

CHILDREN'S ATTENTION HOME, INC.

FINANCIAL STATEMENTS,

JUNE 30, 2017 AND 2016

CHILDREN'S ATTENTION HOME, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Children's Attention Home, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Children's Attention Home, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows 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.

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 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 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 to above present fairly, in all material respects, the financial position of Children's Attention Home, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2017, on our consideration of Children's Attention Home, Inc.'s internal control over financial reporting and on 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 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 Children's Attention Home, Inc.'s internal control over financial reporting and compliance.

Burkett Burkett & Burkett

BURKETT BURKETT & BURKETT
Certified Public Accountants
Rock Hill, South Carolina
October 3, 2017

CHILDREN'S ATTENTION HOME, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS	2017	2016
Current Assets		
Cash	\$ 734,591	\$ 302,729
Accounts Receivable, Net	116,701	361,376
Pledges Receivable, Net	12,035	8,295
Prepaid Expense	7,576	18,879
Other Current Assets	3,490	5,104
Total Current Assets	<u>874,393</u>	<u>696,383</u>
Long-term assets		
Property and Equipment, Net	1,983,571	1,997,545
Investment - Operating Reserve	420,783	385,353
Investment - Quasi-Endowed	984,980	744,815
Total Long-Term Assets	<u>3,389,334</u>	<u>3,127,713</u>
TOTAL ASSETS	<u>\$4,263,727</u>	<u>\$3,824,096</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 30,666	\$ 43,121
Credit Card	31,232	61,386
Accrued Payroll and Related Liabilities	105,832	60,740
Capital Lease - Current Portion	1,438	-
Total Current Liabilities	<u>169,168</u>	<u>165,246</u>
Long-term Liabilities		
Capital Lease, Less Current Portion	8,411	-
Total Long-term Liabilities	<u>8,411</u>	<u>-</u>
TOTAL LIABILITIES	<u>177,579</u>	<u>165,246</u>
Net Assets		
Unrestricted		
Operating	630,371	424,394
Invested in Fixed Assets	1,983,571	1,997,545
Board Designated - Operating	471,456	400,361
Temporarily Restricted		
Donor-restricted Grants	66,443	106,743
Board Designated - Capital Projects	589,581	385,081
Permanently Restricted	344,726	344,726
Total Net Assets	<u>4,086,148</u>	<u>3,658,850</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$4,263,727</u>	<u>\$3,824,096</u>

The notes to the financial statements are an integral part of this exhibit.

CHILDREN'S ATTENTION HOME, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
UNRESTRICTED NET ASSETS		
Unrestricted revenues and gains		
Federal, state, and county financial assistance	\$ 1,384,475	\$ 1,587,692
General donor contributions	743,617	569,590
Special events and fundraisers	243,152	208,498
Investment earnings, net	71,095	57,131
Other	35,241	26,196
Gifts in kind	2,150	4,290
TOTAL UNRESTRICTED REVENUES AND GAINS	2,479,730	2,453,397
Net assets released from restrictions	278,387	277,793
TOTAL UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT	2,758,117	2,731,190
Expenses		
Program services	1,675,426	1,714,153
Supporting services	639,140	661,973
Fundraising expenses	21,454	22,775
TOTAL EXPENSES	2,336,020	2,398,901
Board designated transfer-out to quasi-endowed capital investment	159,000	-
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	263,097	332,289
TEMPORARILY RESTRICTED NET ASSETS		
General donor contributions	238,088	292,054
Board designated transfer-in to quasi-endowed capital investment	159,000	-
Investment earnings, net	45,500	30,868
Net assets released from restrictions	(278,387)	(277,793)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	164,201	45,129
INCREASE (DECREASE) IN NET ASSETS	427,298	377,418
NET ASSETS AT BEGINNING OF THE YEAR	3,658,850	3,321,555
Prior Period Adjustment	-	(40,123)
NET ASSETS AT END OF THE YEAR	\$ 4,086,148	\$ 3,658,850

The notes to the financial statements are an integral part of this exhibit.

