

CHILDREN'S ATTENTION HOME, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Children's Attention Home, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's Attention Home, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Children's Attention Home, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's Attention Home, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Burkett Burkett & Burkett

Burkett, Burkett, & Burkett
Certified Public Accountants, P.A.
Rock Hill, South Carolina
January 30, 2023

CHILDREN'S ATTENTION HOME, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 and 2021

ASSETS	2022	2021
Current assets		
Cash	\$1,941,791	\$1,432,851
Accounts receivable, net	119,897	117,632
Pledges receivable, net	1,000	14,000
Prepaid expense	98,044	41,130
Total current assets	<u>2,160,732</u>	<u>1,605,613</u>
Long-term assets		
Property and equipment, net	1,919,117	1,922,269
Beneficial interest in assets held by FFTC - non-endowed	1,041,085	1,190,954
Beneficial interest in assets held by FFTC - quasi-endowed	1,574,398	1,812,844
Other assets	3,000	-
Total long-term assets	<u>4,537,600</u>	<u>4,926,067</u>
TOTAL ASSETS	<u><u>\$6,698,332</u></u>	<u><u>\$6,531,680</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 9,312	\$ 11,921
Credit cards	23,261	27,875
Accrued liabilities	24,846	17,682
Capital lease - current portion	-	2,369
Total current liabilities	<u>57,419</u>	<u>59,847</u>
Long-term liabilities		
Paycheck protection program loan	339,952	339,952
Total long-term liabilities	<u>339,952</u>	<u>339,952</u>
TOTAL LIABILITIES	<u>397,371</u>	<u>399,799</u>
Net assets		
Without donor restrictions		
Non-designated	3,040,884	3,020,906
Board designated	2,615,483	3,003,798
With donor restrictions	644,594	107,177
Total net assets	<u>6,300,961</u>	<u>6,131,881</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$6,698,332</u></u>	<u><u>\$6,531,680</u></u>

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

CHILDREN'S ATTENTION HOME, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
REVENUES AND OTHER SUPPORT			
Federal, state, and county financial assistance	\$ 302,737	\$ -	\$ 302,737
Contract services	919,452	-	919,452
Contributions - general	825,690	741,178	1,566,868
Contributions - special events and fundraisers	274,750	-	274,750
Contributions - nonfinancial assets	6,020	-	6,020
Other	228	-	228
Net assets released from restrictions	203,761	(203,761)	-
Total revenues and other support	<u>2,532,638</u>	<u>537,417</u>	<u>3,070,055</u>
EXPENSES			
Program services	1,883,533	-	1,883,533
Supporting services:			
Management and general	407,368	-	407,368
Fundraising	221,759	-	221,759
Total support services	<u>629,127</u>	<u>-</u>	<u>629,127</u>
Total expenses	<u>2,512,660</u>	<u>-</u>	<u>2,512,660</u>
Change in net assets from operations	<u>19,978</u>	<u>537,417</u>	<u>557,395</u>
Non-operating activities			
Return on beneficial interest in assets held by FFTC, net	<u>(388,315)</u>	<u>-</u>	<u>(388,315)</u>
Total non-operating activities	<u>(388,315)</u>	<u>-</u>	<u>(388,315)</u>
Change in net assets	(368,337)	537,417	169,080
Net assets, beginning of year	6,024,704	107,177	6,131,881
Net assets, end of year	<u><u>\$5,656,367</u></u>	<u><u>\$ 644,594</u></u>	<u><u>\$6,300,961</u></u>

