

MISSEY, Inc.

(A Non-Profit Organization)

Financial Statements and Independent
Accountant's Review Report for the
Years Ended June 30, 2014 and 2013

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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, 2014 and 2013, 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
September 16, 2015

MISSEY, Inc.

Statement of Financial Position

<i>June 30,</i>	2014	2013
ASSETS		
Cash and cash equivalents	\$ 123,025	\$ 1,445
Grants, contracts and other receivables	247,611	211,696
Deposits	11,170	4,181
Prepaid expenses	3,443	1,545
Other assets (Note E)	-	5,971
Total assets	\$ 385,249	\$ 224,838
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 50,901	\$ 12,862
Undistributed government grants designation (Note C)	36,368	20,853
Accrued liabilities	21,298	18,309
Deferred rent liability (Note F)	-	4,474
Total liabilities	108,567	56,498
Net Assets:		
Unrestricted	172,191	107,369
Temporarily restricted (Note D)	104,491	60,971
Total net assets	276,682	168,340
Total liabilities and net assets	\$ 385,249	\$ 224,838

MISSEY, Inc.

Statement of Activities

Year Ended June 30,

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
Support and Revenue:				
Contributions	\$ 146,689	\$ 104,825	\$ 251,514	\$ 196,188
Grants and contracts	849,009	-	849,009	469,508
Special events revenue	104,354	-	104,354	68,256
Less: Direct benefit to donors	(49,770)	-	(49,770)	(58,138)
Net revenues from special events	54,584	-	54,584	10,118
Net assets released from restrictions	61,305	(61,305)	-	-
Total support and revenue	1,111,587	43,520	1,155,107	675,814
Expenses:				
Direct services	523,252	-	523,252	432,295
Training	280,607	-	280,607	57,355
Volunteer	-	-	-	2,006
Management and general	158,162	-	158,162	81,193
Fundraising	84,744	-	84,744	32,130
Total expenses	1,046,765	-	1,046,765	604,979
Change in Net Assets	64,822	43,520	108,342	70,835
Net assets - beginning of year	107,369	60,971	168,340	97,505
Net assets - end of year	\$ 172,191	\$ 104,491	\$ 276,682	\$ 168,340

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

MISSEY, Inc.

Statement of Functional Expenses

Year Ended June 30,

	2014				2013 Totals
	Program Services				
	Direct Services	Training	Management and General	Fundraising	2014 Totals
Salaries and benefits	\$ 364,224	\$ 33,863	\$ 52,889	\$ 33,127	\$ 484,103
Occupancy	24,693	2,781	7,657	2,297	37,428
Office expense and supplies	5,511	65,052	1,629	2,918	75,110
Client expenses	30,255	5,772	537	200	36,764
Program supplies and materials	5,342	103	139	52	5,636
Communications	5,968	622	919	539	8,048
Professional services	45,328	108,899	85,529	36,422	276,178
Insurance	4,782	496	749	478	6,505
Travel, meals and mileage	17,876	24,567	1,636	791	44,870
Staff training and development	4,770	37,941	1,130	219	44,060
Fees, licenses and permits	2,822	411	1,217	2,012	6,462
Fundraising	-	-	-	5,380	5,380
Marketing	-	-	-	-	708
Technology	11,065	94	934	254	12,347
Other expense	616	6	3,197	55	3,874
Total expenses	\$ 523,252	\$ 280,607	\$ 158,162	\$ 84,744	\$ 1,046,765
					\$ 604,979