CHILDREN'S ATTENTION HOME, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

Program Services	2017	2016
Compensation		
Salaries and Wages	\$ 1,002,336	\$ 986,490
Employee Benefits - Health Insurance	88,884	85,343
Payroll Taxes	93,423	95,369
Workmen's Compensation Insurance	22,282	20,408
	<u>1,206,925</u>	<u>1,187,610</u>
Materials and Supplies		
Auto Expenses	15,786	16,949
Conferences and Training	7,458	20,486
Depreciation Expense	62,844	60,802
Minor Furnishings and Equipment	9,540	41,582
Miscellaneous	21,746	26,295
Occupancy	70,036	85,394
Office Expense	48,890	52,260
Professional Fees	34,724	49,351
Program Expenses	184,099	169,555
Travel and Meetings	13,379	3,869
	<u>468,501</u>	<u>526,543</u>
Total Program Service Expense	<u>\$ 1,675,426</u>	<u>\$ 1,714,153</u>

The notes to the financial statements are an integral part of this exhibit.

CHILDREN'S ATTENTION HOME, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

Continued:

	2017	2016
Supporting Services		
Compensation		
Salaries	\$ 429,572	\$ 422,782
Employee Benefits - Health Insurance	38,093	36,576
Payroll Taxes	40,038	40,873
Workmen's Compensation Insurance	9,550	8,746
	<u>517,253</u>	<u>508,977</u>
Materials and Supplies		
Auto Expense	6,766	7,264
Depreciation	26,933	26,058
Minor Furnishings and Equipment	4,089	17,821
Miscellaneous	9,320	11,269
Occupancy	30,015	36,598
Office Expense	20,953	22,398
Professional Fees	14,882	21,150
Staff Training and Development	3,196	8,780
Travel and Meetings	5,734	1,658
	<u>121,887</u>	<u>152,996</u>
Total Supporting Services Expense	<u>639,140</u>	<u>661,973</u>
Fundraising		
Direct Fundraising Expense	<u>21,454</u>	<u>22,775</u>
Total Expenses	<u>\$ 2,336,020</u>	<u>\$ 2,398,901</u>

The notes to the financial statements are an integral part of this exhibit.

CHILDREN'S ATTENTION HOME, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	\$ 427,298	\$ 377,418
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	89,777	88,360
Net investment earnings	(116,595)	(87,999)
Credit card awards	-	(2,026)
(Increase) / Decrease in accounts receivable, net	244,675	(236,796)
(Increase) / Decrease in pledges receivable, net	(3,740)	(1,105)
(Increase) / Decrease in prepaid expense	11,303	(2,630)
(Increase) / Decrease in other assets	1,614	(773)
(Decrease) / Increase in accounts payable	(12,455)	10,157
(Decrease) / Increase in credit cards	(30,154)	56,109
(Decrease) / Increase in accrued payroll and related liabilities	45,092	(12,792)
Net cash provided (used) by operating activities	656,816	187,923
Cash Flows From Investing Activities:		
Contributions into quasi-endowed and non-endowed investments	(159,000)	(200,000)
Proceeds from sale of fixed asset	-	1,500
Payments for fixed assets	(65,317)	(34,410)
Net cash provided (used) by investing activities	(224,317)	(232,910)
Cash Flows From Financing Activities:		
Payments on Capital Lease	(637)	-
Net cash provided (used) by financing activities	(637)	-
Net increase / (decrease) in cash and cash equivalents	431,862	(44,987)
Cash Balance, Beginning of Year	302,729	347,716
Cash Balance, End of Year	\$ 734,591	\$ 302,729

Supplemental Information:

Interest paid on a capital lease in 2017 was \$536.

Non-cash investing activities included the purchase of Toshiba printer in the form of a capital lease in the amount of \$10,486

The notes to the financial statements are an integral part of this exhibit.

