

CHILDREN'S ATTENTION HOME, INC.

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	3-4
FINANCIAL STATEMENTS:	
Statements of Financial Position	5
Statements of Activities	6-7
Statements of Functional Expenses	8-9
Statements of Cash Flows	10
Notes to Financial Statements	11-25



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, 2023 and 2022, 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, 2023 and 2022, 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.

WEST COLUMBIA

3101 SUNSET BLVD. · WEST COLUMBIA, SC 29169
POST OFFICE BOX 2044 · WEST COLUMBIA, SC 29171
MAIN LINE: 803.794.3712 · MAIN FAX: 803.739.4394
WWW.BURKETTCPAS.COM

ROCK HILL

128 EAST MAIN STREET, SUITE 201
ROCK HILL, SC 29730
MAIN LINE: 803.325.1660 · FAX LINE: 803.325.1665
WWW.BURKETTCPAS.COM

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
February 23, 2024

CHILDREN'S ATTENTION HOME, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 and 2022

ASSETS	2023	2022
Current assets		
Cash	\$ 2,128,704	\$ 1,941,791
Accounts receivable, net	164,768	119,897
Pledges receivable, net	4,000	1,000
Prepaid expense	41,890	98,044
Total current assets	<u>2,339,362</u>	<u>2,160,732</u>
Long-term assets		
Property and equipment, net	2,105,880	1,919,117
Beneficial interest in assets held by FFTC - non-endowed	-	1,041,085
Beneficial interest in assets held by FFTC - quasi-endowed	2,791,304	1,574,398
Other assets	3,000	3,000
Total long-term assets	<u>4,900,184</u>	<u>4,537,600</u>
TOTAL ASSETS	<u><u>\$ 7,239,546</u></u>	<u><u>\$ 6,698,332</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 75,943	\$ 9,312
Credit cards	1,571	23,261
Accrued liabilities	32,634	24,846
Total current liabilities	<u>110,148</u>	<u>57,419</u>
Long-term liabilities		
Paycheck protection program loan	-	339,952
Total long-term liabilities	<u>-</u>	<u>339,952</u>
TOTAL LIABILITIES	<u>110,148</u>	<u>397,371</u>
Net assets		
Without donor restrictions		
Non-designated	3,531,265	3,040,884
Board designated	2,791,303	2,615,483
With donor restrictions	806,830	644,594
Total net assets	<u>7,129,398</u>	<u>6,300,961</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,239,546</u></u>	<u><u>\$ 6,698,332</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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
REVENUES AND OTHER SUPPORT			
Federal, state, and county financial assistance	\$ 300,636	\$ -	\$ 300,636
Contract services	1,180,267	-	1,180,267
Contributions - general	876,579	522,842	1,399,421
Contributions - special events and fundraisers	188,068	-	188,068
Contributions - nonfinancial assets	7,125	-	7,125
Other	67	-	67
Net assets released from restrictions	360,606	(360,606)	-
Total revenues and other support	2,913,348	162,236	3,075,584
EXPENSES			
Program services	2,138,610	-	2,138,610
Supporting services:			
Management and general	421,002	-	421,002
Fundraising	236,134	-	236,134
Total support services	657,136	-	657,136
Total expenses	2,795,746	-	2,795,746
Change in net assets from operations	117,602	162,236	279,838
Non-operating activities			
Payroll protection program loan forgiveness	339,952	-	339,952
Interest	9,561	-	9,561
Gain on sale of fixed assets	24,257	-	24,257
Return on beneficial interest in assets held by FFTC, net	174,829	-	174,829
Total non-operating activities	548,599	-	548,599
Change in net assets	666,201	162,236	828,437
Net assets, beginning of year	5,656,367	644,594	6,300,961
Net assets, end of year	\$ 6,322,568	\$ 806,830	\$ 7,129,398

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 for SC Dept. of Social 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)	-
	2,532,638	537,417	3,070,055
Total revenues and other support			
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	629,127	-	629,127
Total expenses	2,512,660	-	2,512,660
Change in nets assets from operations	19,978	537,417	557,395
Nonoperating activities			
Return on beneficial interest in assets held by FFTC, net	(388,315)	-	(388,315)
Total nonoperating activities	(388,315)	-	(388,315)
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	\$ 5,656,367	\$ 644,594	\$ 6,300,961

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, 2023

	<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	\$ 288	\$ 44	\$ 332	\$ 3,447	\$ 177	\$ 3,956
Amortization and depreciation	98,289	14,856	113,145	24,039	5,226	142,410
Auto expenses	26,407	3,987	30,394	3,351	-	33,745
Conferences, conventions, meetings	1,044	158	1,202	297	19	1,518
Direct program and event expenses	81,577	10,752	92,329	-	40,622	132,951
Information technology	16,492	2,493	18,985	2,079	7,332	28,396
Insurance - other	14,143	2,138	16,281	3,459	752	20,492
Minor furnishings and equipment	9,928	1,501	11,429	582	512	12,523
Miscellaneous	-	-	-	18	-	18
Occupancy	109,864	17,694	127,558	16,849	3,663	148,070
Office	63,126	9,493	72,619	11,187	9,236	93,042
Personnel - salaries and wages	1,171,848	177,119	1,348,967	293,061	138,443	1,780,471
Personnel - payroll taxes	92,489	13,979	106,468	23,132	10,934	140,534
Personnel - employee benefits	103,698	15,674	119,372	25,935	12,259	157,566
Personnel - other	35,955	5,482	41,437	6,185	3,463	51,085
Professional fees	31,431	4,751	36,182	7,381	3,489	47,052
Travel	1,659	251	1,910	-	7	1,917
Total expenses	<u>\$ 1,858,238</u>	<u>\$ 280,372</u>	<u>\$ 2,138,610</u>	<u>\$ 421,002</u>	<u>\$ 236,134</u>	<u>\$ 2,795,746</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.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities		
Increase in net assets	\$ 828,437	\$ 169,080
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization and depreciation	142,410	131,747
Gain on property and equipment disposals	(24,257)	-
Net loss (earnings) in beneficial interest in assets held by FFTC	(175,821)	388,315
Paycheck Protection Program loan forgiveness	(339,952)	-
(Increase) / Decrease in accounts receivable, net	(44,871)	(2,265)
(Increase) / Decrease in pledges receivable, net	(3,000)	13,000
(Increase) / Decrease in prepaid expense	56,155	(56,914)
(Increase) / Decrease in other assets	-	(3,000)
(Decrease) / Increase in accounts payable	66,631	(2,609)
(Decrease) / Increase in credit cards	(21,690)	(4,614)
(Decrease) / Increase in accrued payroll and related liabilities	7,788	7,164
Net cash provided by operating activities	<u>491,830</u>	<u>639,904</u>
Cash flows from investing activities		
Proceeds from disposal of property and equipment	39,527	2,030
Payments for property and equipment acquisitions	<u>(344,444)</u>	<u>(130,625)</u>
Net cash used by investing activities	<u>(304,917)</u>	<u>(128,595)</u>
Cash flows from financing activities		
Payments on capital lease	<u>-</u>	<u>(2,369)</u>
Net cash used by financing activities	<u>-</u>	<u>(2,369)</u>
Net increase in cash and cash equivalents	186,913	508,940
Cash balance, beginning of year	<u>1,941,791</u>	<u>1,432,851</u>
Cash balance, end of year	<u>\$ 2,128,704</u>	<u>\$ 1,941,791</u>

Supplemental information:

Interest paid on a capital lease in 2023 and 2022 was \$0 and 1,047, 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, 2023 AND 2022

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 36 children, the Home provides services to approximately 115 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, 2023 AND 2022**

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, 2023 AND 2022

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 2019, 2020, and 2021 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, 2023 AND 2022

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. During the year the Home updated their capitalization policy to expense items that cost less than \$2,500 as incurred. As of June 30, 2022, the policy reflected \$1,000 to be expensed per item as incurred. This is deemed to be a change in current and future estimates as more items meeting the new threshold will increase the natural expense, *minor furnishings and equipment*, in the statement of activities. The effect on the change in net assets for the current year was not material.

CHILDREN’S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property and Equipment (Continued)

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.

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. Based on the Home’s revised investment strategies related to general operating cash needs during the year, the board approved for management to close the Operating fund and move those funds to the Capital Campaign fund and Legacy Fund in equal amounts. 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.

CHILDREN'S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Beneficial Interest in Assets Held by FFTC (Continued)

The primary investment objective of the Capital Campaign Funds is to meet the annual capital projects 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.

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 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 were effective for fiscal years beginning after December 15, 2021. Management evaluated the effect that implementation of the new standard would have on the Home's financial statements. Management believes there was no impact to its financial statements in that the Home does not have material lease obligations. If the Home enters into material lease obligations in the future, then management's plan is to implement upon contracting.

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments-Credit Losses (Topic 326)* to revise certain aspects of the measurement of credit losses on financial instruments. The goal of the update was to provide more timely recognition of credit losses for financial assets. One significant objective of the update was to eliminate the barrier to timely recognition of credit losses by using an expected loss model instead of an incurred loss model. The amendments are effective for fiscal years beginning after December 15, 2022. The update typically does not apply to a non-profit organization's promises to give; however, it does apply to the organization's program receivables which are deemed a financial asset. Since the Home does have program receivables, management is evaluating the effect that implementation of the new standard would have on the Home's financial statements.

CHILDREN’S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE B – LIQUIDITY AND AVAILABILITY

The following represents the Home’s financial assets on June 30, 2023:

Financial Assets at year end:	
Cash and cash equivalents	\$ 2,128,704
Accounts receivable, net	164,768
Pledges and private grants receivable, net	4,000
Total Financial Assets	<u>2,297,472</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>(806,830)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,490,642</u>

The Home’s goal is to maintain financial assets to meet three months of operating expenses (approximately \$800,000). The three months of operating reserves are maintained in a money market account. The checking account maintains a balance adequate to cover recurring expenses and upcoming planned expenditures. 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.

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 2023 and 2022.

As part of its liquidity plan, excess cash at fiscal year-end is transferred to either its Board-Designated Capital Campaign or Legacy Fund.

Children’s Attention Home has a \$100,000 line of credit in the form of a corporate credit card.

CHILDREN'S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE C – ACCOUNTS RECEIVABLE, NET

Accounts receivable, net on June 30, 2023 and 2022, consisted of the following:

<u>Customer</u>	<u>2023</u>	<u>2022</u>
SC Dept. of Social Services	\$ 47,547	\$ 44,292
SC Office of Attorney General	115,193	68,107
Other	2,028	7,498
Total accounts receivable	<u>164,768</u>	<u>119,897</u>
Allowance for doubtful accounts	(-)	(-)
Total accounts receivable, net	<u>\$ 164,768</u>	<u>\$ 119,897</u>

NOTE D – PLEDGES RECEIVABLE, NET

Below is a summary of Pledges receivable, net on June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Due in less than year	\$ 5,000	\$ 2,000
Due in 1 to 5 years	-	-
Total pledges receivable	<u>5,000</u>	<u>2,000</u>
Allowance for doubtful pledges	(1,000)	(1,000)
Total pledges receivable, net	<u>\$ 4,000</u>	<u>\$ 1,000</u>

NOTE E –PROPERTY AND EQUIPMENT

Property and equipment for the years ended June 30, 2023 and 2022, consisted of the following:

<u>Classification</u>	<u>2023</u>	<u>2022</u>
Land and land improvements	\$ 684,554	\$ 481,584
Building and improvements	2,369,886	2,316,774
Operational equipment	79,986	82,532
Furniture and fixtures	78,637	63,217
Vehicles	221,173	199,183
Playground equipment	31,799	31,799
Total cost	<u>3,466,035</u>	<u>3,175,089</u>
Accumulated depreciation	(1,360,155)	(1,255,972)
Total property and equipment, net	<u>\$ 2,105,880</u>	<u>\$ 1,919,117</u>

Depreciation expense for the years ended June 30, 2023 and 2022, was \$142,410, and \$131,747 including net losses on fixed asset disposals of \$2,737, respectively.

**CHILDREN’S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE F – BENEFICIAL INTEREST IN ASSETS HELD BY FFTC

As of June 30, 2023 and 2022, beneficial interest held in assets by FFTC were stated at fair value and were pooled as follows:

Foundation for the Carolinas Investment Pool	<u>2023</u>	<u>2022</u>
Income & Growth	\$ 1,702,218	\$ 2,132,678
Active L/T Growth	<u>1,089,086</u>	<u>482,805</u>
	<u>\$ 2,791,304</u>	<u>\$ 2,615,483</u>

The Income & Growth Pool is designed to yield consistent income and dividends while also achieving moderate capital appreciation. The portfolio is allocated 60% fixed income and 40% equity. The equity allocation includes domestic, international developed and emerging market large and small cap equity securities. The fixed income allocation includes short and medium term fixed income securities with an aggregate maturity of six years.

The Active L/T Growth Pool seeks long-term capital appreciation without exposure to hedge funds or private equity. Up to 70% of its assets are invested in broad domestic and international large and small-cap stocks in developed and emerging markets. The remaining assets are allocated to fixed income (25%) and real assets (5%).

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:

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.

CHILDREN’S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE G – FAIR VALUE MEASUREMENTS (Continued)

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, 2023 and 2022:

<u>Assets</u>	<u>2023</u> Significant other Inputs: <u>Level 2</u>	<u>2022</u> Significant other Inputs: <u>Level 2</u>
Beneficial interest in assets held by FFTC	\$ 2,791,304	\$ 2,615,483
Total	<u>\$ 2,791,304</u>	<u>\$ 2,615,483</u>

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>2023</u>	<u>2022</u>
Earnings	\$ 195,058	\$ (365,370)
Administrative fees	(20,229)	(22,945)
Net earnings	<u>\$ 174,829</u>	<u>\$ (388,315)</u>

**CHILDREN’S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE H – ENDOWMENT FUNDS

Board-designated Endowments

As of June 30, 2023, the Board of Directors has designated \$2,791,303 to support the Home’s (1) capital projects and (2) preservation for an indefinite future in the community. Spendable amounts for capital projects and the Home’s preservation equated to \$241,082 and \$192,166, 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, 2023 and 2022, are as follows:

	<u>2023</u>	
	<u>Without Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of the year	\$ 2,615,483	\$ 2,615,483
Contributions	992	992
Net investment earnings	174,829	174,829
Endowment net assets, end of year	<u>\$ 2,791,304</u>	<u>\$ 2,791,304</u>
	 <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	(388,315)	(388,315)
Endowment net assets, end of year	<u>\$ 2,615,483</u>	<u>\$ 2,615,483</u>

NOTE I – CONCENTRATION IN CREDIT RISK

The Home maintains its cash and cash equivalent balance in one financial institution. On June 30, 2023 and 2022, the Home’s cash and cash equivalents exceeded the federally insured limits by \$1,879,910 and \$1,675,740, respectively.

**CHILDREN’S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE I – CONCENTRATION IN CREDIT RISK (Continued)

For the years ending June 30, 2023 and 2022, the Home’s governmental contracts and grants accounts receivable included the following concentrations of the Home’s total accounts receivable:

	<u>2023</u>		<u>2022</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	\$ 47,547	29 %	\$ 44,292	37 %
South Carolina’s Office of Attorney General	115,193	70	68,107	56
Total	<u>\$ 162,740</u>	<u>99 %</u>	<u>\$ 112,399</u>	<u>93 %</u>

Amounts for the years ending June 30, 2023 and 2022, were fully collected subsequent to year end.

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

For the years ending June 30, 2023 and 2022, the Home’s governmental contract and support revenue included the following concentrations of the Home’s total revenues:

	<u>2023</u>		<u>2022</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	\$ 1,576,667	46 %	\$ 911,552	30 %
Anonymous	-	-	550,000	18
South Carolina’s Office of Attorney General	279,890	8	287,473	9
Total	<u>\$ 1,856,557</u>	<u>54 %</u>	<u>\$ 1,749,025</u>	<u>57 %</u>

CHILDREN'S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE K – LINES OF CREDIT

The Home held two different lines of credit related to a corporate credit card. The Home changed financial institutions during the year in which one line was closed with the former and a new line opened with the latter. The total amount of credit available on a revolving basis was \$100,000 with each respective financial institution. The annual interest rates on the new line of credit for purchases and cash advances at the date of application, were 21.00% and 23.99%, 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 2023 nor 2022 related to the lines of credit based on it paying down its open balances in full on a monthly basis. The outstanding balances on the lines of credit on June 30, 2023 and 2022, were \$176 and \$22,179, respectively.

The Home also held another line of credit for a \$75,000 revolver to be used for any necessary operational working capital the Home may need from time to time. The line had a floating interest rate and accrued interest on any outstanding principal balance at a floating rate equal to the lender's prime rate plus 2% (the "Indexed Rate"). Interest was computed on an actual/360 simple interest basis. The line was secured by all inventory, all receivables, contract rights, chattel paper, general intangibles, other rights to payment of every kind, and all equipment. The line was available until May 5, 2023, the line's maturity date. Management did not renew when the contract expired. The outstanding balances due at May 5, 2023, and June 30, 2022, were \$-0- and \$-0-, respectively. No interest was paid during 2023 and 2022 as the line was not utilized.

NOTE L - PAYCHECK PROTECTION PROGRAM TERM NOTE

On March 17, 2022, 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.

**CHILDREN’S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE L - PAYCHECK PROTECTION PROGRAM TERM NOTE (Continued)

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*.

The Home received loan forgiveness as of August 17, 2023, in the amount of \$339,952. The Home has recognized this as other income in the financial statements.

NOTE M - NET ASSETS WITH DONOR RESTRICTIONS

The Home’s net assets with donor restrictions as of June 30, 2023 and 2022, consisted of the following:

<u>Restricted Purpose</u>	<u>2023</u>	<u>2022</u>
Children’s services [Lancaster & Chester Counties]	\$ 7,221	\$ 7,221
Children’s services [York County]	-	2,000
Children’s health, hygiene, and medical	1,779	-
Fall recreation	2,000	-
Facility renovations / projects	-	10,000
Furniture	2,056	2,056
Food & food services	-	2,000
Campus expansion	375,104	543,800
Educational & recreation activities	-	1,649
Art activities	4,191	-
Salaries and wages	8,118	35,530
Vehicle	-	40,000
Recreation	1,361	-
Summer programs	-	338
SC Dept. of Social Services - stabilize provider operations and encourage new investment in services	405,000	-
Total	<u>\$ 806,830</u>	<u>\$ 644,594</u>

CHILDREN’S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE N – CONTRIBUTED NON-FINANCIAL ASSETS

During the year ended June 30, 2023 and 2022, the estimated fair market value of contributed goods, namely food and beverages for a fundraising event based on the vendor’s invoice discount was \$7,125 and \$6,020, respectively. 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.

There were no donor-imposed restrictions in 2023 or 2022, 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 1,061 and 927 volunteer hours for the years ended June 30, 2023 and 2022, respectively.

NOTE O – 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 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 \$10,765 and \$9,880 in 2023 and 2022, respectively.

NOTE P - SUBSEQUENT EVENTS

Subsequent events were evaluated through February 23, 2024, which is the date the financial statements were available to be issued.