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August 14, 2014

Board of Directors  
Child Advocates, Inc.  
8200 Haverstick Road, Suite 240  
Indianapolis, IN 46240

We have reviewed the audit report prepared by Dunbar, Cook & Shepard, P.C., for the period January 1, 2011 to December 31, 2011. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Child Advocates, Inc., as of December 31, 2011, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner



**AUDITED FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Child Advocates, Inc.  
Indianapolis, Indiana

We have audited the accompanying statements of financial position of **Child Advocates, Inc.** (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Advocates, Inc. as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The graphs on pages 14 through 16 are presented for purposes of additional analysis and are 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 taken as a whole.

February 20, 2012

*Dunbar, Cook & Shepard, P.C.*

**CHILD ADVOCATES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2011**

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 1,997,927	\$ 558	\$ 1,998,485
Restricted cash	23,389	-	23,389
Grants receivable	237,941	54,813	292,754
Prepaid expenses	19,243	-	19,243
<b>TOTAL CURRENT ASSETS</b>	<b>2,278,500</b>	<b>55,371</b>	<b>2,333,871</b>
<b>FURNITURE AND EQUIPMENT</b>			
Furniture and equipment	216,190	-	216,190
Accumulated depreciation	(132,029)	-	(132,029)
<b>TOTAL FURNITURE AND EQUIPMENT</b>	<b>84,161</b>	<b>-</b>	<b>84,161</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,362,661</b>	<b>\$ 55,371</b>	<b>\$ 2,418,032</b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 43,088	\$ -	\$ 43,088
Accrued payroll and payroll taxes	119,428	-	119,428
Current portion of capital lease obligation	5,572	-	5,572
Restricted projects fund	23,389	-	23,389
<b>TOTAL CURRENT LIABILITIES</b>	<b>191,477</b>	<b>-</b>	<b>191,477</b>
<b>LONG-TERM LIABILITIES</b>			
Capital lease obligation	10,842	-	10,842
Deferred rent	131,897	-	131,897
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>142,739</b>	<b>-</b>	<b>142,739</b>
<b>TOTAL LIABILITIES</b>	<b>334,216</b>	<b>-</b>	<b>334,216</b>
<b>NET ASSETS</b>			
Unrestricted			
Undesignated	324,815	-	324,815
Board-designated	1,703,630	-	1,703,630
Temporarily restricted	-	55,371	55,371
<b>TOTAL NET ASSETS</b>	<b>2,028,445</b>	<b>55,371</b>	<b>2,083,816</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,362,661</b>	<b>\$ 55,371</b>	<b>\$ 2,418,032</b>

See accompanying notes.

CHILD ADVOCATES, INC.  
STATEMENT OF FINANCIAL POSITION  
December 31, 2010

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 1,908,709	\$ -	\$ 1,908,709
Restricted cash	100,338	-	100,338
Grants receivable	198,820	23,500	222,320
	<u>2,207,867</u>	<u>23,500</u>	<u>2,231,367</u>
<b>TOTAL CURRENT ASSETS</b>			
	2,207,867	23,500	2,231,367
<b>FURNITURE AND EQUIPMENT</b>			
Furniture and equipment	186,052	-	186,052
Accumulated depreciation	(100,582)	-	(100,582)
	<u>85,470</u>	<u>-</u>	<u>85,470</u>
<b>TOTAL FURNITURE AND EQUIPMENT</b>			
	85,470	-	85,470
<b>TOTAL ASSETS</b>			
	<u>\$ 2,293,337</u>	<u>\$ 23,500</u>	<u>\$ 2,316,837</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 3,363	\$ -	\$ 3,363
Accrued payroll and payroll taxes	102,720	-	102,720
Current portion of capital lease obligation	5,160	-	5,160
Restricted projects fund	100,338	-	100,338
	<u>211,581</u>	<u>-</u>	<u>211,581</u>
<b>TOTAL CURRENT LIABILITIES</b>			
	211,581	-	211,581
<b>LONG-TERM LIABILITY</b>			
Capital lease obligation	16,414	-	16,414
Deferred rent	106,705	-	106,705
	<u>123,119</u>	<u>-</u>	<u>123,119</u>
<b>TOTAL LONG-TERM LIABILITIES</b>			
	123,119	-	123,119
<b>TOTAL LIABILITIES</b>			
	<u>334,700</u>	<u>-</u>	<u>334,700</u>
<b>NET ASSETS</b>			
Unrestricted			
Undesignated	258,637	-	258,637
Board-designated	1,700,000	-	1,700,000
Temporarily restricted	-	23,500	23,500
	<u>1,958,637</u>	<u>23,500</u>	<u>1,982,137</u>
<b>NET ASSETS</b>			
	1,958,637	23,500	1,982,137
<b>TOTAL LIABILITIES AND NET ASSETS</b>			
	<u>\$ 2,293,337</u>	<u>\$ 23,500</u>	<u>\$ 2,316,837</u>

See accompanying notes.