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>	2014	2013
Cash Flows From Operating Activities:		
Change in net assets	\$ 108,342	\$ 70,835
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Changes in assets and liabilities		
Grants, contracts and other receivables	(35,915)	(58,880)
Deposits	(6,989)	(1,500)
Prepaid expenses	(1,898)	119
Other assets	5,971	(5,971)
Accounts payable	38,039	2,906
Accrued liabilities	2,989	2,709
Undistributed government grants designation	15,515	(9,639)
Deferred rent liability	(4,474)	(3,655)
Net cash provided (used) by operating activities	121,580	(3,076)
Net Increase (Decrease) in Cash and Cash Equivalents	121,580	(3,076)
Cash and Cash Equivalents, beginning of year	1,445	4,521
Cash and Cash Equivalents, end of year	\$ 123,025	\$ 1,445
Supplemental Cash Flow Information:		
Contributed (non-cash) auction items for fundraising	\$ 8,715	\$ 14,352
Contributed (non-cash) goods for client basic needs	-	\$ 7,965
Contributed (non-cash) software	\$ 6,028	-

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, 2014 and 2013, 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, 2014 and 2013, 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 \$1,500 are capitalized. For the years ending June 30, 2014 and 2013 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, 2014 and 2013, 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, 2014 and 2013, 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, 2013, from which the summarized information is derived.

(l) Subsequent events

For the year ended June 30, 2014, 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

1) 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. This grant was extended for the period October 1, 2014 to September 30, 2017 for an additional award amount of \$420,599. 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, 2014 and 2013, there was an Undistributed Government Grants Designation in the amount of \$26,737 and \$20,853. For the year ending June 30, 2014 and 2013, total billings under this contract amounted to \$190,071 and \$149,817, of which \$93,841 and \$80,332 was transferred to the other four organizations. Grant revenue recognized by the MISSEY for the year ending June 30, 2014 and 2013 amounted to \$96,230 and \$69,485.

2) On June 28, 2013, the County of Los Angeles awarded MISSEY a \$718,850 grant for the period June 28, 2013 to December 31 2014. During May 2014, the County of Los Angeles and MISSEY mutually agreed to terminate MISSEY's participation in the grant. A portion of this award was designated for the benefit of three other nonprofit organizations. MISSEY served as the lead contractor for this grant. As such, all billings were submitted by MISSEY, and all monies received from the County of Los Angeles were received by MISSEY. MISSEY then in turn distributed the monies allocated to the other participants to those organizations.

MISSEY did 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, 2014, there was an Undistributed Government Grants Designation in the amount of \$9,631. For the year ending June 30, 2014, total billings under this contract amounted to \$487,094, of which \$128,805 was transferred to the other three organizations. Grant revenue recognized by the MISSEY for the year ending June 30, 2014 amounted to \$358,289.

Note D – Temporarily Restricted Net Assets

As of June 30, 2014 and 2013, temporarily restricted net assets were comprised of the following:

	2014	2013
Direct services	\$ 79,491	\$ 55,000
Management and general	25,000	-
Contributed fundraising auction items	-	5,971
Totals	\$ 104,491	\$ 60,971

Net assets of \$61,305 and \$35,608 were released during 2014 and 2013 in accordance with the donor's 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. These items were sold at MISSEY's annual gala during the year ended June 30, 2014.

Note F – Lease Commitment and Deferred Rent Liability

MISSEY entered into a twenty nine month, non-cancelable operating sublease for office space on February 1, 2012 with an expiration date of June 30, 2014. 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 expiring on June 30, 2014. As of June 30, 2014 MISSEY entered into a new, three year office lease with an effective date of July 1, 2014. In addition, MISSEY rents storage space on a month-to-month basis. During the year ended June 30, 2014, MISSEY entered into a five year copier lease.

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, 2014 and 2013, there was a deferred rent liability in the amount of \$0 and \$4,474.

Note F – Lease Commitment and Deferred Rent Liability (Continued)

Future minimum cash basis rental and lease payments are as follows:

Year ending June 30,

2015	\$	42,884
2016		44,142
2017		45,438
2018		948
2019		356
<hr/>		
Total	\$	133,768

Rent expense under office rental leases and storage space for the years ended June 30, 2014 and 2013 amounted to \$32,770 and \$32,166. Lease payments under the Copier lease for the year ended June 30, 2014 amounted to \$593

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.