

**THE MEDIATION CENTER**  
INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

**CORLISS & SOLOMON, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**THE MEDIATION CENTER**

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YEAR ENDED JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Mediation Center  
Asheville, North Carolina

We have audited the accompanying financial statements of The Mediation Center, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred above present fairly, in all material respects, the financial position of The Mediation Center as of June 30, 2013, and the changes in 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 Mediation Center's 2012 financial statements, and our report dated February 28, 2013, 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 June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Corliss & Solomon, PLLC*

Corliss & Solomon, PLLC  
Asheville, North Carolina  
February 6, 2014

**The Mediation Center**  
**Statement of Financial Position**

As of June 30, 2013

(With summarized, comparative totals as of June 30, 2012)

|   | <b>2013</b>      | <b>2012</b>      |
|---|------------------|------------------|
| <b><u>Assets</u></b>                      |                  |                  |
| <b><u>Current Assets</u></b>              |                  |                  |
| Cash and Cash Equivalents                 | \$ 3,603         | \$ 501           |
| Grant and Program Service Fee Receivables | 50,387           | 24,775           |
| Sales Tax Receivable                      | 1,544            | 833              |
| Prepaid Expenses                          | 4,548            | 11,105           |
| Total Current Assets                      | 60,082           | 37,214           |
| <b><u>Long-Term Assets</u></b>            |                  |                  |
| Property and Equipment, Net               | 25,457           | 31,805           |
| Security Deposits                         | 4,160            | 4,160            |
| Total Long-Term Assets                    | 29,617           | 35,965           |
| <b>Total Assets</b>                       | <b>\$ 89,699</b> | <b>\$ 73,179</b> |
| <b><u>Liabilities and Net Assets</u></b>  |                  |                  |
| <b><u>Current Liabilities</u></b>         |                  |                  |
| Accounts Payable                          | \$ 15,178        | \$ 16,416        |
| Payroll Tax Liabilities                   | 8,768            | 6,086            |
| Deferred Revenue                          | 100              | 805              |
| Accrued Vacation                          | 10,146           | 9,557            |
| Total Current Liabilities                 | 34,192           | 32,864           |
| <b><u>Net Assets</u></b>                  |                  |                  |
| <b>Unrestricted</b>                       |                  |                  |
| Available for Operations                  | 27,420           | (5,217)          |
| Invested in Property and Equipment, Net   | 25,457           | 31,805           |
| Total Unrestricted                        | 52,877           | 26,588           |
| Temporarily Restricted                    | 2,000            | 13,097           |
| Permanently Restricted                    | 630              | 630              |
| Total Net Assets                          | 55,507           | 40,315           |
| <b>Total Liabilities and Net Assets</b>   | <b>\$ 89,699</b> | <b>\$ 73,179</b> |

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

**The Mediation Center**  
**Statement of Activities**

Year Ended June 30, 2013

(With summarized, comparative totals for the prior year)