**CHILD ADVOCATES, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Year Ended December 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
<b>Public support:</b>			
Contributions	\$ 192,211	\$ -	\$ 192,211
United Way of Central Indiana	175,693	-	175,693
Juvenile Court	<u>2,546,885</u>	<u>-</u>	<u>2,546,885</u>
Total public support	2,914,789	-	2,914,789
<b>Revenue:</b>			
Grants from foundations	144,822	160,688	305,510
Grants from governmental agencies	51,250	-	51,250
Guardian Ad Litem fees	650	-	650
Interest income	4,453	-	4,453
Investment income	1,467	-	1,467
Net assets released from restriction	<u>128,817</u>	<u>(128,817)</u>	<u>-</u>
Total revenue	<u>331,459</u>	<u>31,871</u>	<u>363,330</u>
TOTAL SUPPORT AND REVENUE	3,246,248	31,871	3,278,119
<b>EXPENSES</b>			
<b>Program services:</b>			
Guardian Ad Litem	2,774,448	-	2,774,448
<b>Supporting services:</b>			
Fundraising	186,085	-	186,085
Management and general	<u>215,907</u>	<u>-</u>	<u>215,907</u>
TOTAL EXPENSES	<u>3,176,440</u>	<u>-</u>	<u>3,176,440</u>
INCREASE IN NET ASSETS	69,808	31,871	101,679
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>1,958,637</u>	<u>23,500</u>	<u>1,982,137</u>
NET ASSETS - END OF YEAR	<u>\$ 2,028,445</u>	<u>\$ 55,371</u>	<u>\$ 2,083,816</u>

**CHILD ADVOCATES, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Year Ended December 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
<b>Public support:</b>			
Contributions	\$ 136,615	\$ -	\$ 136,615
United Way of Central Indiana	190,504	-	190,504
Juvenile Court	2,872,529	-	2,872,529
CY Pres award	<u>1,153,857</u>	<u>-</u>	<u>1,153,857</u>
Total public support	4,353,505	-	4,353,505
<b>Revenue:</b>			
Grants from foundations	194,795	-	194,795
Grants from governmental agencies	17,142	23,500	40,642
Guardian Ad Litem fees	85	-	85
Interest income	2,668	-	2,668
Investment income	<u>125</u>	<u>-</u>	<u>125</u>
Total revenue	<u>214,815</u>	<u>23,500</u>	<u>238,315</u>
TOTAL SUPPORT AND REVENUE	4,568,320	23,500	4,591,820
<b>EXPENSES</b>			
<b>Program services:</b>			
Guardian Ad Litem	2,326,983	-	2,326,983
<b>Supporting services:</b>			
Fundraising	114,291	-	114,291
Management and general	<u>148,507</u>	<u>-</u>	<u>148,507</u>
TOTAL EXPENSES	<u>2,589,781</u>	<u>-</u>	<u>2,589,781</u>
INCREASE IN NET ASSETS	1,978,539	23,500	2,002,039
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>(19,902)</u>	<u>-</u>	<u>(19,902)</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,958,637</u>	<u>\$ 23,500</u>	<u>\$ 1,982,137</u>



