

MISSEY, Inc.

(A Non-Profit Organization)

Financial Statements and Independent
Accountant's Review Report for the
Years Ended June 30, 2013 and 2012

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Independent Accountant's Review Report

To the Board of Directors
MISSEY, Inc.
Oakland, California

We have reviewed the accompanying statement of financial position of Motivating, Inspiring, Supporting, and Serving Sexually Exploited Youth, Inc. (MISSEY - a nonprofit organization) as of June 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of MISSEY's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Mason & Mason CPAs

Greenbrae, California
May 1, 2014

MISSEY, Inc.

Statement of Financial Position

<i>June 30,</i>	2013	2012
ASSETS		
Cash and cash equivalents	\$ 1,445	\$ 4,521
Grants, contracts and other receivables	211,696	152,816
Deposits	4,181	2,681
Prepaid expenses	1,545	1,664
Other assets (Note E)	5,971	-
Total assets	\$ 224,838	\$ 161,682
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 12,862	\$ 9,956
Undistributed government grants designation (Note C)	20,853	30,492
Accrued liabilities	18,309	15,600
Deferred rent liability (Note F)	4,474	8,129
Total liabilities	56,498	64,177
Net Assets:		
Unrestricted	107,369	81,897
Temporarily restricted (Note D)	60,971	15,608
Total net assets	168,340	97,505
Total liabilities and net assets	\$ 224,838	\$ 161,682

MISSEY, Inc.

Statement of Activities

Year Ended June 30,

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
Support and Revenue:				
Contributions	\$ 115,217	\$ 80,971	\$ 196,188	\$ 75,179
Grants and contracts	469,508	-	469,508	343,484
Special events revenue	68,256	-	68,256	36,117
Less: Direct benefit to donors	(58,138)	-	(58,138)	(15,307)
Net revenues from special events	10,118	-	10,118	21,080
Net assets released from restrictions	35,608	(35,608)	-	-
Total support and revenue	630,451	45,363	675,814	439,743
Expenses:				
Direct services	432,295	-	432,295	344,742
Training	57,355	-	57,355	60,237
Volunteer	2,006	-	2,006	15,669
Management and general	81,193	-	81,193	95,659
Fundraising	32,130	-	32,130	30,323
Total expenses	604,979	-	604,979	546,630
Change in Net Assets	25,472	45,363	70,835	(106,887)
Net assets - beginning of year	81,897	15,608	97,505	204,392
Net assets - end of year	\$ 107,369	\$ 60,971	\$ 168,340	\$ 97,505

Statement of Functional Expenses

Year Ended June 30,

	2013						2013 Totals	2012 Totals
	Program Services			Management and General	Fundraising			
	Direct Services	Training	Volunteer					
Salaries and benefits	\$ 334,930	\$ 34,886	\$ 1,824	\$ 48,082	\$ 15,218	\$ 434,940	\$ 408,200	
Occupancy	24,592	2,656	98	3,698	1,229	32,273	19,583	
Office expense and supplies	6,127	336	10	898	1,996	9,367	11,992	
Client expenses	20,995	-	-	-	-	20,995	16,507	
Program supplies and materials	2,648	63	3	-	6	2,720	4,492	
Communications	4,666	515	17	654	234	6,086	5,532	
Professional services	19,598	1,234	-	23,266	7,000	51,098	36,180	
Insurance	4,625	498	21	687	226	6,057	5,004	
Travel, meals and mileage	9,552	16,750	2	698	231	27,233	27,674	
Staff training and development	1,362	114	4	2,192	160	3,832	3,397	
Fees, licenses and permits	2,923	303	12	701	2,002	5,941	4,075	
Fundraising	-	-	-	-	3,368	3,368	603	
Marketing	-	-	-	248	460	708	437	
Depreciation	-	-	-	-	-	-	1,170	
Other expense	277	-	15	69	-	361	1,784	
Total expenses	\$ 432,295	\$ 57,355	\$ 2,006	\$ 81,193	\$ 32,130	\$ 604,979	\$ 546,630	

The accompanying notes are an integral part of this statement.
See Independent Accountant's Review Report

MISSEY, Inc.