|  | <u>Unrestricted</u>     | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total<br/>2013</u>   | <u>Total<br/>2012</u>   |
|--|-------------------------|-----------------------------------|-----------------------------------|-------------------------|-------------------------|
| <b><u>Support and Revenue</u></b>                      |                         |                                   |                                   |                         |                         |
| NC Governmental Funding                                | \$ 213,250              | \$ -                              | \$ -                              | \$ 213,250              | \$ 130,230              |
| County Funding   | 40,020                  | -                                 | -                                 | 40,020                  | 44,241                  |
| United Way Allocations                                 | 120,205                 | -                                 | -                                 | 120,205                 | 105,039                 |
| Program Service Revenue                                | 262,152                 | -                                 | -                                 | 262,152                 | 116,588                 |
| Foundation Grants                                      | 1,000                   | 2,000                             | -                                 | 3,000                   | 40,213                  |
| Contributions  | 20,358                  | -                                 | -                                 | 20,358                  | 19,718                  |
| Fundraising Events                                     | 23,337                  | -                                 | -                                 | 23,337                  | 10,327                  |
| Miscellaneous Income                                   | 85                      | -                                 | -                                 | 85                      | 2,066                   |
| In-Kind Donations                                      | -                       | -                                 | -                                 | -                       | 21,105                  |
| Net Assets Released<br>from Restrictions               | 13,097                  | (13,097)                          | -                                 | -                       | -                       |
| <b>Total Support and Revenue</b>                       | <b><u>693,504</u></b>   | <b><u>(11,097)</u></b>            | <b><u>-</u></b>                   | <b><u>682,407</u></b>   | <b><u>489,527</u></b>   |
| <b><u>Expenses</u></b>                                 |                         |                                   |                                   |                         |                         |
| Program Services                                       | 581,413                 | -                                 | -                                 | 581,413                 | 503,046                 |
| Management and General                                 | 58,851                  | -                                 | -                                 | 58,851                  | 78,027                  |
| Fundraising  | 26,951                  | -                                 | -                                 | 26,951                  | 18,422                  |
| <b>Total Expenses</b>                                  | <b><u>667,215</u></b>   | <b><u>-</u></b>                   | <b><u>-</u></b>                   | <b><u>667,215</u></b>   | <b><u>599,495</u></b>   |
| Change in Net Assets Before<br>Absorption Contribution | 26,289                  | (11,097)                          | -                                 | 15,192                  | (109,968)               |
| Contribution from Absorption                           | -                       | -                                 | -                                 | -                       | 78,458                  |
| Total Change in Net Assets                             | 26,289                  | (11,097)                          | -                                 | 15,192                  | (31,510)                |
| Net Assets Beginning of Year                           | 26,588                  | 13,097                            | 630                               | 40,315                  | 71,825                  |
| <b>Net Assets End of Year</b>                          | <b><u>\$ 52,877</u></b> | <b><u>\$ 2,000</u></b>            | <b><u>\$ 630</u></b>              | <b><u>\$ 55,507</u></b> | <b><u>\$ 40,315</u></b> |

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

**The Mediation Center**  
**Statement of Functional Expenses**

Year Ended June 30, 2013

(With summarized comparative totals for the prior year)

| <u>Program</u>              | <u>Management<br/>and General</u> | <u>Fund-<br/>Raising</u> | <u>Total<br/>2013</u>   | <u>Total<br/>2012</u>    |                          |
|-----------------------------|-----------------------------------|--------------------------|-------------------------|--------------------------|--------------------------|
| <b><u>Personnel</u></b>     |                                   |                          |                         |                          |                          |
| Salaries                    | \$ 325,821                        | \$ 28,641                | \$ 11,456               | \$ 365,918               | \$ 344,275               |
| Payroll Taxes               | 37,052                            | 3,258                    | 1,302                   | 41,612                   | 32,380                   |
| Health Insurance            | 32,978                            | 2,899                    | 1,159                   | 37,036                   | 36,111                   |
| Retirement                  | 2,471                             | 217                      | 87                      | 2,775                    | 2,018                    |
| Subtotal-Personnel          | <u>398,322</u>                    | <u>35,015</u>            | <u>14,004</u>           | <u>447,341</u>           | <u>414,784</u>           |
| Contract Services           | 31,190                            | 286                      | 114                     | 31,590                   | 16,563                   |
| Dues and Subscriptions      | 604                               | 439                      | 55                      | 1,098                    | 1,915                    |
| Equipment                   | 3,336                             | 293                      | 118                     | 3,747                    | 4,830                    |
| Financial Services          | 8,400                             | 10,843                   | -                       | 19,243                   | 17,573                   |
| Fundraising Events          | -                                 | -                        | 7,615                   | 7,615                    | -                        |
| Information Technology      | 1,874                             | 165                      | 66                      | 2,105                    | 2,217                    |
| Insurance                   | 4,167                             | 366                      | 147                     | 4,680                    | 3,994                    |
| Meetings Expense            | 1,805                             | 159                      | 63                      | 2,027                    | 1,688                    |
| Office Supplies             | 3,303                             | 290                      | 117                     | 3,710                    | 2,752                    |
| Postage and Delivery        | 2,008                             | 402                      | 267                     | 2,677                    | 2,527                    |
| Printing and Publicity      | 2,778                             | 556                      | 370                     | 3,704                    | 3,730                    |
| Professional Development    | 2,319                             | -                        | -                       | 2,319                    | 2,984                    |
| Program Supplies            | 3,870                             | -                        | -                       | 3,870                    | 3,811                    |
| Rent                        | 81,167                            | 7,135                    | 2,854                   | 91,156                   | 84,666                   |
| Utilities                   | 12,002                            | 1,055                    | 422                     | 13,479                   | 9,585                    |
| Repairs and Maintenance     | 3,559                             | 313                      | 125                     | 3,997                    | 6,885                    |
| Travel                      | 6,745                             | 593                      | 237                     | 7,575                    | 8,665                    |
| Subtotal                    | <u>567,449</u>                    | <u>57,910</u>            | <u>26,574</u>           | <u>651,933</u>           | <u>589,169</u>           |
| Contributed Equipment       | -                                 | -                        | -                       | -                        | 3,600                    |
| Depreciation Expense        | 10,706                            | 941                      | 377                     | 12,024                   | 6,726                    |
| Unused Grant Funds Returned | 3,258                             | -                        | -                       | 3,258                    | -                        |
| <b>Total Expenses</b>       | <b><u>\$ 581,413</u></b>          | <b><u>\$ 58,851</u></b>  | <b><u>\$ 26,951</u></b> | <b><u>\$ 667,215</u></b> | <b><u>\$ 599,495</u></b> |

