



STATE OF INDIANA
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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, 2012 to December 31, 2012. 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, 2012, 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, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Child Advocates, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 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 Child Advocates, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The graphs on pages 15 through 17 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 26, 2013

Dunbar, Cook & Shepard, P.C.

CHILD ADVOCATES, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2012

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 898,979	\$ 51,000	\$ 949,979
Restricted cash	16,084	-	16,084
Grants receivable	12,655	60,000	72,655
Accrued interest	3,721	-	3,721
Prepaid expenses	<u>35,480</u>	<u>-</u>	<u>35,480</u>
TOTAL CURRENT ASSETS	966,919	111,000	1,077,919
FURNITURE AND EQUIPMENT			
Furniture and equipment	237,358	-	237,358
Accumulated depreciation	<u>(165,400)</u>	<u>-</u>	<u>(165,400)</u>
TOTAL FURNITURE AND EQUIPMENT	71,958	-	71,958
INVESTMENTS	<u>1,103,082</u>	<u>-</u>	<u>1,103,082</u>
TOTAL ASSETS	<u>\$ 2,141,959</u>	<u>\$ 111,000</u>	<u>\$ 2,252,959</u>
 <u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 32,673	\$ -	\$ 32,673
Accrued payroll and payroll taxes	135,802	-	135,802
Deferred revenue	1,000	-	1,000
Current portion of capital lease obligation	6,017	-	6,017
Restricted projects fund	<u>16,084</u>	<u>-</u>	<u>16,084</u>
TOTAL CURRENT LIABILITIES	191,576	-	191,576
LONG-TERM LIABILITIES			
Capital lease obligation	4,826	-	4,826
Deferred rent	<u>144,172</u>	<u>-</u>	<u>144,172</u>
TOTAL LONG-TERM LIABILITIES	<u>148,998</u>	<u>-</u>	<u>148,998</u>
TOTAL LIABILITIES	<u>340,574</u>	<u>-</u>	<u>340,574</u>
NET ASSETS			
Unrestricted			
Undesignated	471,057	-	471,057
Board-designated	1,330,328	-	1,330,328
Temporarily restricted	<u>-</u>	<u>111,000</u>	<u>111,000</u>
TOTAL NET ASSETS	<u>1,801,385</u>	<u>111,000</u>	<u>1,912,385</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,141,959</u>	<u>\$ 111,000</u>	<u>\$ 2,252,959</u>

See accompanying notes.

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

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
CURRENT ASSETS			
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
	<u>2,278,500</u>	<u>55,371</u>	<u>2,333,871</u>
TOTAL CURRENT ASSETS			
FURNITURE AND EQUIPMENT			
Furniture and equipment	216,190	-	216,190
Accumulated depreciation	(132,029)	-	(132,029)
	<u>84,161</u>	<u>-</u>	<u>84,161</u>
TOTAL FURNITURE AND EQUIPMENT			
	<u>\$ 2,362,661</u>	<u>\$ 55,371</u>	<u>\$ 2,418,032</u>
TOTAL ASSETS			
 <u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES			
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
	<u>191,477</u>	<u>-</u>	<u>191,477</u>
TOTAL CURRENT LIABILITIES			
LONG-TERM LIABILITY			
Capital lease obligation	10,842	-	10,842
Deferred rent	131,897	-	131,897
	<u>142,739</u>	<u>-</u>	<u>142,739</u>
TOTAL LONG-TERM LIABILITIES			
	<u>334,216</u>	<u>-</u>	<u>334,216</u>
TOTAL LIABILITIES			
 NET ASSETS			
Unrestricted			
Undesignated	324,815	-	324,815
Board-designated	1,703,630	-	1,703,630
Temporarily restricted	-	55,371	55,371
	<u>2,028,445</u>	<u>55,371</u>	<u>2,083,816</u>
NET ASSETS			
TOTAL LIABILITIES AND NET ASSETS			
	<u>\$ 2,362,661</u>	<u>\$ 55,371</u>	<u>\$ 2,418,032</u>