CHILDREN'S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Children's Attention Home provides residential care and developmental services to the abused, abandoned, and neglected children that come into its care. Residential care is critical to meeting the children's emergency and basic needs including food, clothing, and shelter. Developmental services focuses on the individual needs of each child including physical and mental health, social development, educational support, cultural enrichment, independent living skills, and recreational opportunities. These two service areas work together to ensure that each child's needs are being met while giving them the support they need to heal, grow, and thrive. With residential capacity for 42 children, the Home provides services to approximately 120 children each year, ages birth to 21 years, and has served over 8,000 children since its establishment in 1970. The children served are from across the state of South Carolina and the greater metropolitan area of Charlotte, North Carolina.

Financial Statement Presentation

As required by accounting standards generally accepted in the United States, the Home is 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. As permitted by the accounting standards, the Home does not use fund accounting.

Program and Support Revenue

The Home has one primary program, namely the Residential Care Program. Residential Care Program revenues are generated primarily through (1) a service contract with the South Carolina Department of Social Services and (2) grants from the South Carolina Department of Public Safety and South Carolina Department of Education. The total dollar amount is contingent on federal and state allocations for services provided and may be changed due to changes in federal and state funding programs. The Children's Attention Home, Inc. provides services under fixed cost contracts for the South Carolina Department of Social Services. Under the arrangements, the Home contracts to provide certain services at a prescribed cost reimbursement. The Home would be expected to absorb the additional cost of providing the quantity of services contracted. Likewise, if the Home performs the services more efficiently than contracted for, the excess is available for future operating cost. Revenue is recognized once services have been performed.

The Home receives support from its many local private donors. It also receives grants from many regional and local foundations and businesses. Grant revenues are recorded as they are earned, according to the provisions of the grant. Grant expenses are recognized when incurred for a grant related obligation. General contributions are recognized upon receipt. As required by accounting standards generally accepted in the United States, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

CHILDREN'S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued):

Contributed Services

During the years ended June 30, 2017 and 2016, the value of contributed services meeting the requirements for recognition in the financial statements were not material and have not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Home, but these services do not meet the criteria for recognition as contributed services. The Home received more than 8,112 and 9,978 volunteer hours for the years ended June 30, 2017 and 2016 respectively.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Home that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets.

Annual Fund Raising Event, 'Heart of the Home' - Unconditional promises to give are not restricted. Requests are for unrestricted pledges and donations which allow Children's Attention Home to cover general operation expenses. Unconditional promises to give due in more than one year are reflected at their estimated present value less discount. The pledges are reviewed quarterly to determine the probable collection. Any deemed uncollectible are written off to bad pledges.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Home considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable Valuation

Trade accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the year in which those differences are determined, with an off-setting entry to a valuation allowance for trade accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Accounts receivable consists of the amounts described in Note B and are considered by management to be fully collectible.

CHILDREN'S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Purchased property and equipment is capitalized at cost. Items that cost less than \$1,000 are expensed as incurred. Property and equipment are depreciated using the straight-line and accelerated methods over the estimated useful life of the related assets. Repairs and maintenance are charged to expense as incurred. Until fully operational, buildings and related development costs for new group housing are capitalized and shown separately under constructions in progress. Estimated useful lives of the assets generally are as follows:

Buildings and Improvements	20 Years
Furniture and Equipment	7 Years
Vehicles	5 Years

Donation of property and equipment are recorded at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Home reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Home reclassifies temporarily restricted net assets at that time.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Children's Attention Home is a not-for-profit organization exempt from Federal income tax under section 501(c) (3) of the United States Internal Revenue Code as a charitable organization.

The Children's Attention Home information tax returns are subject to review and examination by federal and state authorities. The Children's Attention Home is not aware of any activities that would jeopardize its tax-exempt status. The fiscal year 2014, 2015, and 2016 returns are open for examination by federal and state taxing authorities.

CHILDREN'S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Home maintains master investment accounts for its donor-restricted and board-designated endowments. Funds are invested with the Foundation for the Carolinas (FFTC hereafter) through pooling investments. The pooling of endowment funds for investment purposes has many benefits, including but not limited to spreading the total risk for each endowment fund and making the risk equal for all funds invested in the master investment accounts, enhancing the investment performance relative to that of an individual fund; and reducing management fees. Interest, realized and unrealized gains and losses from securities, and investment fees in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of each endowment to the total fair value of the master investment accounts being pooled with FFTC, as adjusted for additions to or deductions from those accounts.

