

FRIENDS OF THE PORTSMOUTH JUVENILE COURT, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Friends of the Portsmouth Juvenile Court, Inc.
Portsmouth, Virginia

Report on the Financial Statements

We have audited the accompanying statements of financial position of Friends of the Portsmouth Juvenile Court, Inc. (a nonprofit organization) as of June 30, 2014 and 2013, and the related statements of activities, cash flows and functional expenses 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 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 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 audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of the Portsmouth Juvenile Court, Inc. as of June 30, 2014 and 2013, 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.

December 1, 2014
Norfolk, Virginia

Jones CPA Group, P.C.

FRIENDS OF THE PORTSMOUTH JUVENILE COURT, INC.
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2014 AND 2013

<u>ASSETS</u>		
	2014	2013
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 28,692	\$ 44,834
Accounts Receivable	500	-
	29,192	44,834
TOTAL CURRENT ASSETS		
PROPERTY AND EQUIPMENT, At Cost Net of Accumulated Depreciation	8,020	5,760
OTHER ASSETS		
Endowment Fund	-	13,510
Security Deposits	1,575	1,575
Prepaid Expense	516	833
	2,091	15,918
TOTAL OTHER ASSETS		
TOTAL ASSETS	\$ 39,303	\$ 66,512
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Deferred Revenue	\$ -	\$ 5,863
Payroll Tax Liabilities	3,999	1,105
	3,999	6,968
TOTAL CURRENT LIABILITIES		
NET ASSETS		
Unrestricted Net Assets	35,304	59,544
TOTAL NET ASSETS	35,304	59,544
TOTAL LIABILITIES AND NET ASSETS	\$ 39,303	\$ 66,512

See accompanying notes and independent auditors' report

FRIENDS OF THE PORTSMOUTH JUVENILE COURT, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
UNRESTRICTED NET ASSETS		
REVENUES, GAINS, AND OTHER SUPPORT		
Contributions	\$ 106,438	\$ 150,795
State Grant	29,200	29,200
Gain (Loss) on Asset Disposal	424	-
Unrealized Gain (Loss) on Endowment Fund	-	1,679
TOTAL UNRESTRICTED SUPPORT	<u>136,062</u>	<u>181,674</u>
EXPENSES		
Program Services	133,801	144,935
Supporting Services - Management and General	25,466	26,705
Supporting Services - Fund Raising	1,035	1,383
TOTAL EXPENSES	<u>160,302</u>	<u>173,023</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(24,240)	8,651
NET ASSETS, BEGINNING OF YEAR	<u>59,544</u>	<u>50,893</u>
NET ASSETS, END OF YEAR	<u>\$ 35,304</u>	<u>\$ 59,544</u>

See accompanying notes and independent auditors' report

FRIENDS OF THE PORTSMOUTH JUVENILE COURT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	Program Services	Supporting Services		Total
		Management and General	Fund Raising	
Bank Charges	\$ 83	\$ 17	\$ -	\$ 100
Agency Discretionary Expenses	116	-	-	116
Conferences & Networking	107	20	-	127
Depreciation	2,624	500	-	3,124
Dues & Subscriptions	164	31	-	195
Fundraising Expenses	-	-	1,035	1,035
Insurance	3,488	664	-	4,152
Internet	114	22	-	136
Office Expense	1,825	348	-	2,173
Payroll Taxes	6,468	1,232	-	7,700
Personnel	83,385	15,883	-	99,268
Printing & Publication	2,042	389	-	2,431
Professional Fees	5,571	1,061	-	6,632
Rent	17,934	3,416	-	21,350
Repairs & Maintenance	3,606	687	-	4,293
Taxes & Licenses	29	6	-	35
Telephone	3,680	701	-	4,381
Travel	1,453	277	-	1,730
Utilities	1,112	212	-	1,324
	<u>\$ 133,801</u>	<u>\$ 25,466</u>	<u>\$ 1,035</u>	<u>\$ 160,302</u>

See accompanying notes and independent auditors' report

FRIENDS OF THE PORTSMOUTH JUVENILE COURT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services	Supporting Services		Total
		Management and General	Fund Raising	
Bank Charges	\$ 10	\$ 2	\$ -	\$ 12
Consulting	7,877	-	-	7,877
Conferences & Networking	1,924	367	-	2,291
Depreciation	3,402	648	-	4,050
Dues & Subscriptions	105	20	-	125
Fundraising Expenses	-	-	1,383	1,383
Insurance	2,858	544	-	3,402
Internet	168	32	-	200
Office Expense	1,842	351	-	2,193
Payroll Taxes	6,333	1,206	-	7,539
Personnel	83,071	15,823	-	98,894
Printing & Publication	991	189	-	1,180
Professional Fees	5,837	1,112	-	6,949
Rent	15,431	3,569	-	19,000
Repairs & Maintenance	6,051	1,152	-	7,203
Taxes & Licenses	46	9	-	55
Telephone	3,145	599	-	3,744
Travel	4,241	808	-	5,049
Utilities	1,603	274	-	1,877
	<u>\$ 144,935</u>	<u>\$ 26,705</u>	<u>\$ 1,383</u>	<u>\$ 173,023</u>