CHILD ADVOCATES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Public support:			
Contributions	\$ 267,138	\$ -	\$ 267,138
United Way of Central Indiana	170,181	-	170,181
Juvenile Court	<u>2,792,770</u>	<u>-</u>	<u>2,792,770</u>
Total public support	3,230,089	-	3,230,089
Revenue:			
Grants from foundations	59,340	137,719	197,059
Grants from governmental agencies	40,000	-	40,000
Investment income	26,993	-	26,993
Other income	5,558	-	5,558
Unrealized/realized gain on investments	8,914	-	8,914
Net assets released from restriction	<u>82,090</u>	<u>(82,090)</u>	<u>-</u>
Total revenue	<u>222,895</u>	<u>55,629</u>	<u>278,524</u>
TOTAL SUPPORT AND REVENUE	3,452,984	55,629	3,508,613
EXPENSES			
Program services:			
Guardian Ad Litem	3,204,475	-	3,204,475
Supporting services:			
Fundraising	285,543	-	285,543
Management and general	<u>190,026</u>	<u>-</u>	<u>190,026</u>
TOTAL EXPENSES	<u>3,680,044</u>	<u>-</u>	<u>3,680,044</u>
INCREASE (DECREASE) IN NET ASSETS	(227,060)	55,629	(171,431)
NET ASSETS - BEGINNING OF YEAR	<u>2,028,445</u>	<u>55,371</u>	<u>2,083,816</u>
NET ASSETS - END OF YEAR	<u>\$ 1,801,385</u>	<u>\$ 111,000</u>	<u>\$ 1,912,385</u>

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>
SUPPORT AND REVENUE			
Public support:			
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
Revenue:			
Grants from foundations	144,822	160,688	305,510
Grants from governmental agencies	51,250	-	51,250
Guardian Ad Litem fees	650	-	650
Investment income	5,920	-	5,920
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
EXPENSES			
Program services:			
Guardian Ad Litem	2,774,448	-	2,774,448
Supporting services:			
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
NET ASSETS - BEGINNING OF YEAR	<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 FUNCTIONAL EXPENSES
For the Year Ended December 31, 2012

	<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	\$ 2,044,040	\$ 84,428	\$ 93,315	\$ 2,221,783
Employee benefits and taxes	427,632	17,663	19,523	464,818
Promotional and development	-	90,033	-	90,033
Professional fees	30,485	-	6,600	37,085
Education expenses	7,783	-	-	7,783
Travel	141,306	1,075	11,179	153,560
Meetings, conferences and seminars	94,101	712	6,918	101,731
Volunteer expense	48,333	-	-	48,333
Dues and subscriptions	5,629	-	-	5,629
Rent	155,109	8,251	18,151	181,511
Law library	5,679	-	-	5,679
Office supplies and expenses	22,169	1,180	2,595	25,944
Telephone	50,793	2,702	5,944	59,439
Postage	2,259	120	264	2,643
Printing	8,207	437	960	9,604
Equipment maintenance	-	-	1,745	1,745
Equipment rental	5,478	322	645	6,445
Fundraising activities	-	74,068	-	74,068
Interest	913	54	107	1,074
License and fees	230	-	-	230
Miscellaneous	-	-	14,295	14,295
Advocate expense	120,449	2,536	3,803	126,788
Insurance	5,514	293	645	6,452
Depreciation and amortization	28,366	1,669	3,337	33,372
	<u>\$ 3,204,475</u>	<u>\$ 285,543</u>	<u>\$ 190,026</u>	<u>\$ 3,680,044</u>

FUNCTIONAL EXPENSE TRENDS

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>
2012	87.0 %	7.8 %	5.2 %
2011	87.3	5.9	6.8
2010	89.9	4.4	5.7

See accompanying notes.

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
Promotional and development	29	15,719	5,651	21,399
Professional fees	-	5,682	5,038	10,720
Education expenses	4,383	-	-	4,383
Travel	100,042	2,106	3,159	105,307
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
Rent	154,897	9,112	18,223	182,232
Law library	5,655	-	-	5,655
Office supplies and expenses	13,026	766	1,533	15,325
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	-	53,489	-	53,489
Interest	1,302	77	153	1,532
License and fees	719	15	-	734
Miscellaneous	-	-	5,477	5,477
Advocate expense	37,776	795	1,193	39,764
Insurance	5,765	339	678	6,782
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

See accompanying notes.