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

**The Mediation Center**  
**Statement of Cash Flows**

Year Ended June 30, 2013

(With summarized comparative totals for the prior year)

|   | <b>2013</b>     | <b>2012</b>   |
|---|-----------------|---------------|
| <b><u>Cash Flows from Operating Activities</u></b>  |                 |               |
| Change in Net Assets  | \$ 15,192       | \$ (109,968)  |
| Adjustments to reconcile change in net assets to net cash provided or (used) by operating activities: |                 |               |
| Depreciation Expense  | 12,024          | 6,726         |
| Contributed Equipment and Software  | -               | (21,105)      |
| (Increase)/Decrease in Operating Assets   |                 |               |
| Grant and Program Service Fee Receivables   | (25,612)        | 22,825        |
| Sales Tax Receivable  | (711)           | 345           |
| Prepaid Expenses  | 6,557           | (7,563)       |
| Security Deposit  | -               | (860)         |
| Increase/(Decrease) in Operating Liabilities  |                 |               |
| Accounts Payable  | (1,238)         | 5,477         |
| Payroll Liabilities   | 2,682           | 1,422         |
| Deferred Revenue  | (705)           | 805           |
| Accrued Vacation  | 589             | 1,340         |
| Net Cash Provided/(Used) by Operating Activities  | 8,778           | (100,556)     |
| <b><u>Cash Flows from Investing Activities</u></b>  |                 |               |
| Property and Equipment Purchases  | (5,676)         | (2,035)       |
| Contribution from Absorption  | -               | 78,458        |
| Net Cash Provided/(Used) by Investing Activities  | (5,676)         | 76,423        |
| <b><u>Cash Flows from Financing Activities:</u></b>   |                 |               |
| Proceeds from Line of Credit  | 18,300          | -             |
| Principal Payments on Line of Credit  | (18,300)        | -             |
| Net Cash Provided/(Used) by Financing Activities  | -               | -             |
| Net Change in Cash  | 3,102           | (24,133)      |
| Cash and Equivalents, Beginning of Year   | 501             | 24,634        |
| <b>Cash and Equivalents, End of Year</b>  | <b>\$ 3,603</b> | <b>\$ 501</b> |

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



**The Mediation Center**  
**Notes to Financial Statements**

Year Ended June 30, 2013

**1. Description of the Organization and Summary of Significant Accounting Policies**

*Description of the Organization*

The mission of The Mediation Center is to create opportunity from conflict. The organization provides professional mediation, facilitation and training for individuals, youth, families, and organizations in Buncombe, Henderson, Transylvania and Polk counties (see Note 2). It provides supervised visitation services in Buncombe County.

