

**National Runaway Switchboard
(d/b/a National Runaway Safeline)
(d/b/a 1-800-RUNAWAY)**

**Financial Statements and
Independent Auditors' Report**

July 31, 2016 and 2015

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MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors and the Finance and Audit Committees
National Runaway Switchboard
(d/b/a National Runaway Safeline)
(d/b/a 1-800-RUNAWAY)
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of National Runaway Switchboard (d/b/a National Runaway Safeline) / (d/b/a 1-800-RUNAWAY) ("Organization") which comprise the statements of financial position as of July 31, 2016 and 2015, 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 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, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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.

(Continued)

Board of Directors and the Finance and Audit Committees
National Runaway Switchboard
(d/b/a National Runaway Safeline)
(d/b/a 1-800-RUNAWAY)

(Continued)

Auditors' Responsibility (Continued)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Runaway Switchboard (d/b/a National Runaway Safeline) / (d/b/a 1-800-RUNAWAY) as of July 31, 2016 and 2015, and the changes in its net assets, cash flows, and its functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 4, 2016, on our consideration of National Runaway Switchboard's (d/b/a National Runaway Safeline) / (d/b/a 1-800-RUNAWAY) internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

MILLER, COOPER & CO., LTD.



Certified Public Accountants

Deerfield, Illinois
October 4, 2016

FINANCIAL STATEMENTS

National Runaway Switchboard
(d/b/a National Runaway Safeline)
(d/b/a 1-800-RUNAWAY)
STATEMENTS OF FINANCIAL POSITION
July 31, 2016 and 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 158,104	\$ 319,282
Investments	171,967	170,089
Pledges receivable	-	19,930
Equipment, net	144,598	62,153
Other assets	27,156	21,609
	<u>\$ 501,825</u>	<u>\$ 593,063</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
LIABILITIES		
Accounts payable and accrued expenses	\$ 76,801	\$ 67,462
Unearned revenue	57,250	40,300
	<u>134,051</u>	<u>107,762</u>
 NET ASSETS		
Unrestricted	367,774	465,871
Temporarily restricted	-	19,430
	<u>367,774</u>	<u>485,301</u>
	<u>\$ 501,825</u>	<u>\$ 593,063</u>

The accompanying notes are an integral part of these statements.

National Runaway Switchboard
(d/b/a National Runaway Safeline)
(d/b/a 1-800-RUNAWAY)
STATEMENTS OF ACTIVITIES
Years ended July 31, 2016 and 2015

	2016	2015
Revenues		
Program service revenue - federal government agency grant	\$ 1,634,000	\$ 1,700,000
Contributions and special events	291,352	305,696
Contributed services	63,034	89,526
Contract revenue	42,130	103,219
Net gain on investments	1,878	696
Interest income from investments	2,385	3,719
Miscellaneous	1,787	9,604
	2,036,566	2,212,460
Net assets released from donor restrictions	19,430	17,194
	2,055,996	2,229,654
Expenses		
Program services	1,683,734	1,730,958
Management and general	311,179	301,362
Fundraising	156,297	125,082
	2,151,210	2,157,402
Loss on disposal of assets	2,883	-
Increase (Decrease) in unrestricted net assets	(98,097)	72,252
Temporarily restricted net assets		
Contributions	-	1,200
Net assets released from restrictions	(19,430)	(17,194)
Decrease in temporarily restricted net assets	(19,430)	(15,994)
INCREASE (DECREASE) IN NET ASSETS	(117,527)	56,258
Net assets, beginning of year	485,301	429,043
Net assets, end of year	\$ 367,774	\$ 485,301

The accompanying notes are an integral part of these statements.