Statement of Cash Flows

<i>Year Ended June 30,</i>	2013	2012
Cash Flows From Operating Activities:		
Change in net assets	\$ 70,835	\$ (106,887)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	-	1,170
Loss on theft of property and equipment	-	449
Changes in assets and liabilities		
Grants, contracts and other receivables	(58,880)	(118,316)
Deposits	(1,500)	(2,681)
Prepaid expenses	119	3,476
Other assets	(5,971)	-
Accounts payable	2,906	6,252
Accrued liabilities	2,709	(5,710)
Undistributed government grants designation	(9,639)	30,492
Deferred rent liability	(3,655)	8,129
Net cash provided (used) by operating activities	(3,076)	183,626
Net Increase (Decrease) in Cash and Cash Equivalents	(3,076)	183,626
Cash and Cash Equivalents, beginning of year	4,521	188,147
Cash and Cash Equivalents, end of year	\$ 1,445	\$ 4,521
Supplemental Cash Flow Information:		
Contributed (non-cash) auction items for fundraising	\$ 14,352	\$ 950
Contributed (non-cash) goods for client basic needs	\$ 7,965	\$ -

Note A – Description of the Organization

Motivating, Inspiring, Supporting, and Serving Sexually Exploited Youth (MISSEY) advocates and facilitates the empowerment and inner transformation of sexually exploited youth by holistically addressing their specific needs. MISSEY collaborates to bring about systemic and community change to prevent the sexual exploitation of children and youth through raising awareness, education and policy development.

MISSEY divides its program activities into three programs as follows:

Direct Services - assists victims and survivors and those at high-risk of sexual and commercial sexual exploitation (CSE) entering services at ages 11-21. MISSEY direct services are holistic, empowering and build on strengths. Services include a drop-in center, case management, resource services and advocacy.

Training - educates the public systems and community about the prevention, treatment and impact of CSE through trainings, workshops, academies and lectures. Through this program MISSEY also provide prevention workshops directly to at-risk youth.

Volunteer – MISSEY Community Collective (MCC) was a volunteer program led by a volunteer coordinator and organized into four project groups. MCC members engaged in fundraising, outreach, administrative support and public policy work. During the year ending June 30, 2013, the Volunteer program was discontinued.

Note B – Summary of Significant Accounting Policies(a) Basis of accounting

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

(b) Description of net assets

Unrestricted Net Assets – the portion of net assets that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations.

Temporarily Restricted Net Assets – the portion of net assets which contain donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of MISSEY.

Permanently Restricted Net assets – the portion of net assets which contain donor-imposed stipulations that neither expire by passage of time nor can otherwise be removed by actions of MISSEY. As of June 30, 2013 and 2012, MISSEY did not have any permanently restricted net assets.

(c) Revenue Recognition and Receivables

Contributions are recognized as revenue at their fair value when received or unconditionally promised. Contributions are recorded as unrestricted, temporarily

restricted, or permanently restricted support depending upon the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending upon the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or 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.

MISSEY receives substantial funding from governmental agencies. The majority of these grants and contracts operate on a cost reimbursement basis. Generally, accounts receivable and the related revenues are recorded as unrestricted support when the applicable expenses to grant awards have been incurred.

MISSEY uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. As of June 30, 2013 and 2012, an allowance for doubtful accounts was not considered necessary.

(d) Cash and cash equivalents

Cash and cash equivalents include general checking account funds and cash on hand.

(e) Concentration of Credit Risk

Financial instruments that potentially subject MISSEY to credit risk consist principally of cash equivalents and receivables. MISSEY places its cash equivalents with high credit quality financial institutions. Receivables consist primarily of amounts due from governmental agencies. MISSEY believes there is little risk in substantial losses from receivables.

(f) Property and equipment

Property and equipment are stated at cost if purchased, or at the estimated fair market value if received as a contribution. Depreciation is computed using the straight-line method over the estimated useful lives of the property and equipment, generally three to five years. Assets with a useful life greater than one year and a cost of over \$1,000 are capitalized. For the years ending June 30, 2013 and 2012 no property and equipment expenditures met the capitalization criteria. Expenditures for routine repairs and maintenance are charged to operations as they are incurred. As of June 30, 2013 and 2012, all property and equipment had been fully depreciated.

(g) Contributed Goods and Services

Contributions of noncash goods are recorded at their fair value in the period received. Contributed services are recorded if they meet two criteria: (a) the contributed services are of a professional or technical nature requiring expertise or education not available to MISSEY and (b) MISSEY would have paid for the services if the services had not been contributed. Most volunteer services, although critical to the programs, activities and events of MISSEY, do not meet the criteria for reporting herein.