*Funding*

The organization's primary sources of support are governmental grants, United Way allocations, fees for services and contributions from the public.

*Corporate and Tax-Exempt Status*

The Center was established in 1984 as a nonprofit corporation under the laws of the State of North Carolina. It qualifies for exemption from federal income taxes under section 501(c)(3) of the Internal Revenue code. In addition, it is classified as a publicly supported organization under Section 509(a)(1).

*Basis of Accounting*

The accompanying basic financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

*Combination of Organizations*

In accordance with U.S. GAAP, the Mediation Centers' absorption of the HCDSC and the CFD was accounted for as an "Acquisition," recorded at the fair value of the assets received.

*Financial Statement Presentation*

U. S. GAAP establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally imposed restrictions. Descriptions of the three net asset classes are as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions and that are available for general operating expenses of the organization.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions as to the purpose and/or time of use. The organization had no temporarily restricted net assets as of June 30, 2013.

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by the organization.

*Contributions*

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. As restrictions expire, net

assets are reclassified to unrestricted net assets and are reported on the statement of activities as “Net assets released from restrictions.”

#### Cash and Cash Equivalents

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

#### Property and Equipment

Property and equipment purchases are capitalized at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. The capitalization threshold is \$500 per item.

#### Fair Value Measurements

The Center follows FASB ASC 820-10 “Fair Value Measurements.” This standard establishes a single definition of fair value and a framework for measuring fair value in U.S. GAAP, and it expands disclosures about fair value measurements. Fair Value is defined as “the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. That is, fair value is based on an exit price, which may differ from the price paid to acquire the asset. If there is a principal market for the asset, fair value represents the price in that market.” The Center does not have any financial assets that it carries at fair value on a recurring basis.

#### Income Taxes/Uncertain Tax Positions

The Center is exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code. Exempt organizations, however, may be subject to income tax on unrelated business income. The Center had less than \$1,000 of income from unrelated business activities in 2013 and was, therefore, not required to file Federal Form 990-T (Exempt Organization Business Income Tax Return). The Center believes that it has appropriate support for all tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Center’s Forms 990 for the 2009-10, 2010-11 and 2011-12 fiscal years are subject to examination by the IRS, generally for three years after being filed.

#### 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 the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

#### Functional Allocation of Expenses

The organization reports its expenses in the functional areas of Program, Management and General and Fundraising. Expenses that can be identified with a specific area are assigned directly to that area. Other expenses that are common to two or more functions are allocated by management estimate.

## **2. Absorption of Other Mediation Organizations in Prior Year**

The Mediation Center has provided services in Buncombe County since 1985. In October 2011, with the absorption of the Henderson County Dispute Settlement Center and the Center for Dialogue, it extended its program services to Henderson and Transylvania counties, respectively. In the absorption, the Mediation Center received assets totaling \$78,458 from the two entities, reflected in

Contribution from Absorption on the accompanying Statement of Activities in the Total 2012 column. At the time of the absorption, the finance and administrative functions of the two county operations was moved to the Mediation Center office in Buncombe County.

### 3. Cash and Cash Equivalents

The cash and cash equivalents balance consists of the following:

| <u>As of June 30:</u>           | <u>2013</u>     | <u>2012</u>   |
|---------------------------------|-----------------|---------------|
| Checking Account                | \$ 3,152        | \$ -          |
| Money Market Account            | 451             | 501           |
| Total Cash and Cash Equivalents | <u>\$ 3,603</u> | <u>\$ 501</u> |