National Runaway Switchboard
(d/b/a National Runaway Safeline)
(d/b/a 1-800-RUNAWAY)
STATEMENTS OF CASH FLOWS
Years ended July 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (117,527)	\$ 56,258
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Net gain on investments	(1,878)	(696)
Depreciation	29,173	16,655
Loss on disposal of property and equipment	2,883	-
(Increase) decrease in assets		
Pledges receivable	19,930	19,544
Other assets	(5,547)	(4,394)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(9,281)	21,001
Unearned revenue	16,950	908
Accrued lease costs	18,620	-
	(46,677)	109,276
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchase of investments	(30,933)	(43,619)
Sale of investments	30,933	43,619
Purchase of equipment	(114,501)	-
	(114,501)	-
Net cash used in investing activities		
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(161,178)	109,276
Cash and cash equivalents, beginning of year	319,282	210,006
Cash and cash equivalents, end of year	\$ 158,104	\$ 319,282

The accompanying notes are an integral part of these statements.

National Runaway Switchboard
(d/b/a National Runaway Safeline)
(d/b/a 1-800-RUNAWAY)
STATEMENT OF FUNCTIONAL EXPENSES
Year ended July 31, 2016

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 868,151	\$ 176,868	\$ 65,148	\$ 1,110,167
Employee benefits and payroll taxes	241,138	49,456	10,553	301,147
	1,109,289	226,324	75,701	1,411,314
Conference and seminar expenses	1,373	410	312	2,095
Contributed services-in-kind	54,534	8,500	-	63,034
DSL and web host fees	-	1,495	680	2,175
Dues and subscriptions	6,151	761	97	7,009
Interest expense and bank charges	7,579	2,134	2,584	12,297
Miscellaneous	118,873	18,254	50,607	187,734
Office expense	33,434	10,339	5,233	49,006
Office rental and maintenance	79,578	16,305	7,070	102,953
Professional fees and services	153,139	18,954	3,363	175,456
Promotional materials	27,183	1,294	8,376	36,853
Staff training and recognition	9,551	1,684	339	11,574
Stipends	5,366	-	-	5,366
Telephone and communications	48,193	2,902	1,597	52,692
Travel	15,859	1,823	338	18,020
Volunteer services	13,632	-	-	13,632
	<u>\$ 1,683,734</u>	<u>\$ 311,179</u>	<u>\$ 156,297</u>	<u>\$ 2,151,210</u>

The accompanying notes are an integral part of this statement.

National Runaway Switchboard
(d/b/a National Runaway Safeline)
(d/b/a 1-800-RUNAWAY)
STATEMENT OF FUNCTIONAL EXPENSES
Year ended July 31, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 848,736	\$ 167,794	\$ 72,909	\$ 1,089,439
Employee benefits and payroll taxes	195,844	50,586	10,180	256,610
	<u>1,044,580</u>	<u>218,380</u>	<u>83,089</u>	<u>1,346,049</u>
Conference and seminar expenses	1,386	211	311	1,908
Contributed services-in-kind	69,081	20,445	-	89,526
DSL and web host fees	6,879	819	491	8,189
Dues and subscriptions	5,362	1,498	806	7,666
Interest expense and bank charges	-	1,090	4,944	6,034
Miscellaneous	117,933	15,013	23,217	156,163
Office expense	35,074	4,407	3,332	42,813
Office rental and maintenance	82,177	9,843	5,840	97,860
Professional fees and services	235,962	24,593	14	260,569
Promotional materials	33,831	298	-	34,129
Staff training and recognition	14,510	1,296	1,663	17,469
Stipends	3,755	-	-	3,755
Telephone and communications	48,331	2,094	1,126	51,551
Travel	21,838	1,358	249	23,445
Volunteer services	10,259	17	-	10,276
	<u>\$ 1,730,958</u>	<u>\$ 301,362</u>	<u>\$ 125,082</u>	<u>\$ 2,157,402</u>

The accompanying notes are an integral part of this statement.