The Home has established a long-term investment strategy. These funds are to be used for operations, capital expenditures, and permanently restricted legacy contributions. The Operating Fund is not restricted and is considered a rainy day fund for the future operations of the home. The Capital Campaign Fund is temporarily restricted to capital maintenance and repair of long term assets and expansion of the Home's campus including land purchase and construction of additional children's residential care facilities. The Legacy Fund is permanently restricted from any disbursements of principal balance however the earnings on the account may be used for general operations.

The primary investment objective of the Legacy Fund is to achieve an annualized total return (net of fees and expenses), through appreciation and income, equal to or greater than the rate of inflation (as measured by the broad, domestic Consumer Price Index) plus any spending and administrative expenses, thus at a minimum, maintaining the purchasing power of the Legacy Fund. The primary investment objective of the Capital Campaign and Operating Funds is to meet the annual operational or emergency needs of CAH. These assets are to be managed in a manner that will meet the primary investment objective, while at the same time attempting to limit volatility in year-to-year spending. The Legacy Fund, Capital Campaign Fund and Operating Fund are collectively known as "the Funds".

Concerning the Home's spending policy, the distribution rate for the Legacy Fund is based upon a total return approach, which utilizes both income and capital appreciation to be withdrawn for spending. The maximum allowable spending amount for the Legacy Fund shall be set by the Board and shall be calculated based on the previous three year average of the Legacy Fund portfolio's market value. The formula shall be applied to the average daily balance over the prior three years ending each fiscal year. The distribution rate for the Capital Campaign Fund and Operating Fund is based upon annual spending and cash flow requirements. The maximum allowable spending amount for both funds shall be set by the Board and shall be calculated based on the previous three year average annual cash flow needs and liquidity requirements.

CHILDREN'S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE B - ACCOUNTS RECEIVABLE, NET

Accounts Receivable, Net at June 30, 2017 and 2016 consisted of the following:

<u>Customer</u>	<u>2017</u>	<u>2016</u>
SC Dept. of Social Services	\$ 34,855	\$ 266,558
SC Dept. of Public Safety	76,350	69,135
SC Dept. of Education	3,790	4,307
Other	1,706	21,376
Total Accounts Receivable	116,701	361,671
Allowance for Doubtful Accounts	(-)	(-)
Total Accounts Receivable, Net	\$ 116,701	\$ 361,671

NOTE C - PLEDGES RECEIVABLE, NET

Below is a summary of Pledges Receivable, Net at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Due in less than year	\$ 12,150	\$ 9,310
Due in 1 to 5 years	900	-
Total Pledges Receivable	13,050	9,310
Allowance for Doubtful Pledges	(1,015)	(1,015)
Total Pledges Receivable, Net	\$ 12,035	\$ 8,295

CHILDREN'S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

NOTE D –PROPERTY AND EQUIPMENT

Property and equipment for the years ended June 30, 2017 and 2016 consisted of the following:

<u>Classification</u>	<u>2017</u>	<u>2016</u>
Land and Land Improvements	\$ 481,584	\$ 481,573
Building and Improvements	2,157,115	2,102,813
Operational Equipment	99,028	98,008
Furniture and Fixtures	15,050	83,141
Vehicles	186,892	186,892
Playground Equipment	38,582	42,708
Construction in Progress	-	5,557
Total Cost	<u>2,978,251</u>	<u>3,000,692</u>
Accumulated Depreciation	(994,680)	(963,024)
Total Property and Equipment, Net	<u>\$ 1,983,571</u>	<u>\$ 2,037,668</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$89,777 and \$86,860 respectively, including gains/(losses) on fixed asset disposals of \$(7,509) and \$1,500 respectively.