### 4. Grants and Program Service Revenue Receivables

Grants and program service revenue receivables consists of the following:

| <u>As of June 30</u>           | <u>2013</u>      | <u>2012</u>      |
|--------------------------------|------------------|------------------|
| NC Governor's Crime Commission | \$ 24,842        | \$ -             |
| NC Medicaid                    | 3,450            | -                |
| NC Department of Public Safety | 10,185           | 4,898            |
| Mediation Network of NC        | -                | 2,749            |
| Department of Social Services  | 10,170           | 13,846           |
| Other Receivables              | 1,740            | 3,282            |
| Total                          | <u>\$ 50,387</u> | <u>\$ 24,775</u> |

### 5. Property and Equipment

Property and equipment consists of the following:

| <u>As of June 30:</u>          | <u>2013</u>      | <u>2012</u>      |
|--------------------------------|------------------|------------------|
| Office Furniture and Equipment | \$ 74,822        | \$ 75,727        |
| Accumulated Depreciation       | (49,365)         | (43,922)         |
| Net Furniture and Equipment    | <u>\$ 25,457</u> | <u>\$ 31,805</u> |

### 6. North Carolina Government Funding

Grants and program service revenue originating with the State of NC consists of the following:

| <u>Year Ended June 30</u>         | <u>2013</u>       | <u>2012</u>       |
|-----------------------------------|-------------------|-------------------|
| NC Governor's Crime Commission    | \$ 119,611        | \$ 39,061         |
| NC Department of Juvenile Justice | 93,639            | 90,634            |
| NC Interest on Trust Accounts     | -                 | 535               |
| Total NC Governmental Funding     | <u>\$ 213,250</u> | <u>\$ 130,230</u> |

**7. Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following:

| <u>As of June 30</u>                                   | <u>2013</u>     | <u>2012</u>      |
|--|-----------------|------------------|
| Marketing and Branding for Absorption (CFWNC)          | \$ -            | \$ 13,097        |
| Peer Mediation Services at Transylvania County Schools | 2,000           | -                |
| Total Temporarily Restricted Net Assets                | <u>\$ 2,000</u> | <u>\$ 13,097</u> |

**8. Permanently Restricted Net Assets**

Permanently restricted net assets consist of \$630 held in the organization's cash accounts.

**9. Line of Credit**

In July 2012, The Mediation Center established a line of credit with First Bank, with a maximum available amount of \$20,000. The line must be paid in full annually by a July due date. There was no balance outstanding as of June 30, 2013.

**10. Funds Benefiting the Mediation Center**

The Center is the beneficiary of an Endowment Fund at the Community Foundation of Western North Carolina. The fund was established by a donor as an endowment to benefit the Center for Dialogue (now the Mediation Center's Transylvania County office). The Center received a distribution of \$1,010 from the fund in the year ended June 30, 2013.

**11. Benefit Plans**

During the audit year, the Center contributed a two percent match of salaries to a Tax Deferred Annuity Retirement Plan for participating employees. Contributions for the year ending June 30, 2013 and 2012 were \$2,775 and \$2,018, respectively.

**12. Lease Commitments**

The Center has three lease agreements for the mediation and visitation portions of its Buncombe County operating facility. These lease agreements were amended to expire June 30, 2015 and September 30, 2015. The Center also has a lease for each of the Hendersonville and Transylvania locations. The remaining lease obligations by year and facility are as follows:

| <u>Year Ending June 30 :</u> | <u>Buncombe</u>   | <u>Henderson</u> | <u>Transylvania</u> |
|------------------------------|-------------------|------------------|---------------------|
| 2014                         | \$ 77,439         | \$ 3,090         | \$ 9,600            |
| 2015                         | 70,080            | -                | 3,200               |
| 2016                         | 7,380             | -                | -                   |
| Remaining Lease Obligations  | <u>\$ 154,899</u> | <u>\$ 3,090</u>  | <u>\$ 12,800</u>    |

**13. Summarized, Comparative Data**

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2012, from which the summarized information was derived. In addition, certain reclassifications have been made to prior year information to facilitate comparison to the current year.

**14. Subsequent Events**

Subsequent events have been evaluated through February 6, 2014, which is the date the financial statements were available to be issued.