CHILD ADVOCATES, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received for support and revenues	\$ 3,692,805	\$ 3,201,765
Cash paid for programs, employees, and suppliers	(3,642,600)	(3,081,079)
Interest and dividends received	23,271	5,920
Interest paid	<u>(1,074)</u>	<u>(1,532)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	72,402	125,074
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of furniture and equipment	(21,168)	(30,138)
Purchase of investments	(1,172,787)	-
Proceeds from the sale of investments	<u>78,618</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	(1,115,337)	(30,138)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to capital lease obligations	<u>(5,571)</u>	<u>(5,160)</u>
NET INCREASE (DECREASE) IN CASH	(1,048,506)	89,776
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,998,485</u>	<u>1,908,709</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 949,979</u>	<u>\$ 1,998,485</u>
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH USED FOR OPERATING ACTIVITIES		
INCREASE (DECREASE) IN NET ASSETS	\$ (171,431)	\$ 101,679
Adjustments to reconcile changes in net assets to net cash from (for) operating activities:		
Depreciation and amortization	33,372	31,447
Unrealized/realized gain on investments	(8,914)	-
Cash from (for) operating assets and liabilities:		
Grants receivable	220,099	(70,434)
Prepaid expense	(16,237)	(19,243)
Accrued interest	(3,721)	-
Accounts payable	(10,415)	39,725
Accrued payroll and payroll taxes	16,374	16,708
Deferred rent	12,275	25,192
Deferred revenue	<u>1,000</u>	<u>-</u>
TOTAL ADJUSTMENTS	<u>243,833</u>	<u>23,395</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 72,402</u>	<u>\$ 125,074</u>

See accompanying notes.

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CHILD ADVOCATES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

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, 2012 and 2011, the Organization exceeded the insured limit by \$333,400 and \$798,586, respectively.

INVESTMENTS - The Organization invests in fixed income and marketable securities. These investments are stated at fair market values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets.

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. Donor restrictions met in the same year are classified as unrestricted net assets.

CHILD ADVOCATES, INC.
NOTES TO FINANCIAL STATEMENTS CONTINUED
December 31, 2012 and 2011

NOTE A - CONTINUED

The Organization had \$111,000 and \$55,371 in temporarily restricted net assets at December 31, 2012 and 2011, respectively. The Organization had no permanently restricted net assets at December 31, 2012 and 2011.

The Organization had \$1,330,328 and \$1,703,630 in board-designated net assets at December 31, 2012 and 2011, 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 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 \$33,372 and \$31,447 in 2012 and 2011, 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.

ADVERTISING - The Organization has a policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended December 31, 2012 and 2011 was \$11,125 and \$-0-, respectively.

RECLASSIFICATIONS - Certain prior year amounts have been reclassified to conform to the current year presentation.

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.

CHILD ADVOCATES, INC.
NOTES TO FINANCIAL STATEMENTS CONTINUED
December 31, 2012 and 2011

NOTE A - CONTINUED

SUBSEQUENT EVENTS - Management has evaluated subsequent events through February 26, 2013, which is the date the financial statements were available to be issued.

NOTE B - GRANTS RECEIVABLE

Grants receivable at December 31, 2012 and 2011 totaled \$72,655 and \$292,754, respectively, of which \$60,000 and \$54,813, respectively, are temporarily restricted net assets.

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 December 31, 2020. Total rent expense was \$181,511 and \$182,232 at December 31, 2012 and 2011, respectively.

Future minimum lease payments as of December 31, 2012 are as follows:

2013	\$ 197,268
2014	200,172
2015	203,083
2016	205,992
2017	208,903
Thereafter	<u>636,986</u>
	<u>\$1,652,404</u>

NOTE E - LINE OF CREDIT

The Organization carries an 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, 2012 and 2011, 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, 2012 and 2011, there was no interest expense for the line of credit.