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

CHILDREN'S ATTENTION HOME, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
REVENUES AND OTHER SUPPORT			
Federal, state, and county financial assistance	\$ 392,601	\$ -	\$ 392,601
Contract services for SC Dept. of Social Services	855,126	-	855,126
Contributions - general	810,445	176,454	986,899
Contributions - special events and fundraisers	237,248	-	237,248
Contributions - nonfinancial assets	25,258	-	25,258
Other	21,285	-	21,285
Net assets released from restrictions	93,683	(93,683)	-
	<u>2,435,646</u>	<u>82,771</u>	<u>2,518,417</u>
Total revenues and other support			
EXPENSES			
Program services	1,687,389	-	1,687,389
Supporting services:			
Management and general	406,741	-	406,741
Fundraising	216,629	-	216,629
Total support services	<u>623,370</u>	<u>-</u>	<u>623,370</u>
Total expenses	<u>2,310,759</u>	<u>-</u>	<u>2,310,759</u>
Change in nets assets from operations	<u>124,887</u>	<u>82,771</u>	<u>207,658</u>
Nonoperating activities			
Return on beneficial interest in assets held by FFTC, net	<u>466,962</u>	<u>-</u>	<u>466,962</u>
Total nonoperating activities	<u>466,962</u>	<u>-</u>	<u>466,962</u>
Change in net assets	591,849	82,771	674,620
Net assets, beginning of year	<u>5,432,855</u>	<u>24,406</u>	<u>5,457,261</u>
Net assets, end of year	<u><u>\$ 6,024,704</u></u>	<u><u>\$ 107,177</u></u>	<u><u>\$6,131,881</u></u>

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

CHILDREN'S ATTENTION HOME, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>			<u>Support Services</u>		
	<u>Foster Care</u>	<u>Crossroads</u>	<u>Total</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ 195	\$ 23	\$ 218	\$ 5,582	\$ 1,026	\$ 6,826
Amortization and depreciation	94,196	11,039	105,235	21,777	4,735	131,747
Auto expenses	26,147	3,156	29,303	3,260	-	32,563
Conferences, conventions, meetings	406	49	455	109	-	564
Direct program and event expenses	78,095	8,370	86,465	-	27,172	113,637
Information technology	15,655	1,890	17,545	1,862	5,013	24,420
Insurance - other	11,973	1,445	13,418	2,851	620	16,889
Interest	-	-	-	1,047	-	1,047
Minor furnishings and equipment	8,602	1,038	9,640	191	42	9,873
Miscellaneous	-	-	-	8	-	8
Occupancy	69,666	8,409	78,075	10,393	2,266	90,734
Office	65,365	7,873	73,238	21,499	11,231	105,968
Personnel - salaries and wages	1,051,993	126,975	1,178,968	277,396	138,915	1,595,279
Personnel - payroll taxes	83,019	10,020	93,039	21,894	10,966	125,899
Personnel - employee benefits	98,410	11,878	110,288	25,952	12,999	149,239
Personnel - other	50,686	6,115	56,801	6,642	3,327	66,770
Professional fees	26,185	3,160	29,345	6,882	3,447	39,674
Travel	1,343	157	1,500	23	-	1,523
Total expenses	<u>\$1,681,936</u>	<u>\$ 201,597</u>	<u>\$1,883,533</u>	<u>\$ 407,368</u>	<u>\$ 221,759</u>	<u>\$2,512,660</u>

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

CHILDREN'S ATTENTION HOME, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services			Support Services		
	Foster Care	Crossroads	Total	Management & General	Fundraising	Total
Advertising	\$ -	\$ -	\$ -	\$ 4,350	\$ -	\$ 4,350
Amortization and depreciation	84,675	6,895	91,570	19,835	4,230	115,635
Auto expenses	19,544	1,592	21,136	2,348	-	23,484
Conferences, conventions, meetings	-	-	-	1,002	-	1,002
Direct program and event expenses	84,706	7,217	91,923	-	51,243	143,166
Information technology	7,909	640	8,549	5,800	665	15,014
Insurance - other	11,214	913	12,127	2,577	560	15,264
Interest	-	-	-	955	-	955
Minor furnishings and equipment	22	2	24	-	-	24
Miscellaneous	-	-	-	46	-	46
Occupancy	81,096	6,522	87,618	14,813	2,527	104,958
Office	30,982	2,524	33,506	35,758	4,080	73,344
Personnel - salaries and wages	1,016,677	82,790	1,099,467	244,158	126,127	1,469,752
Personnel - payroll taxes	78,506	6,393	84,899	18,850	9,737	113,486
Personnel - employee benefits	102,940	8,382	111,322	24,717	12,768	148,807
Personnel - other	29,780	2,465	32,245	9,250	3,384	44,879
Professional fees	12,024	979	13,003	22,282	1,308	36,593
Travel	-	-	-	-	-	-
Total expenses	\$1,560,075	\$ 127,314	\$1,687,389	\$ 406,741	\$ 216,629	\$2,310,759