NOTE E - INVESTMENTS

As of June 30, 2017, and 2016 investment funds were stated at fair market value and were invested as follows:

<u>Foundation of the Carolinas Investment Pool</u>	<u>2017</u>	<u>2016</u>
Income & Growth	\$ 1,010,364	\$ 1,130,168
Moderate Growth	395,399	-
	<u>\$ 1,405,763</u>	<u>\$ 1,130,168</u>

CHILDREN'S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

NOTE E – INVESTMENTS (Continued)

Assets are measured at fair value on a recurring basis using quoted prices in active markets for identical assets or liabilities which is a Level 1. Below are schedules demonstrating the values by level at June 30, 2017 and 2016:

<u>Assets</u>	<u>Total</u>	<u>2017</u>		
		<u>Quoted Prices: Level 1</u>	<u>Significant other Inputs: Level 2</u>	<u>Significant Non-observable Inputs: Level 3</u>
Trading Securities	\$ 1,405,763	\$ 1,405,763	-	-
Total	\$ 1,405,763	\$ 1,405,763	-	-

<u>Assets</u>	<u>Total</u>	<u>2016</u>		
		<u>Quoted Prices: Level 1</u>	<u>Significant other Inputs: Level 2</u>	<u>Significant Non-observable Inputs: Level 3</u>
Trading Securities	\$ 1,130,168	\$ 1,130,168	-	-
Total	\$ 1,130,168	\$ 1,130,168	-	-

Investment earnings are reported net of all earnings, including but not limited to the amounts of interest, dividends, and realized or unrealized gains or losses less any investment fees. Below is a schedule of net investment earnings at June 30:

<u>Description</u>	<u>2017</u>	<u>2016</u>
Investment Earnings	\$ 127,781	\$ 98,026
Investment Fees	(11,186)	(10,027)
Net Investment Earnings	\$ 116,595	\$ 87,999

CHILDREN'S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

NOTE F – ENDOWMENT FUNDS

Board-designated Endowment

As of June 30, 2017 and 2016, the Board of Directors has designated \$1,405,763 and \$1,130,168 to support the Home's (1) continued operations; (2) capital projects; and (3) preservation for an indefinite future in the community. For further information concerning restrictions, investment objectives, and spending policy to the three areas above, refer to "Note A – Significant Accounting Policies: Investments."

Changes in endowment net assets as of June 30, 2017 and 2016 are as follows:

	<u>2017</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of the year	\$ 400,361	\$ 385,081	\$ 344,726	\$ 1,130,168
Contributions	-	159,000	-	159,000
Net investment earnings	35,429	45,500	35,666	116,595
Reclassifications	35,666	-	(35,666)	-
Endowment net assets, end of year	<u>\$ 471,456</u>	<u>\$ 589,581</u>	<u>\$ 344,726</u>	<u>\$ 1,405,763</u>

	<u>2016</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of the year	\$ 143,230	\$ 354,213	\$ 344,726	\$ 842,169
Contributions	200,000	-	-	200,000
Net investment earnings	30,264	30,868	26,867	87,999
Reclassifications	26,867	-	(26,867)	-
Endowment net assets, end of year	<u>\$ 400,361</u>	<u>\$ 385,081</u>	<u>\$ 344,726</u>	<u>\$ 1,130,168</u>

**CHILDREN'S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 and 2016**

NOTE G – RELATED PARTY TRANSACTIONS

In 2003, the Board of Directors of Children's Attention Home, Inc. adopted a resolution that provides for the establishment of a separate nonprofit entity, Palmetto School at the Children's Attention Home, a Charter School. Abused, abandoned, and/or neglected children in the Children's Attention Home, Inc.'s care as well as children residing in local homeless and/or women's shelters are eligible to attend the charter school. The accounts and transactions of the "Charter School" are not included in the accompanying financial statements.

The Home rents space to the Charter School and renewed its annual lease agreement on July 1, 2016 for another term of one year at \$2,100 per month. These rent revenues were used for general operational expenses of the Children's Attention Home. Rents received in 2017 and 2016 were \$25,200 and \$24,000, respectively.

The Home renewed its lease on July 1, 2017 for another one year term and expects to receive \$25,200 over the term.

NOTE H – CONCENTRATION IN CREDIT RISK

The Home maintains its cash and cash equivalent balance in one financial institution. At June 30, 2017 and 2016 the Home's cash and cash equivalents exceeded the federally insured limits by \$495,768 and \$73,658 respectively.