**National Runaway Switchboard
(d/b/a National Runaway Safeline)
(d/b/a 1-800-RUNAWAY)**

NOTES TO FINANCIAL STATEMENTS

July 31, 2016 and 2015

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

The National Runaway Switchboard (d/b/a National Runaway Safeline) / (d/b/a 1-800-RUNAWAY) (the "Organization") is an agency supported by volunteers providing crisis intervention and support for runaway and at-risk youth and their families. The mission of the Organization is to "keep America's runaway and at-risk youth safe and off the streets". The Organization manages a "24/7" hotline for runaway, at-risk, homeless, and thrown away youth and their families, offering non-judgmental, non-directive assistance to callers. Services include: confidential crisis intervention; information and referrals to over 16,000 direct service providers; a message relay service; advocacy for youth; conference calls; internet services; and runaway education and prevention. In partnership with Greyhound Lines, Inc., the Organization reunites families by providing runaway youth with free transportation home. The Organization has been the federally designated communication system for runaway and homeless youth since 1974. The Organization is primarily funded by a grant from the U.S. Department of Health and Human Services (Note F-2).

2. Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents.

3. Pledges Receivable

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management monitors the collection of these receivables on a routine basis. Unconditional contributions (promises to give) that are expected to be collected within one year are recorded at net realizable value.

4. Investments

Investments in marketable securities are reported at their fair value in the statements of financial position. Investment in a certificate of deposit is reported at cost plus any investment income earned in the statements of financial position.

National Runaway Switchboard
(d/b/a National Runaway Safeline)
(d/b/a 1-800-RUNAWAY)

NOTES TO FINANCIAL STATEMENTS

July 31, 2016 and 2015

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Equipment

Equipment is stated at cost. Depreciation is computed principally by the straight-line method over a five-year estimated useful life.

6. Unearned Revenue

Unearned revenue is contributions from special events that will be held in the following year. These amounts will be recognized in revenue upon completion of the event.

7. Grant Revenue Recognition

Federal grant revenue is recognized as the costs for the related services are incurred.

8. Contributions

Gifts of cash and other assets are presented as restricted support if the gifts are received with donor stipulations that limit the use of donated assets. If a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as unrestricted. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no temporarily restricted net assets as of July 31, 2016. As of July 31, 2015, temporarily restricted net assets were \$19,430. There were no permanently restricted net assets as of July 31, 2016 and July 31, 2015.

**National Runaway Switchboard
(d/b/a National Runaway Safeline)
(d/b/a 1-800-RUNAWAY)**

NOTES TO FINANCIAL STATEMENTS

July 31, 2016 and 2015

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

8. Contributions (Continued)

A substantial number of unskilled volunteers have contributed their time and a number of organizations have donated services to the Organization. The unskilled volunteer services have not been recorded as the services do not meet the requirements for inclusion in the financial statements. The amount of unskilled volunteer services has been disclosed and is based on actual hours and the Independent Sector's value of volunteer time. The contributed services from a number of organizations have been recorded as these services meet the requirements for inclusion in the financial statements and are based on the estimated value of services provided or discounts given to the Organization.

9. Income Taxes

The Organization is a tax-exempt organization as defined in Section 501(c)(3) of the Internal Revenue Code. Accounting principles generally accepted in the United States of America requires management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service or other applicable taxing authorities.

Management has analyzed the tax positions taken by the Organization, and has concluded that as of July 31, 2016 and 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing authorities; however, there are currently no audits for any tax periods in progress.

10. Functional Expense Allocations

Expenses that can be specifically identified with a particular program or supporting service are charged directly to that program or supporting service. Other expenses that benefit more than one program or supporting service are allocated on the basis of management's estimate of the proportionate share of services provided to each program or supporting service.

National Runaway Switchboard
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NOTES TO FINANCIAL STATEMENTS

July 31, 2016 and 2015

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Use of Estimates

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

12. Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash equivalents, pledges receivable, accounts payable and accrued expenses, and unearned revenue, approximate fair value due to the short term nature of these instruments.

It is the Organization's policy, in general, to measure nonfinancial assets and liabilities at fair value on a nonrecurring basis. These items are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (such as evidence of impairment) which, if material, are disclosed in the accompanying notes to these financial statements.