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, 2022 AND 2021

	2022	2021
Cash flows from operating activities		
Increase in net assets	\$ 169,080	\$ 674,620
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation, net of loss on property and equipment disposals	131,747	115,635
In-kind contributions of property and equipment	-	(14,860)
Net loss (earnings) in beneficial interest in assets held by FFTC	388,315	(466,962)
(Increase) / Decrease in accounts receivable, net	(2,265)	84,126
(Increase) / Decrease in pledges receivable, net	13,000	(10,000)
(Increase) / Decrease in prepaid expense	(56,914)	(930)
(Increase) / Decrease in other assets	(3,000)	12,441
(Decrease) / Increase in accounts payable	(2,609)	9,832
(Decrease) / Increase in credit cards	(4,614)	6,273
(Decrease) / Increase in accrued payroll and related liabilities	7,164	(42,570)
Net cash provided by operating activities	<u>639,904</u>	<u>367,605</u>
Cash flows from investing activities		
Contributions to beneficial interest in assets held by FFTC	-	(6,968)
Proceeds from disposal of property and equipment	2,030	-
Payments for property and equipment acquisitions	<u>(130,625)</u>	<u>(74,059)</u>
Net cash used by investing activities	<u>(128,595)</u>	<u>(81,027)</u>
Cash flows from financing activities		
Proceeds from paycheck protection program	-	339,952
Payments on capital lease	<u>(2,369)</u>	<u>(2,401)</u>
Net cash (used) / provided by financing activities	<u>(2,369)</u>	<u>337,551</u>
Net increase in cash and cash equivalents	508,940	624,129
Cash balance, beginning of year	<u>1,432,851</u>	<u>808,722</u>
Cash balance, end of year	<u><u>\$1,941,791</u></u>	<u><u>\$1,432,851</u></u>

Supplemental information:

Interest paid on a capital lease in 2022 and 2021 was \$1,047 and \$725, respectively

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, 2022 AND 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Children's Attention Home, Inc. (hereafter "the Home") provides residential care and developmental services to the abused, neglected, and homeless children that come into its care. Residential care is critical to meeting the children's emergency and basic needs including food, clothing, shelter, and healthcare. Developmental services focus on the individual needs of each child including social development, educational support, cultural enrichment, independent living skills, and workforce preparedness. 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 140 children each year, ages birth to 21 years, and has served over 8,500 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.

Basis of Accounting

The Home's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Home is required to present information regarding its financial position and activities according to the following net asset classifications:

Net Assets without donor restrictions:

These are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Home. These net assets may be used at the discretion of the Home's management and the board of directors.

Net Assets with donor restrictions:

These are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Home or by the passage of time.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

**CHILDREN’S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued):

Functional Expenses

The Home uses various methods to allocate its natural expenses among programs, management and general, and fundraising functions when certain costs cannot be directly coded to a natural expense. Items coded to the *Direct Program and Event Expenses* line in the statement of functional expenses do not always involve allocations and are most often the result of directly coding certain program and fundraising event costs. For example, program costs for the children’s food, clothing, recreation, and other supplies for educational, medical, hygiene purposes as well as fundraising event costs for entertainment, rentals, prizes, and catering are included in this line. When a cost is shared across the two programs, the allocation is based on the occupancy rate of children served.