NOTE I – CONCENTRATION IN CONTRACT AND GRANT REVENUES

For the years ending June 30, 2017 and 2016, the Home's contract and grant revenues included the following concentrations:

	<u>2017</u>		<u>2016</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
South Carolina's Dept. of Social Services	\$ 1,060,916	38 %	\$ 1,333,373	48 %
South Carolina's Dept. of Public Safety	251,378	9	165,579	6
Totals	<u>\$ 1,312,294</u>	<u>47 %</u>	<u>\$ 1,498,952</u>	<u>54 %</u>

Also, at June 30, 2017, Accounts Receivable totaling \$76,350, or 59% of accounts receivable, were due from one source, namely South Carolina's Department of Public Safety. Subsequent to year end, all amounts were collected.

CHILDREN'S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

NOTE J – OPERATING LEASES

The Home entered into an operating lease with Pitney Bowes on March 21, 2013 for postage processing equipment. The lease's term is for 51 months and include quarterly payments in the amount of \$111. The lease expired during 2017 and payments totaling \$475 and \$475 were made in 2017 and 2016 respectively.

NOTE K – CAPITAL LEASES

The Home entered into a leasing arrangement for copying equipment with Toshiba Financial Services during 2017. Based on the lease's structure, it qualifies as a capital lease under generally accepted accounting principles in the United States. The equipment's fair market value at lease inception was \$10,486 and is being depreciated over the lease's term for this cost in the Operational Equipment classification.

The lease terms include the following:

- An incremental borrowing rate that approximates 16.9%
- 63 monthly installments
- Monthly installment is \$249.76

The maturity of this obligation is as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 1,438
2019	1,702
2020	2,013
2021	2,382
2022	2,314
Total Due	<u>\$ 9,849</u>

NOTE L – LINE OF CREDIT

The Home holds a line of credit, namely by use of a corporate credit card, with the same financial institution that retains its operating deposit account. The total amount of credit available on a revolving basis is \$100,000. The annual interest rates for purchases and cash advances are 8.24% and 24.99% respectively. Finance charges are only applied at the determined interest rates when purchases and cash advances' open balances are not paid in full by the due date. The Home did not incur any finance charges in 2017 and 2016 related to the line of credit based on its paying down its open balances in full on a monthly basis. The outstanding balances on the line of credit at June 30, 2017 and 2016, were \$31,232 and \$61,386 respectively.

CHILDREN'S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

NOTE M – COMPENSATED ABSENCES

Depending on the length of service, employees can accrue up to 320 hours of paid leave. The Home has accrued liabilities for compensated absences at June 30, 2017 and 2016 in the amounts of \$43,899 and \$34,818 respectively.

NOTE N – RETIREMENT PLANS

The Home participates in the South Carolina Deferred Compensation Program that provides employees with a supplemental retirement savings strategy through the program's 401(k) and 457(b) plans. Plan enrollment is open to all full-time employees. Traditional plan contributions are made on a pre-tax basis while Roth plan contributions are made on an after-tax basis. Plan contributions are made exclusively by employees through payroll deduction.

NOTE O – PRIOR PERIOD ADJUSTMENT

The statement of activities has been restated to correct for an error in which depreciation had not been recorded on non-restricted donated equipment in previously issued financial statements. Accounting standards require that donated property and equipment of a depreciable nature be written down over the assets estimated useful life. The effect of the restatement on the change in unrestricted net assets for 2017 and 2016 was \$0 and \$0 respectively. Below are the known effects on other previously issued financial statements or years the financials statements were effected. The effects relate only to unrestricted net assets:

<u>Year Ended</u>	Increase / (Decrease) in Unrestricted <u>Net Assets</u>
2008	\$ (2,866)
2009	(5,732)
2010	(5,732)
2011	(5,732)
2012	(5,732)
2013	(5,732)
2014	(5,732)
2015	(2,865)
Total	<u>\$ (40,123)</u>

NOTE P - SUBSEQUENT EVENTS

Subsequent events were evaluated through October 3, 2017, which is the date the financials statements were available to be issued.