CHILD ADVOCATES, INC.
NOTES TO FINANCIAL STATEMENTS CONTINUED
December 31, 2012 and 2011

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, 2012 and 2011 was \$26,873 and \$19,651, 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>2012</u>	<u>2011</u>
Equipment	\$ 27,671	\$ 27,671
Less accumulated depreciation	<u>(19,369)</u>	<u>(13,835)</u>
	<u>\$ 8,302</u>	<u>\$ 13,836</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, 2012:

<u>Year ending</u> <u>June 30:</u>	
2013	\$ 6,643
2014	<u>4,981</u>
Total minimum lease payments	11,624
Less amount representing interest	<u>(781)</u>
Present value of minimum lease payments	<u>\$ 10,843</u>

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

NOTE H - BOARD-DESIGNATED AND TEMPORARILY RESTRICTED 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.

CHILD ADVOCATES, INC.
NOTES TO FINANCIAL STATEMENTS CONTINUED
December 31, 2012 and 2011

NOTE H - CONTINUED

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, 2012 and 2011 was \$1,330,328 and \$1,703,630, respectively.

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, 2012 and 2011 was \$200,000 and \$600,000, respectively. The decrease of \$400,000 during 2012 was due to the Organization not receiving funds due from Juvenile Court for September through December of 2012 until December 2012. Accordingly, the Organization had to utilize the Strategic Operating Fund to fund the operating expenses of the Organization during that time period.

The Undoing Racism Fund is temporarily restricted and is used to provide cultural diversity workshops and consultant services to translate the workshop awareness into strategies that can lead to the end of disparity and disproportionality. The balance of this fund at December 31, 2012 and 2011 was \$30,000 and \$-0-, respectively.

The National Foster Youth Action Network is a temporarily restricted fund and is used to build leadership capacity and skills of the foster youth members of Foster Youth Connection of Indiana, so they can educate policymakers about their unique needs and collaborate with them to improve the state's foster care services. The balance of this fund at December 31, 2012 and 2011 was \$47,412 and \$39,433, respectively.

The National Center for Youth Law Fund is temporarily restricted and is used to support the Organization's Foster Youth Education Liaisons. The Foster Youth Liaisons assist foster children with unmet educational needs and building the capacity of educational champions through provision of resources, training and technical assistance. The balance of this fund at December 31, 2012 and 2011 was \$33,588 and \$15,938, respectively.

NOTE I - INVESTMENTS

The investments of the Organization at December 31, 2012 were comprised of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Merrill Lynch:			
Fixed income	\$ 598,326	\$ 605,392	\$ 605,392
Equities	<u>494,838</u>	<u>497,690</u>	<u>497,690</u>
	<u>\$ 1,093,164</u>	<u>\$ 1,103,082</u>	<u>\$ 1,103,082</u>

CHILD ADVOCATES, INC.
NOTES TO FINANCIAL STATEMENTS CONTINUED
December 31, 2012 and 2011

NOTE I - CONTINUED

Investment income and related expenses at December 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Unrealized/realized gain	\$ 8,914	\$ -
Investment income	<u>26,993</u>	<u>5,920</u>
	<u>35,907</u>	<u>5,920</u>
Investment expenses	<u>(4,464)</u>	<u>-</u>
	<u>\$ 31,443</u>	<u>\$ 5,920</u>

NOTE J - FAIR VALUE MEASUREMENTS

The fair value of assets measured on a recurring basis at December 31, 2012 is as follows:

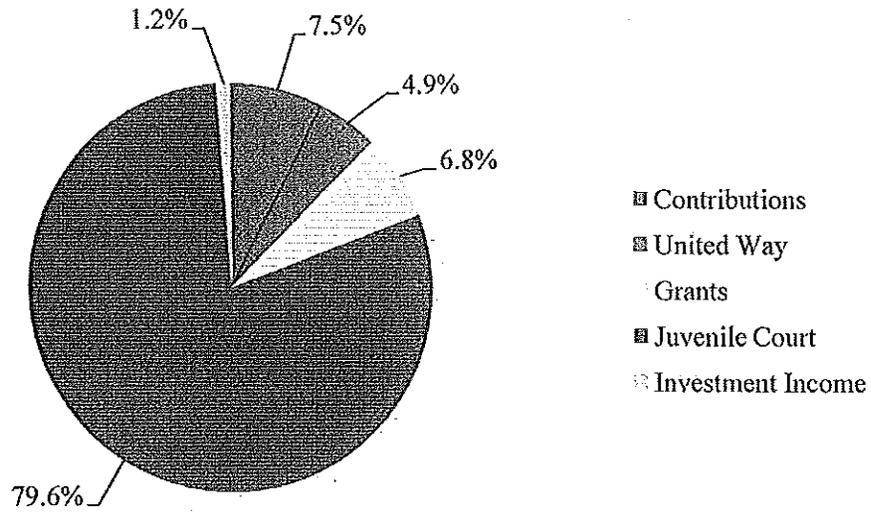
	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)
<u>December 31, 2012</u>		
Investments	<u>\$ 1,103,082</u>	<u>\$ 1,103,082</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

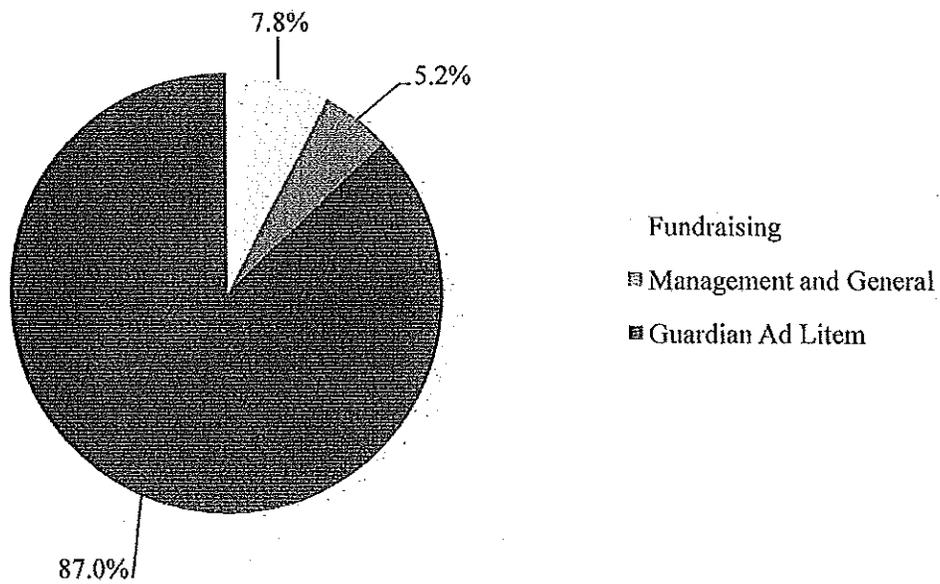
SUPPLEMENTARY INFORMATION

CHILD ADVOCATES, INC.
REVENUE AND EXPENSES BY PROGRAM
For the Year Ended December 31, 2012