The following lines in the statement of functional expenses include the following allocation methods when direct coding to a natural expense is not feasible:

<u>Expense</u>	<u>Method</u>
Amortization and Depreciation	Square Footage
Auto & Travel	Gov’t De Minimis [90% program / 10% general & admin]
Information Technology	Square Footage
Insurance - Other	Square Footage
Occupancy	Square Footage
Office	Square Footage
Personnel	Time and Effort
Professional Fees	Time and Effort

Measurement of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Home's ongoing primary program service. Nonoperating activities are limited to resources that generate return from investments on the Home’s endowments and other activities considered to be of a more unusual or nonrecurring nature.

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.

CHILDREN'S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued):

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 years returns for 2018, 2019, and 2020 are open for examination by federal and state taxing authorities.

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 [DSS hereafter] and (2) grants from the South Carolina Office of the Attorney General 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 Home 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 daily cost reimbursement rate. 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 the daily service has been performed for each child placed with the Home. The Home invoices DSS semi-monthly with 10-day payment terms.

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 or contributed, according to the provisions of the grant. Grant expenses are recognized when incurred for a grant related obligation. General contributions are recognized upon receipt.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Home that is, in substance, unconditional.

The Home has two primary fundraising events each year. Requests at the events are for unrestricted pledges, sponsorships, and general donations which allow the 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.

CHILDREN'S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued):

Contributed Non-Financial Assets

The Home's policy is to record donated goods, property, equipment, and services with an estimated fair market value of \$1,000 or more. These contributions are recorded to revenue at the date of donation using the estimated fair market value from local vendors or online sites in the Home's market area that provide or sell identical or very similar items. The Home simultaneously expenses these items in the same period as the donation as the Home's policy is to use or consume these items and not resale them for cash.

Donations of property and equipment 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.

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 and Pledges Receivable Valuation

Trade accounts receivable and pledge 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.

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 construction in progress.

CHILDREN’S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property and Equipment (Continued)

Estimated useful lives of the assets generally are as follows:

Buildings and Improvements	5-39 Years
Land Improvements	5-15 Years
Furniture and Equipment	5-10 Years
Vehicles	5 Years

Beneficial Interest in Assets Held by FFTC

The Home has entered into three separate designated fund agreements for its board-designated endowments with the Foundation for the Carolinas (“FFTC” hereafter). Contributions by the Home are pooled by FFTC. 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. Currently all contributions by the Home are board-designated endowments.

These pooled funds have been designated by the board and are to be used for general operations, capital expenditures, and the Home’s legacy. The Operating Fund is considered a rainy-day fund for the future general operations of the Home. The Capital Campaign Fund is to be used for capital expenditures, significant maintenance and repair of long-term assets, and the expansion of the Home’s campus including land purchase and construction of additional children’s residential care facilities. The Legacy Fund is to ascertain that the Home always has a future operation. Since each of these funds is a board designated endowment being fully distributable to the Home, they are considered unrestricted for net asset purposes.

The primary investment objective of the Operating and Capital Campaign Funds is to meet the annual operational or emergency needs of the Home. 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 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.

CHILDREN’S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Beneficial Interest in Assets Held by FFTC (Continued)

Concerning the Home’s spending policy, the distribution rate for the Operating Fund and the Capital Campaign 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. 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.

Recently Adopted Accounting Standards

In September 2020, the FASB issued *Accounting Standards Update No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update is expected to increase transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by not-for-profit (NFP) organizations, including transparency on how those assets are used and how they are valued. The amendments are effective for fiscal years beginning after June 15, 2021. During 2022, management implemented the new standard and the effects are demonstrated in the financial statements.

Recently Issued Accounting Pronouncements

In February 2016, the FASB amended the Leases Topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation and disclosure of leasing transactions. The amendments will be effective for fiscal years beginning after December 15, 2021. Management is currently evaluating the effect that implementation of the new standard will have on the Home’s financial statements.