(h) Functional expenses and expense allocation

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

(i) Income taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that MISSEY is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d).

MISSEY follows the guidance on accounting for uncertainty in income taxes issued by the Financial Accounting Standards Board (FASB) ASC Topic 740. As of June 30, 2013 and 2012, management evaluated MISSEY's tax positions and concluded that MISSEY has maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

(j) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

(k) Prior Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Accordingly, such information should be read in conjunction with MISSEY's financial statements for the year ended June 30, 2012, from which the summarized information is derived.

(l) Subsequent events

For the year ended June 30, 2013, subsequent events were evaluated through the date the financial statements were issued. There are no material subsequent events that would require disclosure in the financial statements.

Note C – Agency Transactions

On September 6, 2011, the Department of Justice, Office of Justice Programs awarded MISSEY a \$500,000 three year grant for the period October 1, 2011 to September 30, 2014. A portion of this award has been designated for the benefit of three other nonprofit organizations and a local governmental agency participating in the grant. MISSEY is serving as the lead contractor for this grant. As such, all billings are submitted by MISSEY, and all monies received from the Department of Justice are received by MISSEY. MISSEY then in turn distributes the monies allocated to the other participants to those organizations.

MISSEY does not have variance power, that is, the unilateral power to redirect the use of the transferred assets to another beneficiary. This transaction has been accounted for as an agency transaction, and as a result, the funds not allocated as revenue to MISSEY are accounted for as assets and liabilities in the financial statements. Any amounts collected under this grant but not yet distributed to the other participants are recorded as “Undistributed Government Grants Designation” in the accompanying statement of financial position. As of June 30, 2013 and 2012, there was an Undistributed Government Grants Designation in the amount of \$20,853 and \$30,492. For the year ending June 30, 2013 and 2012, total billings under this contract amounted to \$149,817 and \$122,401, of which \$80,332 and \$75,086 was transferred to the other four organizations. Grant revenue recognized by the MISSEY for the year ending June 30, 2013 and 2012 amounted to \$69,485 and \$47,315.

Note D – Temporarily Restricted Net Assets

As of June 30, 2013 and 2012, temporarily restricted net assets were comprised of the following:

	2013	2012
Direct services	\$ 55,000	\$ 15,608
Contributed fundraising auction items	5,971	-
Totals	\$ 60,971	\$ 15,608

Net assets of \$35,608 and \$15,037 were released during 2013 and 2012 in accordance with the donor’ intent.

Note E – Other Assets

Other assets in the amount of \$5,971 as of June 30, 2013 are comprised of contributed, unsold auction items for MISSEY’s annual Gala fundraising event. These unsold auction items are recorded at their fair market value on the date of donation and have been recorded as a temporarily restricted contribution for the year ending June 30, 2013. It is MISSEY’s intention to utilize these items in their next auction per the donor’s wishes.

Note F – Lease Commitment and Deferred Rent Liability

MISSEY entered into a twenty nine month, non-cancelable operating sublease for office space. The new agreement was effective February 1, 2012 and extends through June 30, 2014, with two scheduled rent increases during the term of the lease. As part of the agreement, MISSEY received four months of free rent. During the year ended June 30, 2013, MISSEY entered into an additional office lease agreement for which no free rent is provided. In addition to the office leases, MISSEY rents storage space on a month-to-month basis.

Accounting principles generally accepted in the United States of America require that the total rent commitment including fixed rent increases, less any rental abatements, should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability. As of June 30, 2013 and 2012, there was a deferred rent liability in the amount of \$4,474 and \$8,129.

Future minimum cash basis lease payments are as follows:

Year ending June 30,

2014	\$ 36,021
Total	\$ 36,021

Rent expense under office rental leases and storage space for the years ended June 30, 2013 and 2012 amounted to \$32,166 and \$17,647.

Note G – Concentrations and Contingencies

MISSEY receives a large portion of its support from governmental agencies. A significant reduction in the level of this support, if it were to occur, would have a materially adverse effect on MISSEY's programs and activities.

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. MISSEY deems this contingency remote since by accepting the grants at their terms, it has accommodated the objectives of MISSEY to the provisions of the grants. MISSEY's management is of the opinion that MISSEY has complied with the terms of all grants.