARDS		$ 245,954

Federal Funding:

Program Title/Source	Award	Expenditures
U. S. Department of Justice		
Passed Through Oklahoma District Attorney's Council:		
VOCA Program (18-19)	338,997	$ 97,394
VOCA Program (17-18)	328,243	229,059
Total U. S. Department of Justice		326,453
Corporation for National and Community Service		
Passed Through Oklahoma Community Service Commission:		
AmeriCorps (18-19)	39,200	17,593
AmeriCorps (17-18)	30,240	10,710
Total Corporation for National and Community Services		28,303
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 354,756

* 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, 2018

None reported.

CENTER FOR CHILDREN & FAMILIES, INC.
Norman, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended December 31, 2018

None reported.