CHILDREN’S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE B – LIQUIDITY AND AVAILABILITY

The following represents the Home’s financial assets on June 30, 2022:

Financial Assets at year end:	
Cash and cash equivalents	\$ 1,941,791
Accounts receivable, net	119,897
Pledges and private grants receivable, net	1,000
Beneficial interest in assets held by FFTC – Non-endowed	<u>1,041,085</u>
Total Financial Assets	<u>3,103,773</u>
 Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>(644,594)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,459,179</u>

The Home’s goal is to maintain financial assets to meet three months of operating expenses (approximately \$600,000). The three months of operating expenses are maintained in two separate checking accounts to limit exposure. The primary checking account maintains a balance of approximately \$300,000 and is used to cover recurring expenses. The secondary checking account maintains a balance of no less than \$300,000 to ensure easy access to cash which can be used to cover recurring or one-time expenses, as necessary.

In addition to financial assets available to meet general expenditures, the Home operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statement of cash flows which identifies the sources and uses of the Home’s cash and demonstrates positive cash generated by operations for fiscal years 2022 and 2021.

As part of its liquidity plan, excess cash at fiscal year-end is transferred to a Board-Designated Operating Reserve Fund. The target minimum of the Operating Reserve Fund is equal to three months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation. Funds invested through the Operating Reserve Fund can be liquidated and available as cash in less than thirty (30) days. This Operating Reserve Fund is disclosed above as the Non-endowed Investment.

Children’s Attention Home has a \$100,000 line of credit in the form of a corporate credit card as well as a \$75,000 revolving line of credit available to meet cash flow needs, if necessary.

CHILDREN'S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE C - ACCOUNTS RECEIVABLE, NET

Accounts receivable, net on June 30, 2022 and 2021, consisted of the following:

<u>Customer</u>	<u>2022</u>	<u>2021</u>
SC Dept. of Social Services	\$ 44,292	\$ 37,829
SC Office of Attorney General	68,107	71,475
Other	7,498	8,328
Total accounts receivable	<u>119,897</u>	<u>117,632</u>
Allowance for doubtful accounts	(-)	(-)
Total accounts receivable, net	<u>\$ 119,897</u>	<u>\$ 117,632</u>

NOTE D – PLEDGES RECEIVABLE, NET

Below is a summary of Pledges receivable, net on June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Due in less than year	\$ 2,000	\$ 15,000
Due in 1 to 5 years	-	-
Total pledges receivable	<u>2,000</u>	<u>15,000</u>
Allowance for doubtful pledges	(1,000)	(1,000)
Total pledges receivable, net	<u>\$ 1,000</u>	<u>\$ 14,000</u>

NOTE E –PROPERTY AND EQUIPMENT

Property and equipment for the years ended June 30, 2022 and 2021, consisted of the following:

<u>Classification</u>	<u>2022</u>	<u>2021</u>
Land and land improvements	\$ 481,584	\$ 481,584
Building and improvements	2,316,774	2,268,318
Operational equipment	82,532	97,410
Furniture and fixtures	63,217	24,833
Vehicles	199,183	222,675
Playground equipment	31,799	31,799
Total cost	<u>3,175,089</u>	<u>3,126,619</u>
Accumulated depreciation	(1,255,972)	(1,204,350)
Total property and equipment, net	<u>\$ 1,919,117</u>	<u>\$ 1,922,269</u>

Depreciation expense for the years ended June 30, 2022 and 2021, was \$131,747 including net losses on fixed asset disposals of \$2,737, and \$115,635 including net losses on fixed asset disposals of \$380, respectively.

**CHILDREN’S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE E –PROPERTY AND EQUIPMENT (Continued)

Included in property and equipment is \$23,183 carrying value for vehicles that were purchased with government grant funds. The Home retains title at the point of acquisition and has recognized the federal assistance revenue at that time. However, if a vehicle is disposed of for any reason within five years of acquisition date, the state agency must authorize any use of proceeds from the disposal or authorize any trade-ins.