**National Runaway Switchboard
(d/b/a National Runaway Safeline)
(d/b/a 1-800-RUNAWAY)**

NOTES TO FINANCIAL STATEMENTS

July 31, 2016 and 2015

NOTE B - INVESTMENTS

Investments consist of the following at July 31, 2016:

Mutual funds	\$	86,631
Certificate of deposit		<u>85,336</u>
	\$	<u><u>171,967</u></u>

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain</u>
Mutual funds	\$ <u>83,923</u>	\$ <u>86,631</u>	\$ <u>2,708</u>

Investments consist of the following at July 31, 2015:

Mutual funds	\$	84,345
Certificate of deposit		<u>85,744</u>
	\$	<u><u>170,089</u></u>

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain</u>
Mutual funds	\$ <u>82,932</u>	\$ <u>84,345</u>	\$ <u>1,413</u>

Mutual funds are valued at the closing price on the active market on which the individual investments are traded and therefore, under current accounting standards that establish a framework for measuring fair value, are considered Level 1 investments.

National Runaway Switchboard
(d/b/a National Runaway Safeline)
(d/b/a 1-800-RUNAWAY)
NOTES TO FINANCIAL STATEMENTS
July 31, 2016 and 2015

NOTE C - EQUIPMENT

Equipment consists of the following at July 31:

	<u>2016</u>	<u>2015</u>
Furniture, fixtures, and equipment	\$ 329,635	\$ 222,934
Accumulated depreciation	<u>(185,037)</u>	<u>(160,781)</u>
	<u>\$ 144,598</u>	<u>\$ 62,153</u>

NOTE D - DONATED MATERIALS AND CONTRIBUTED SERVICES

Substantial numbers of individuals and organizations have contributed services to the Organization. The value of a portion of these contributed services has not been recorded because the contributed services do not meet the requirements for inclusion in the financial statements. However, the contributed services related to bus tickets and professional discounts have been recorded in the financial statements (as both revenues and program expenses) and were \$63,034 and \$89,526 in 2016 and 2015, respectively.

The value of all donated materials and contributed services, both recorded and unrecorded, were approximately \$256,000 and \$271,000 in 2016 and 2015, respectively.

NOTE E - LEASE COMMITMENT

The Organization leases office space under a noncancelable operating lease agreement, which expires on October 31, 2022. The lease has a monthly base rent escalating from \$7,949 per month to \$8,945 per month. The total base rentals and operating costs are charged to expense on a straight-line basis over the term of the lease at a rate of approximately \$99,000 per year. The difference between the straight-line basis and rental payments is recorded in accounts payable and accrued expenses and amounted to \$18,620 at July 31, 2016. Total rent expense under the lease for the years ended July 31, 2016 and July 31, 2015 was approximately \$97,500 and \$91,800, respectively.

National Runaway Switchboard
(d/b/a National Runaway Safeline)
(d/b/a 1-800-RUNAWAY)
NOTES TO FINANCIAL STATEMENTS
July 31, 2016 and 2015

NOTE E - LEASE COMMITMENT (Continued)

At July 31, 2016, future minimum annual rentals are as follows:

<u>Fiscal Year</u>		
2017	\$	96,816
2018		98,723
2019		100,843
2020		102,698
2021		104,733
Thereafter		<u>133,650</u>
	\$	<u><u>637,463</u></u>

NOTE F - CONCENTRATIONS OF RISK

1. Uninsured Cash

The Organization maintains its cash balances at various financial institutions located in Illinois. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The Organization may, from time to time, have balances in excess of FDIC insured deposit limits.

2. Funding Source

The Organization received approximately 80% and 75% of its revenues from federal funding for the years ended July 31, 2016 and 2015, respectively. The Organization's federal grant agreement commenced on August 1, 2012 and expires on July 31, 2017. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

National Runaway Switchboard
(d/b/a National Runaway Safeline)
(d/b/a 1-800-RUNAWAY)
NOTES TO FINANCIAL STATEMENTS
July 31, 2016 and 2015

NOTE G - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 4, 2016, the date that these financial statements were available to be issued and has determined that no events or transactions have occurred that require disclosure in the financial statements.