See accompanying notes and independent auditors' report

FRIENDS OF THE PORTSMOUTH JUVENILE COURT, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets:	\$ (24,240)	\$ 8,651
Adjustments to Reconcile Change in Net Assets to Net		
Cash Provided by Operating Activities:		
Depreciation	3,124	4,050
Unrealized (gain) Loss on Endowment Fund	-	(1,679)
(Gain) Loss on Disposal of Assets	(424)	-
Change in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable	(500)	1,985
Endowment Fund	13,510	-
Prepaid Expenses	317	(833)
Increase (Decrease) in:		
Deferred Revenue	(5,863)	-
Accounts Payable/Accrued Expenses	2,894	6,025
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(11,182)</u>	<u>18,199</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	<u>(4,960)</u>	<u>-</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(4,960)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(16,142)	18,199
CASH, BEGINNING OF YEAR	<u>44,834</u>	<u>26,635</u>
CASH, END OF YEAR	<u>\$ 28,692</u>	<u>\$ 44,834</u>

See accompanying notes and independent auditors' report

FRIENDS OF THE PORTSMOUTH JUVENILE COURT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Friends of the Portsmouth Juvenile Court, Inc. (FRIENDS) is a tax-exempt nonprofit organization established to help children and families that come before the attention of the Juvenile and Domestic Relations Court. The organization strives to strengthen the institutions, programs, and resources available to respond most effectively to the needs of these children and their families.

Income Tax Status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The federal income tax returns of the Organization for June 30, 2014, 2013 and 2012 are subject to examination by the IRS, generally for three years after they are filed.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets - Net assets that are not subject to donor imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time. When a restriction expires or is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donated assets received with restrictions that are met in the same fiscal year are reported as unrestricted.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that are maintained permanently by the organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes.

Use of Estimates

The preparation of the Organization's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions which affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

See independent auditors' report

FRIENDS OF THE PORTSMOUTH JUVENILE COURT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of the Organization's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions which affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net assets. When temporary 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. Friends of the Portsmouth Juvenile Court, Inc. does not have temporarily restricted or permanently restricted net assets as of June 30, 2014.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of short maturities of those financial instruments.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method based on the estimated useful lives of the related assets, ranging from 5 to 30 years.

Maintenance and repairs, including replacement of minor items of physical properties, are charged to expense; major additions are capitalized.

Advertising Costs

Advertising costs are expensed as incurred. The advertising costs for June 30, 2014 and 2013 were \$-0- and \$-0-, respectively.

Date of Management Review

Management has evaluated subsequent events through December 1, 2014, the date which the financial statements were available to be issued.

See independent auditors' report

FRIENDS OF THE PORTSMOUTH JUVENILE COURT, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement Plan

The Organization funds a Simplified Employee Pension Individual Retirement Account for eligible employees. No contributions have been made to the plan for the years ended June 30, 2014 and 2013.

Economic Dependency

The Organization receives substantial support from government agencies. If a significant reduction in the level of support were to occur, it would affect the Organization's future programs and activities.

Endowment Fund

The Endowment Fund - Southeast Virginia Community Foundation was established in 2008 to support the charitable purpose of Friends of the Portsmouth Juvenile Court, Inc. The balance at June 30, 2014 and 2013 was \$0 and \$13,510, respectively.

NOTE 2 - SUMMARY OF PROPERTY AND EQUIPMENT

Property, plant, and equipment at June 30, 2014 and 2013 consisted of the following:

	2014	2013
Furniture & Equipment	\$ 33,211	\$ 29,245
Less: Accumulated Depreciation	(25,191)	(23,485)
Net Property and Equipment	\$ 8,020	\$ 5,760

Depreciation expense for the year ended June 30, 2014 and 2013 was \$3,124 and \$4,050, respectively.

NOTE 3 - DONATED MATERIALS, SERVICES, AND EQUIPMENT

No amounts have been reflected in the statements for donated materials, services and equipment since no objective basis is available to measure the value of such goods and services.

NOTE 4 - LEASES

The Organization rents office space from Marshall Meredith for \$1,779 per month for the year ending June 30, 2014. The lease was terminated on June 30, 2014. From July 1, 2014, the Organization receives office space at Portsmouth Judicial Center as a non-cash contribution.

Year Ending June 30,	Amount
2014	\$ 21,348
	\$ 21,348

NOTE 5 - FUND RAISING COSTS

During the year ended June 30, 2014, the Organization received funding from the United Way. The Organization's proportionate share of the fund raising costs amount to \$253.

See independent auditors' report

FRIENDS OF THE PORTSMOUTH JUVENILE COURT, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 AND 2013

NOTE 6 - FAIR VALUE MEASUREMENTS

The Organization defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. Accounting standards establish a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Current accounting standards expands disclosures about instruments measured at fair value and applies to the other accounting pronouncements that require or permit fair value measurements.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include quoted market prices for similar assets or liabilities in active markets, and inputs that are observable for the assets and liabilities, either directly or indirectly, for substantially the same term of the financial instrument.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents the financial instruments carried at the fair value as of June 30, 2014 and 2013, by caption on the balance sheet by the valuation hierarchy defined previously:

		June 30, 2014			
		Level 1	Level 2	Level 3	Total
Equity	\$	-			\$ -
		June 30, 2013			
		Level 1	Level 2	Level 3	Total
Equity	\$	13,510			\$ 13,510

The methods described above may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

There were no changes during the year ended June 30, 2014 to the Organization's valuation techniques used to measure asset and liability fair values on a recurring basis.

See independent auditors' report