NOTE F – BENEFICIAL INTEREST IN ASSETS HELD BY FFTC

As of June 30, 2022 and 2021, beneficial interest held in assets by FFTC were stated at fair value and were pooled as follows:

Foundation for the Carolinas <u>Investment Pool</u>	<u>2022</u>	<u>2021</u>
Income & Growth	\$ 2,132,678	\$ 2,439,579
Active L/T Growth	482,805	564,219
	<u>\$ 2,615,483</u>	<u>\$ 3,003,798</u>

The Income and Growth Pool is less focused on capital appreciation and more on dividend and interest income generation. It follows a balanced income approach utilizing fixed income securities and dividend-paying equity stocks, which can include non-U.S. stocks. Target allocations include US equity (20%), international equity (15%), emerging markets (5%), and fixed income (60%).

The Active L/T Growth Pool seeks long-term capital appreciation without exposure to hedge funds or private equity. It focuses on investing with a moderate to long-term horizon and offers broad domestic, international and emerging market exposure via large cap and small cap securities with a modest allocation to global fixed income. Target allocations include US equity (37%), international equity (25%), emerging markets (8%), liquid real assets (5%), and fixed income (25%).

NOTE G – FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

The Home uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

CHILDREN’S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE G – FAIR VALUE MEASUREMENTS (Continued)

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Home has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The Home has no Level 1 nor Level 3 inputs.

Determination of Fair Value

The Home bases its fair value on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is the Home’s policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy.

Fair value measurements for assets and liabilities where there exists limited or no observable market data and, therefore, are based primarily upon management’s own estimates, are often calculated based on current pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of current or future value.

The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short maturity of these instruments.

Assets measured at fair value on a recurring basis on June 30, 2022 and 2021:

<u>Assets</u>	<u>2022</u> Significant other Inputs: <u>Level 2</u>	<u>2021</u> Significant other Inputs: <u>Level 2</u>
Beneficial interest in assets held by FFTC	\$ 2,615,483	\$ 3,003,798
Total	<u>\$ 2,615,483</u>	<u>\$ 3,003,798</u>

CHILDREN’S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE G – FAIR VALUE MEASUREMENTS (Continued)

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

<u>Description</u>	<u>2022</u>	<u>2021</u>
Earnings	\$ (365,370)	\$ 488,285
Administrative fees	<u>(22,945)</u>	<u>(21,323)</u>
Net earnings	<u>\$ (388,315)</u>	<u>\$ 466,962</u>

NOTE H – ENDOWMENT FUNDS

Board-designated Endowments

As of June 30, 2022, the Board of Directors has designated \$2,615,483 to support the Home’s (1) continued operations; (2) capital projects; and (3) preservation for an indefinite future in the community. Spendable amounts for capital projects and the Home’s preservation equated to \$192,166 and \$127,589, respectively. For further information concerning investment restrictions, investment objectives, and spending policy to the three areas above, refer to “Note A – Significant Accounting Policies: Beneficial Interest in Assets Held by FFTC.”

Changes in endowment net assets as of June 30, 2022 and 2021, are as follows:

	<u>2022</u>	
	<u>Without Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of the year	\$ 3,003,798	\$ 3,003,798
Contributions	-	-
Net investment earnings	<u>(388,315)</u>	<u>(388,315)</u>
Endowment net assets, end of year	<u>\$ 2,615,483</u>	<u>\$ 2,615,483</u>

	<u>2021</u>	
	<u>Without Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of the year	\$ 2,529,868	2,529,868
Contributions	6,968	6,968
Net investment earnings	466,962	466,962
Endowment net assets, end of year	<u>\$ 3,003,798</u>	<u>\$ 3,003,798</u>

**CHILDREN’S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE I – CONCENTRATION IN CREDIT RISK

The Home maintains its cash and cash equivalent balance in one financial institution. On June 30, 2022 and 2021, the Home’s cash and cash equivalents exceeded the federally insured limits by \$1,675,740 and \$1,184,636, respectively.