**CHILD ADVOCATES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2011

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Guardian Ad Litem</u>	<u>Fundraising</u>	<u>Management and General</u>	
Salary and wages	\$ 1,806,724	\$ 75,032	\$ 92,805	\$ 1,974,561
Employee benefits and taxes	363,684	17,590	58,488	439,762
Professional fees	-	12,273	10,710	22,983
Education expenses	4,383	-	-	4,383
Meetings, conferences and seminars	164,764	1,247	12,112	178,123
Volunteer expense	43,853	-	-	43,853
Dues and subscriptions	1,852	-	-	1,852
Occupancy and insurance	160,662	9,451	18,901	189,014
Law library	5,655	-	-	5,655
Office supplies and expenses	12,771	751	1,503	15,025
Telephone	33,988	1,999	3,999	39,986
Postage	2,213	130	260	2,603
Printing	3,024	178	356	3,558
Equipment maintenance	-	-	3,164	3,164
Equipment rental	4,022	237	473	4,732
Fundraising activities	-	62,625	-	62,625
Interest	1,302	77	153	1,532
License and fees	719	15	-	734
Miscellaneous	-	-	5,477	5,477
Advocate expense	138,102	2,908	4,361	145,371
Depreciation and amortization	26,730	1,572	3,145	31,447
	<u>\$ 2,774,448</u>	<u>\$ 186,085</u>	<u>\$ 215,907</u>	<u>\$ 3,176,440</u>

**FUNCTIONAL EXPENSE TRENDS**

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>
2011	87.3 %	5.9 %	6.8 %
2010	89.9	4.4	5.7
2009	90.2	4.6	5.2

**CHILD ADVOCATES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2010**

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Guardian Ad Litem</u>	<u>Fundraising</u>	<u>Management and General</u>	
Salary and wages	\$ 1,538,551	\$ 63,721	\$ 79,021	\$ 1,681,293
Employee benefits and taxes	359,228	14,878	18,450	392,556
Professional fees	-	-	9,300	9,300
Education expenses	49,684	-	-	49,684
Meetings, conferences and seminars	76,365	65	17,244	93,674
Dues and subscriptions	6,703	-	-	6,703
Occupancy and insurance	136,119	5,653	11,239	153,011
Law library	5,250	-	-	5,250
Office supplies and expenses	13,707	569	704	14,980
Telephone	26,557	1,103	1,364	29,024
Postage	1,245	178	355	1,778
Equipment maintenance	-	-	341	341
Equipment rental	4,029	167	207	4,403
Fundraising activities	-	23,523	-	23,523
Interest	1,706	71	87	1,864
License and fees	1,750	36	-	1,786
Miscellaneous	3,583	70	3,631	7,284
Advocate expense	74,652	3,100	3,835	81,587
Contributions	-	-	1,298	1,298
Depreciation and amortization	27,854	1,157	1,431	30,442
	<u>\$ 2,326,983</u>	<u>\$ 114,291</u>	<u>\$ 148,507</u>	<u>\$ 2,589,781</u>

**FUNCTIONAL EXPENSE TRENDS**

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>
2010	89.9 %	4.4 %	5.7 %
2009	90.3	4.0	5.7
2008	90.2	4.6	5.2

**CHILD ADVOCATES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received for support and revenues	\$ 3,201,765	\$ 4,453,741
Cash paid for programs, employees, and suppliers	(3,081,079)	(3,077,148)
Interest and dividends received	5,920	2,793
Interest paid	<u>(1,532)</u>	<u>(1,864)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	125,074	1,377,522
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of furniture and equipment	<u>(30,138)</u>	<u>(23,432)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments to capital lease obligations	<u>(5,160)</u>	<u>(4,779)</u>
NET INCREASE IN CASH	89,776	1,349,311
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>1,908,709</u>	<u>559,398</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,998,485</u>	<u>\$ 1,908,709</u>
<b>RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH USED FOR OPERATING ACTIVITIES</b>		
<b>INCREASE IN NET ASSETS</b>	\$ 101,679	\$ 2,002,039
Adjustments to reconcile changes in net assets to net cash from (for) operating activities:		
Depreciation and amortization	31,447	30,442
Cash from (for) operating assets and liabilities:		
Grants receivable	(70,434)	(135,286)
Prepaid expense	(19,243)	-
Accounts payable	39,725	(280)
Accrued payroll and payroll taxes	16,708	20,691
Deferred rent	25,192	(2,748)
Deferred revenue	<u>-</u>	<u>(537,336)</u>
TOTAL ADJUSTMENTS	<u>23,395</u>	<u>(624,517)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 125,074</u>	<u>\$ 1,377,522</u>

See accompanying notes.

**CHILD ADVOCATES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ORGANIZATION AND PURPOSE** - Child Advocates, Inc. (the Organization) is a nonprofit organization founded in 1982 with the goal of providing Guardian Ad Litem/CASA services for children in litigation in Marion County, Indiana. This includes, but is not limited to, Children in Need of Services actions, juvenile delinquency proceedings, termination of parental rights proceedings, adoption proceedings, guardianships, and divorce actions.

**BASIS OF ACCOUNTING** - The accompanying financial statements were prepared on the accrual basis of accounting.

**CASH AND CASH EQUIVALENTS** - For the purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**CONCENTRATION OF CREDIT RISK** - During the year, the Organization maintained various cash balances in a national financial institution. The balances, at times, may exceed the federally insured limits. At December 31, 2011 and 2010, the Organization exceeded the insured limit by \$798,586 and \$1,607,533, respectively.

**CONCENTRATION OF REVENUE** - The Organization received approximately -0- percent and 25 percent of its funding from a CY Pres Award for the years ended December 31, 2011 and 2010.

**INCOME TAXES** - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from Indiana income taxes. However, should the Organization ever have income from certain activities not directly related to its tax-exempt purpose, that income would be subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization's policy is to include interest and penalties related to its tax positions in income tax expense.

**FUNCTIONAL EXPENSES** - Functional expenses have been allocated between Program Services and Supporting Services based on an analysis of personnel time utilized for the related activities.

**DISPLAY OF NET ASSETS BY CLASS** - The Organization has implemented the disclosure and display requirements of the Financial Accounting Standards Board (FASB) statement regarding *Financial Statements for Not-for-Profit Organizations*. Accordingly, the net assets of the Organization will be reported in each of the following three classes: (1) unrestricted net assets, (2) temporarily restricted net assets, and (3) permanently restricted net assets.

Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**CHILD ADVOCATES, INC.**  
**NOTES TO FINANCIAL STATEMENTS CONTINUED**  
**December 31, 2011 and 2010**

**NOTE A - CONTINUED**

The Organization had \$55,371 and \$23,500 in temporarily restricted net assets at December 31, 2011 and 2010, respectively. The Organization had no permanently restricted net assets at December 31, 2011 and 2010.

The Organization had \$1,700,000 in board-designated net assets at December 31, 2011 and 2010, respectively. Board-designated net assets consist of unrestricted funds received from donors that are to be used for future use in operations in accordance with a board approved plan of action.

All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class. Unrestricted net assets are net assets that are not subject to donor restrictions.

**RESTRICTED PROJECTS FUND** - The Organization receives funds from donors that are to be used to provide entertainment and recreational activities for the children they serve. The Organization has no discretion over the use of the funds and has no obligation to fund activities beyond the amount restricted. The funds have been recorded as temporarily restricted cash and a liability in the accompanying statements of financial position.

**FURNITURE AND EQUIPMENT** - The Organization follows the practice of capitalizing furniture and equipment at cost. Improvements and betterments are capitalized in excess of \$500, while maintenance and repairs are expensed as they are incurred. Depreciation is based on the straight-line method over the estimated useful lives of the assets. The estimated useful lives used by the Organization to depreciate furniture and equipment are five years. Depreciation expense was \$31,447 and \$30,442 in 2011 and 2010, respectively.

**ACCOUNTING FOR LEASES** - Certain leases have been capitalized as described in Note G. These leases are typically similar to financing arrangements.

In general the operating leases as described in Note D are short term arrangements with constant payment terms. Lease expense is being recognized equally over the periods of the leases. Any difference between the amount being expensed and the actual payments due are reflected as a deferred liability.

**USE OF ESTIMATES** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**SUBSEQUENT EVENTS** - Management has evaluated subsequent events through February 20, 2012, which is the date the financial statements were available to be issued.

**NOTE B - GRANTS RECEIVABLE**

Grants receivable at December 31, 2011 and 2010 totaled \$292,754 and \$222,320, respectively, of which \$54,813 and \$23,500, respectively, are temporarily restricted net assets.

**CHILD ADVOCATES, INC.**  
**NOTES TO FINANCIAL STATEMENTS CONTINUED**  
**December 31, 2011 and 2010**

**NOTE C - INCOME TAXES**

The Organization files annual returns in the U. S. Federal and Indiana jurisdictions. Currently the three prior tax years are open and subject to examination by the Internal Revenue Service and the Indiana Department of Revenue. However, the Organization is not currently under audit nor has it been contacted by these jurisdictions. Based on the evaluation of the Organization's tax positions, management believes all significant positions taken would be upheld under an examination.

**NOTE D - OPERATING LEASE**

The Organization leases its office from an unrelated party under a noncancellable operating lease that expires June 1, 2020 requiring average monthly rent payments of \$156,506.

Future minimum lease payments as of December 31, 2011 are as follows:

2012	\$ 163,988
2013	166,412
2014	168,836
2015	171,260
2016	173,684
Thereafter	<u>621,646</u>
	<u>\$1,465,826</u>

**NOTE E - LINES OF CREDIT**

During 2010, the Organization carried an unsecured line of credit for \$10,000. Advances on the credit line carried interest at 3.00 percent over the prime rate listed in *The Wall Street Journal* on the 17<sup>th</sup> business day of the month. The line was closed as of December 31, 2011. As of December 31, 2010, the interest rate charged on the line of credit was 6.25 percent and there were no draws on the line of credit.

The Organization carries a second unsecured line of credit for \$100,000. Advances on the line carry interest at 1.75 percent over the prime rate of the lender. As of December 31, 2011 and 2010, the interest rate charged on the line of credit was 5.0 percent and there were no draws against the line of credit.

For the years ended December 31, 2011 and 2010, there was no interest expense for both lines of credit.

**CHILD ADVOCATES, INC.**  
**NOTES TO FINANCIAL STATEMENTS CONTINUED**  
**December 31, 2011 and 2010**

**NOTE F - RETIREMENT PLAN**

The Organization has an established 401(k) retirement plan for eligible employees who meet certain criteria such as age and term of employment. Eligible employees may elect to contribute a portion of their gross salary to the plan, subject to Federal tax law limits.

The Organization expenses matching contributions each year. The total 401(k) expense for the years ended December 31, 2011 and 2010 was \$19,651 and \$10,070, respectively.

**NOTE G - CAPITAL LEASE**

The Organization leases equipment from IMPACT Networking under a capital lease. The economic substance of the lease is that the Organization is financing the acquisition of the assets through the lease, and, accordingly, it is recorded in the Organization's assets and liabilities.

The following is an analysis of the leased assets included in Furniture and Equipment:

	<u>2011</u>	<u>2010</u>
Equipment	\$ 27,671	\$ 27,671
Less accumulated depreciation	<u>(13,835)</u>	<u>(8,301)</u>
	<u>\$ 13,836</u>	<u>\$ 19,370</u>

The lease agreement contains a bargain purchase option at the end of the lease term.

The following is a schedule by years of future minimum payments required under the lease together with their present value as of December 31, 2011:

<u>Year ending</u> <u>June 30:</u>	
2012	\$ 6,643
2013	6,643
2014	<u>4,981</u>
Total minimum lease payments	18,267
Less amount representing interest	<u>(1,853)</u>
Present value of minimum lease payments	<u>\$ 16,414</u>

Amortization of assets held under capital leases is included with depreciation expense.

**CHILD ADVOCATES, INC.**  
**NOTES TO FINANCIAL STATEMENTS CONTINUED**  
**December 31, 2011 and 2010**

**NOTE H - CY PRES AWARD**

In 2010, the Organization received a CY Pres Award in the amount of \$1,153,857. This is a onetime award and is not expected in future years.

**NOTE I - BOARD-DESIGNATED NET ASSETS**

Retroactive to December 31, 2010, the Board of Directors created two board-designated accounts: the Private Donor Mission Enhancement Fund and the Strategic Operating Fund.

The Private Donor Mission Enhancement Fund is a designated account to segregate amounts received from, or on behalf of, private donors. Funds will be used to support select programs and initiatives that enhance the mission of the agency, as determined and recommended by the Executive Director, and as approved by the Executive Committee of the Board of Directors. Expenditures from this fund shall be approved by the Executive Committee and reported to the Board of Directors through normal, regular financial reporting. The balance of this fund at December 31, 2011 and 2010 is \$1,100,000.

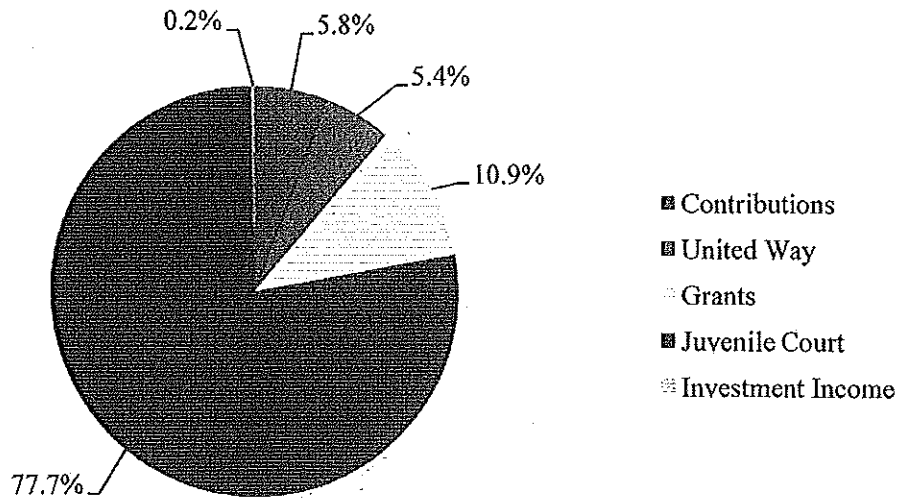
The Strategic Operating Fund is a designated account to reserve approximately three months of operating expenses to provide financial stability to the Organization and to meet normal operating expenses during funding delays. Expenditures from this fund shall not require approval from the Board of Directors, but shall be reported through normal, regular financial reporting to the Board of Directors. The balance of this fund at December 31, 2011 and 2010 is \$600,000.