Revenue

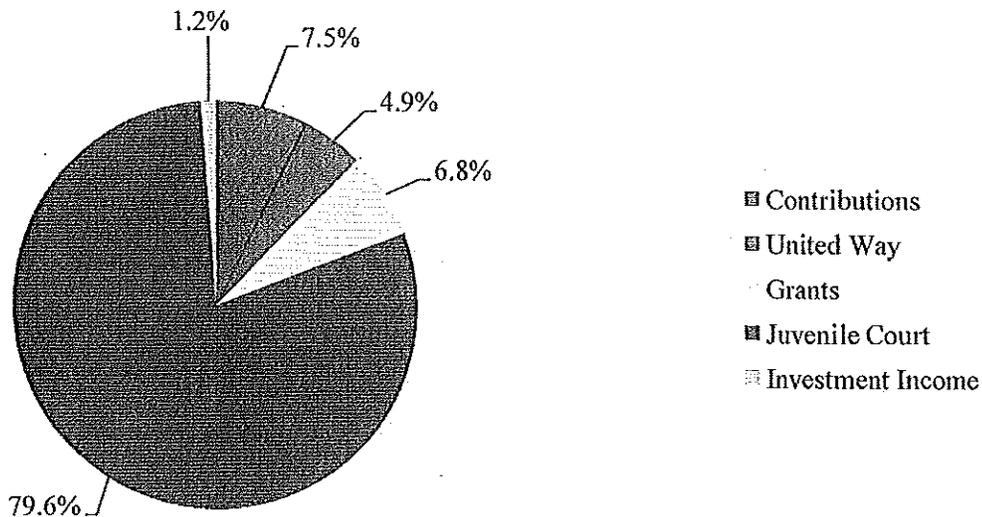


Expenses

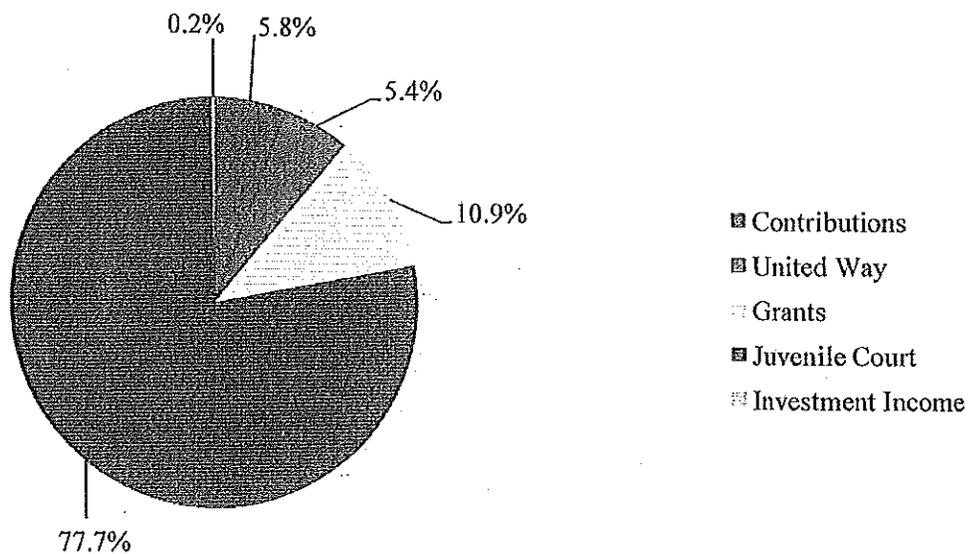


CHILD ADVOCATES, INC.
REVENUE BY PROGRAM
December 31, 2012 and 2011

2012

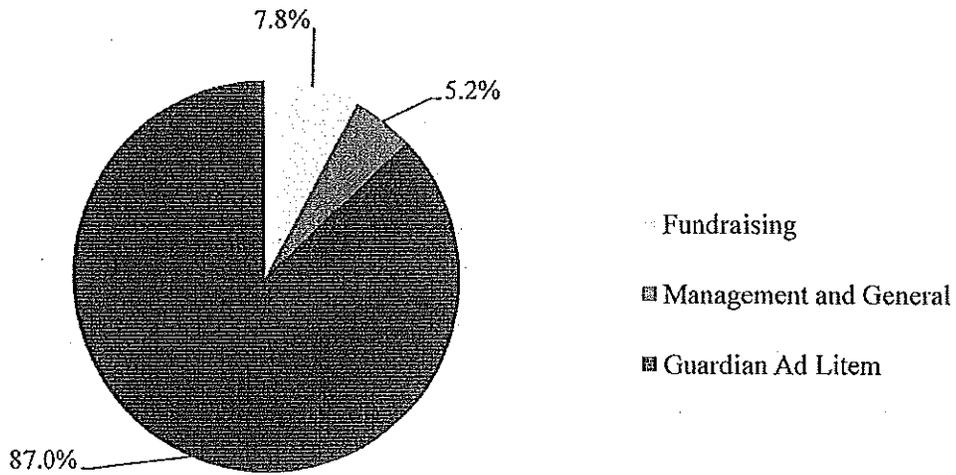


2011



CHILD ADVOCATES, INC.
EXPENSES BY PROGRAM
For the Years Ended December 31, 2012 and 2011

2012



2011