For the years ending June 30, 2022 and 2021, the Home’s governmental contracts and grants accounts receivable included the following concentrations of the Home’s total accounts receivable:

	<u>2022</u>		<u>2021</u>	
<u>State Agency</u>	<u>Amount</u>	Percentage of Total <u>A/R</u>	<u>Amount</u>	Percentage of Total <u>A/R</u>
South Carolina’s Dept. of Social Services	\$ 44,292	37 %	\$ 37,829	29 %
South Carolina’s Office of Attorney General	68,107	56	71,521	54
Total	<u>\$ 112,399</u>	<u>93 %</u>	<u>\$ 109,350</u>	<u>83 %</u>

Amounts for the year ending June 30, 2022 and 2021, were fully collected subsequent to year end.

NOTE J – CONCENTRATION IN GOV’T CONTRACTS AND SUPPORT REVENUE

For the years ending June 30, 2022 and 2021, the Home’s governmental contract and support revenue included the following concentrations of the Home’s total revenues:

	<u>2022</u>		<u>2021</u>	
<u>Agency or Donor</u>	<u>Amount</u>	Percentage of Total Operating <u>Revenue</u>	<u>Amount</u>	Percentage of Total Operating <u>Revenue</u>
South Carolina’s Dept. of Social Services	\$ 911,552	30 %	\$ 814,324	32 %
Anonymous	550,000	18	200,000	8
South Carolina’s Office of Attorney General	287,473	9	267,338	11
Total	<u>\$ 1,749,025</u>	<u>57 %</u>	<u>\$ 1,081,662</u>	<u>51 %</u>

CHILDREN'S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE K – OPERATING LEASES

Lessor

The Home rented space to a local charter school and renewed its annual lease agreement on July 1, 2020 for another term of one year at \$1,750 per month. The rent revenue was used for general operational expenses of the Children's Attention Home. Rents received in 2021 were \$21,000. When the lease expired on June 30, 2021, the school elected not to renew the lease for another year. Therefore, there were no rents for 2022.

NOTE L – 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 qualified 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 was being depreciated over the lease's term for this cost in the Operational Equipment classification.

During 2022, the Home elected to terminate the lease early and return the equipment to the lessor. The buyout amount equated to \$1,870. Interest charged to expense in 2022 and 2021 was \$1,047 and \$689, respectively.

NOTE M – LINES OF CREDIT

The Home holds two lines of credit with the same financial institution that retains its operating deposit account. The first is for use of a corporate credit card. The total amount of credit available on a revolving basis is \$100,000. The annual interest rates for purchases and cash advances on June 30, 2022, were 8.74% and 25.49%, 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 2022 nor 2021 related to the line of credit based on it paying down its open balances in full on a monthly basis. The outstanding balances on the line of credit on June 30, 2022 and 2021, were \$22,179 and \$27,834, respectively.

The second line is a \$75,000 revolver to be used for any necessary operational working capital the Home may need for time. The line has a floating interest rate and accrues interest on any outstanding principal balance at a floating rate equal to the lender's prime rate plus 2% (the "Indexed Rate"). Interest is computed on an actual/360 simple interest basis. The line is available until September 5, 2021, the line's maturity date. The line is secured by all inventory, all receivables, contract rights, chattel paper, general intangibles, other rights to payment of every kind, and all equipment. The outstanding balances due at June 30, 2022 and 2021, were \$-0- and \$-0-, respectively. No interest was paid during 2022 and 2021 as the line was not utilized.

CHILDREN'S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE N - PAYCHECK PROTECTION PROGRAM TERM NOTE

On March 17, 2021, the Home entered into a promissory note with Wells Fargo Bank, evidencing an unsecured loan with a principal amount of \$339,952 pursuant to the Paycheck Protection Program (the "PPP Term Note") under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The PPP Term Note is guaranteed by the United States Small Business Administration [SBA hereafter].

The PPP Term Note matures two years from the disbursement date. On June 10, 2020, the Treasury and SBA clarified its payment deferral guidance that payments for PPP loans are deferred for at least 10 months after the end of the loan forgiveness cover period, which is either 24 weeks or 8 weeks after the loan disbursement date. Furthermore, if a loan forgiveness application is submitted within 10 months after the end of the loan forgiveness cover period, payments will be further deferred until such loan forgiveness is processed by the SBA. Interest will accrue beginning at the date of disbursement at a fixed annual rate of 1.000%. The outstanding principal balance may be prepaid by the HOME at any time prior to maturity with no prepayment penalties.

Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of loans granted under the PPP. The PPP Term Note is subject to forgiveness to the extent proceeds are used for payroll costs, including payments required to continue group health care benefits, and certain rent, utility, and mortgage interest expenses (collectively, "Qualifying Expenses"), pursuant to the terms and limitations of the PPP. The HOME believes that it used all of the proceeds from the PPP Term Note for Qualifying Expenses.

Upon receipt of the loan proceeds, the Home elected to classify the entire principal balance of the PPP Term Note as debt on the Statement of Financial Position, pursuant to FASB ASC Topic 470, *Debt*.

On or near August 10, 2022, the Home applied for loan forgiveness under the program requirements. As of the date of issuance of the financial statements, the Home had received the SBA's letter confirming the loan forgiveness as of August 17, 2022, in the amount of \$339,952.

NOTE O – COMPENSATED ABSENCES

In May 2020 the Home's management made a change to its policy related to compensated absences. The change was implemented effective July 1, 2020. The Home previously allowed for pay out to an employee for accumulated personal time off if an employee were to terminate employment. The policy no longer allows for such provision. To compensate for the conversion, the Home allowed employees to retain their accumulated personal time off by transferring it to a new category for future sick leave.

CHILDREN’S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE P - NET ASSETS WITH DONOR RESTRICTIONS

The Home’s net assets with donor restrictions as of June 30, 2022 and 2021, consisted of the following:

<u>Restricted Purpose</u>	<u>2022</u>	<u>2021</u>
Children’s services [Lancaster & Chester Counties]	\$ 7,221	\$ 8,449
Children’s services [York County]	2,000	-
Children’s clothing, hygiene, & school supplies	-	5,429
Crossroads program	-	4,346
Facility renovations / projects	10,000	9,024
Furniture	2,056	-
Food & food services	2,000	18,465
General supplies	-	200
Campus expansion	543,800	-
Educational & recreation activities	1,649	2,085
Independent living	-	19,794
Salaries and wages	35,530	37,403
Vehicle	40,000	-
Summer programs	338	1,982
Total	<u>\$ 644,594</u>	<u>\$ 107,177</u>

NOTE Q – CONTRIBUTED NON-FINANCIAL ASSETS

During the year ended June 30, 2022, the estimated fair market value of contributed goods, namely food and beverages for a fundraising event, was \$6,020 based on the vendor’s invoice discount. The value of contributed services for recognition in the financial statements did not meet the Home’s policy requirement threshold and have not been recorded.

During the year ended June 30, 2021, the estimated fair market value of contributed non-financial assets equated to \$25,258 and consisted of the following:

Equipment – Security system amounting to \$14,860 based on a local company’s retail market value for the system and installation.

Services – Lodging, rental space, and event services amounting to \$7,500 based on three business entities’ donations for a fundraising event to be given away as part of a silent auction.

Goods – Food and beverages for a fundraising event and a set of tires amounting to \$2,898 based on two business entities’ donations for a fundraising event to be given away as part of a silent auction.

**CHILDREN’S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE Q – CONTRIBUTED NON-FINANCIAL ASSETS (Continued)

There were no donor-imposed restrictions in 2022 or 2021, and all goods services were either consumed or given away by the Home.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Home, however, these services do not meet the criteria for recognition as contributed services. The Home received 927 and 569 volunteer hours for the years ended June 30, 2022 and 2021, respectively.

NOTE R – 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. The Home provides a maximum annual match of \$500. The Home contributed \$9,880 and \$8,515 in 2022 and 2021, respectively.

NOTE S - SUBSEQUENT EVENTS

Subsequent events were evaluated through January 30, 2023, which is the date the financial statements were available to be issued.