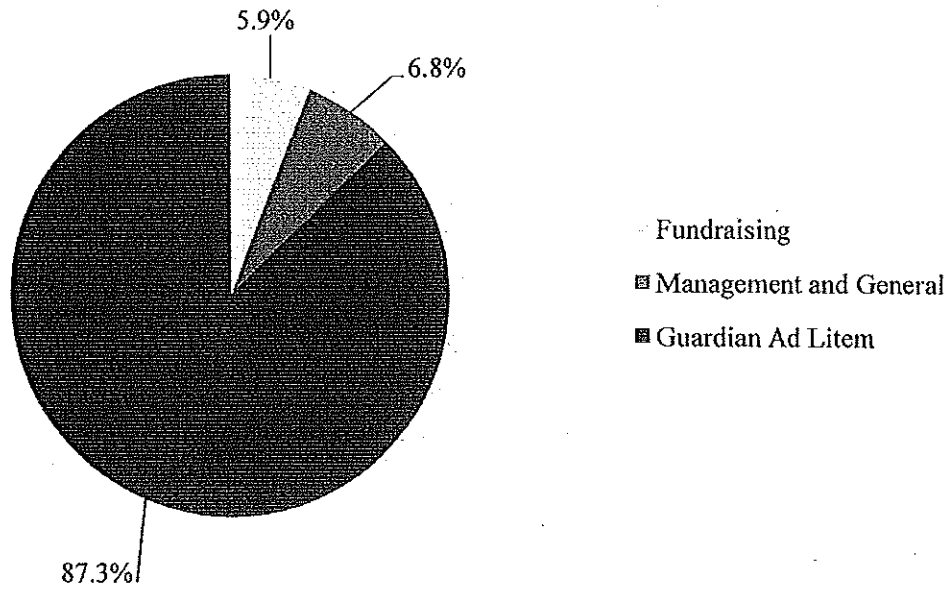
**SUPPLEMENTARY INFORMATION**

**CHILD ADVOCATES, INC.**  
**REVENUE AND EXPENSES BY PROGRAM**  
**For the Year Ended December 31, 2011**

**Revenue**

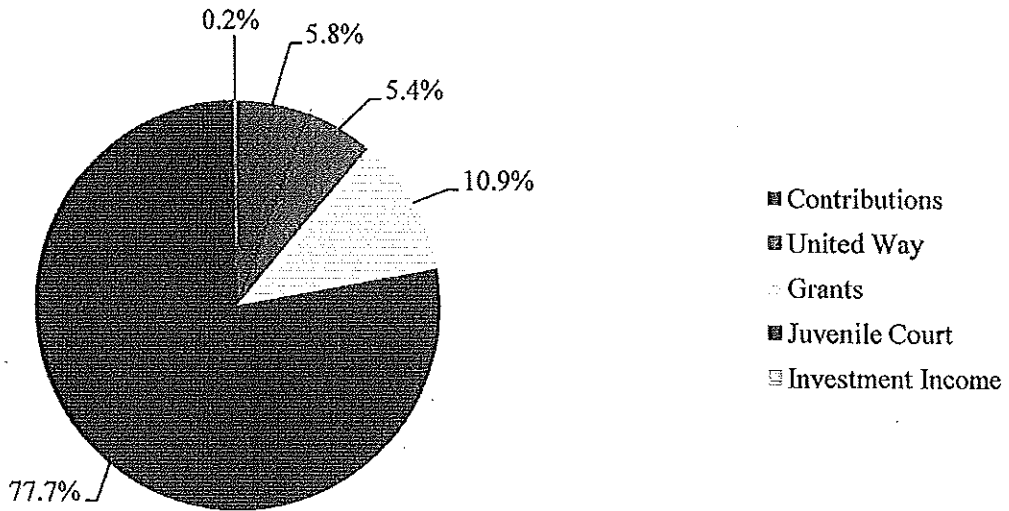


**Expenses**

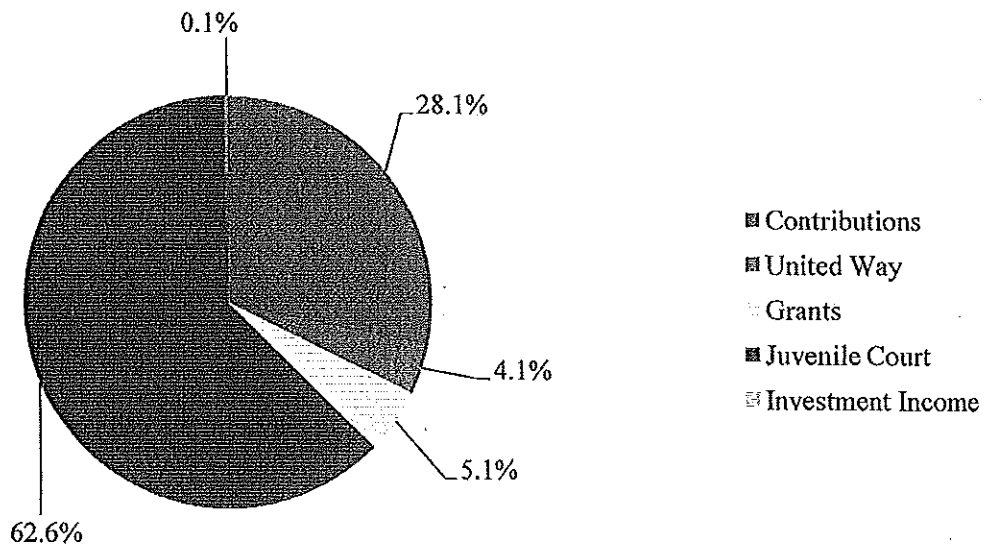


**CHILD ADVOCATES, INC.  
REVENUE BY PROGRAM  
December 31, 2011 and 2010**

**2011**

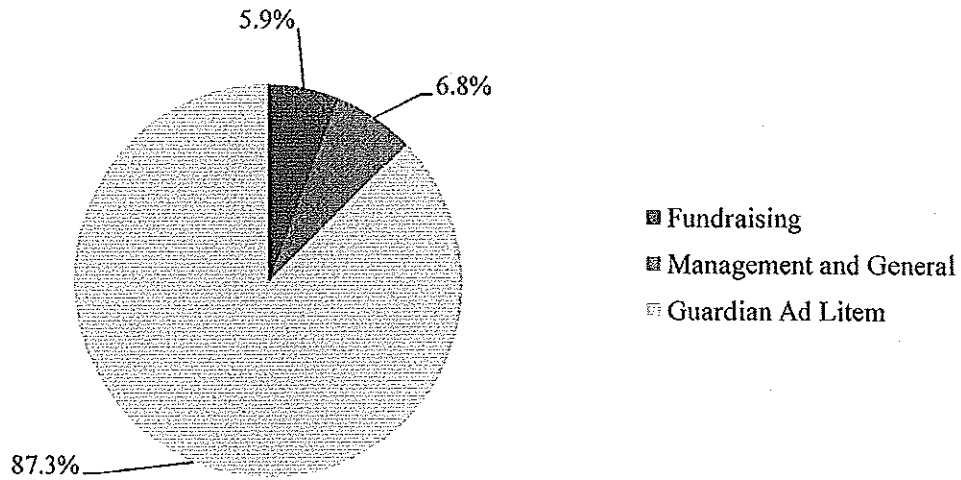


**2010**



**CHILD ADVOCATES, INC.**  
**EXPENSES BY PROGRAM**  
For the Years Ended December 31, 2011 and 2010

2011



2010