**BURKETT
BURKETT & BURKETT**

Certified Public Accountants, P.A.
128 East Main St., Ste 201 Rock Hill, SC 29730
Phone: 803-325-1660 Fax: 803-325-1665

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors of
Children's Attention Home, Inc.
Rock Hill, South Carolina

We have audited, in accordance with the 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, the financial statements of Children's Attention Home, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 3, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Children's Attention Home, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Children's Attention Home, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Children's Attention Home, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Children's Attention Home, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Burkett Burkett & Burkett
Certified Public Accountants, P.A.
Rock Hill, South Carolina
October 3, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
UNIFORM GUIDANCE**

The Board of Directors of
Children's Attention Home, Inc.
Rock Hill, South Carolina

Report on Compliance for Each Major Federal Program

We have audited Children's Attention Home, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Children's Attention Home, Inc.'s major federal programs for the year ended June 30, 2017. Children's Attention Home, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Children's Attention Home, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.(Uniform Guidance) Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Children's Attention Home, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Children's Attention Home, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Children’s Attention Home, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Children’s Attention Home, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Children’s Attention Home, Inc.’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Children’s Attention Home, Inc.’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Burkett Burkett & Burkett

Burkett Burkett & Burkett
Certified Public Accountants, P.A.
Rock Hill, South Carolina
October 3, 2017

CHILDREN'S ATTENTION HOME, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

<u>DESCRIPTION</u>	<u>CFDA #</u>	<u>PASS-THROUGH ENTITY IDENTIFYING #</u>	<u>2017 EXPENDITURES</u>
U.S. Department of Justice (DOJ)			
Passed-through South Carolina Department of Public Safety Office of Justice Programs (VOCA)			
Children's Services Coordinator - Morris Cottage	16.575	1V15116	\$ 8,505
Children's Services Coordinator - Porterfield Cottage	16.575	1V15115	13,921
Children's Services Coordinator - Freeman-Norris Cottage	16.575	1V15092	7,112
Children's Services Program - Consolidation	16.575	1V15206	212,135
			<u>\$ 241,673</u>
U.S. Department of Agriculture (USDA)			
Passed-through South Carolina Department of Education			
National School Breakfast Program	10.553	Unknown	\$ 24,655
National School Lunch Program	10.555	Unknown	31,091
National Afterschool Snack Program	10.555	Unknown	4,734
			<u>\$ 60,480</u>
U.S. Department of Health and Human Services			
Passed-through South Carolina Department of Social Services			
Temporary Assistance for Needy Families (TANF)	93.558	4400003854	\$ 1,060,916
			<u>\$ 1,060,916</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,363,069</u>

The notes to the schedule of expenditures of federal awards are an integral part of this exhibit

CHILDREN'S ATTENTION HOME, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Children's Attention Home, Inc. under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Children's Attention Home, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Children's Attention Home, Inc.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C—INDIRECT COST RATE

Children's Attention Home, Inc. has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CHILDREN'S ATTENTION HOME, INC.
FOR THE YEAR ENDED JUNE 30, 2017

SCHEDULE OF THE AUDITOR'S RESULTS:

1. The independent auditor's report on the financial statements expressed an unmodified opinion.
2. There were no reportable deficiencies in internal control over financial reporting disclosed in the audit of the financial statements.
3. The audit disclosed no material noncompliance matters in relation to the financial statements.
4. There were no reportable deficiencies in internal control over compliance applicable to major programs.
5. The report on compliance for major programs expressed an unmodified opinion.
6. The audit disclosed no audit findings.
7. The major programs for Children's Attention Home, Inc. included in the audit were:
 - a. Temporary Assistance for Needy Families (TANF)
 - b. Office of Justice Programs (VOCA)
 - c. USDA- National Food Programs
8. The dollar threshold for Type A programs for Children's Attention Home, Inc., was \$750,000.
9. Children's Attention Home, Inc. did not qualify as a low-risk auditee.

FINDINGS IN RELATION TO THE AUDIT OF THE FINANCIAL STATEMENTS

NONE

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE