

CHILDREN'S ATTENTION HOME, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

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

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, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of Children’s Attention Home, Inc. as of June 30, 2019 and 2018, 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.

Burkett Burkett & Burkett

Burkett, Burkett, & Burkett
Certified Public Accountants, P.A.
Rock Hill, South Carolina
September 30, 2019

CHILDREN'S ATTENTION HOME, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS	2019	2018
Current Assets		
Cash	\$ 983,155	\$ 1,098,338
Accounts Receivable, Net	279,669	155,187
Pledges Receivable, Net	14,000	200
Prepaid Expense	17,184	11,779
Total Current Assets	<u>1,294,008</u>	<u>1,265,504</u>
Long-term assets		
Property and Equipment, Net	1,955,680	2,009,174
Investment - Non-Endowed	991,310	448,788
Investment - Quasi-Endowed	1,093,958	1,050,011
Total Long-Term Assets	<u>4,040,948</u>	<u>3,507,973</u>
TOTAL ASSETS	<u>\$ 5,334,956</u>	<u>\$ 4,773,477</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 14,226	\$ 13,488
Credit Card	44,055	39,199
Accrued Payroll and Related Liabilities	52,818	103,224
Capital Lease - Current Portion	1,997	1,661
Total Current Liabilities	<u>113,096</u>	<u>157,572</u>
Long-term Liabilities		
Capital Lease	4,770	6,767
Total Long-term Liabilities	<u>4,770</u>	<u>6,767</u>
TOTAL LIABILITIES	<u>117,866</u>	<u>164,339</u>
Net Assets		
Without Donor Restrictions		
Non-Designated	3,050,175	3,045,175
Board Designated	2,085,268	1,498,799
With Donor Restrictions	81,647	65,165
Total Net Assets	<u>5,217,090</u>	<u>4,609,138</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,334,956</u>	<u>\$ 4,773,477</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
REVENUES AND OTHER SUPPORT			
Federal, state, and county financial assistance	\$ 1,662,724	\$ -	\$ 1,662,724
Contributions - general	701,763	161,103	862,866
Contributions - special events and fundraisers	392,236	-	392,236
Contributions - donation in-kind	23,833	-	23,833
Other	35,205	-	35,205
Net assets released from restrictions	144,621	(144,621)	-
Total revenues and other support	2,960,382	16,482	2,976,864
EXPENSES			
Program services	1,928,937	-	1,928,937
Supporting services:			
Management and general	491,034	-	491,034
Fundraising	33,716	-	33,716
Total support services	524,750	-	524,750
Total expenses	2,453,687	-	2,453,687
Change in nets assets from operations	506,695	16,482	523,177
Nonoperating activities			
Investment return, net	84,775	-	84,775
Total nonoperating activities	84,775	-	84,775
Change in net assets	591,470	16,482	607,952
Net assets, beginning of year	4,543,973	65,165	4,609,138
Net assets, end of year	\$ 5,135,443	\$ 81,647	\$ 5,217,090

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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
REVENUES AND OTHER SUPPORT			
Federal, state, and county financial assistance	\$ 1,635,061	\$ -	\$ 1,635,061
Contributions - general	641,870	210,985	852,855
Contributions - special events and fundraisers	331,444	-	331,444
Contributions - donation in-kind	32,651	-	32,651
Other	34,692	-	34,692
Net assets released from restrictions	212,263	(212,263)	-
Total revenues and other support	2,887,981	(1,278)	2,886,703
EXPENSES			
Program services	1,942,218	-	1,942,218
Supporting services:			
Management and general	484,490	-	484,490
Fundraising	27,382	-	27,382
Total support services	511,872	-	511,872
Total expenses	2,454,090	-	2,454,090
Change in nets assets from operations	433,891	(1,278)	432,613
Nonoperating activities			
Investment return, net	90,376	-	90,376
Total nonoperating activites	90,376	-	90,376
Change in net assets	524,267	(1,278)	522,989
Net assets, beginning of year	4,019,706	66,443	4,086,149
Net assets, end of year	\$ 4,543,973	\$ 65,165	\$ 4,609,138

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

CHILDREN'S ATTENTION HOME, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Program Services		
Salaries and Wages	\$ 1,153,494	\$ 1,175,309
Employee Benefits - Health Insurance	98,429	79,585
Payroll Taxes	93,994	95,638
Workmen's Compensation Insurance	19,139	20,502
Auto Expenses	20,774	18,709
Conferences and Training	14,399	8,863
Depreciation Expense	71,971	52,731
Minor Furnishings and Equipment	25,600	8,804
Miscellaneous	30,017	30,953
Occupancy	91,250	95,118
Office Expense	72,248	68,298
Professional Fees	40,082	46,964
Other Program Expenses	187,999	224,483
Travel and Meetings	9,542	16,261
Total Program Services Expense	\$ 1,928,937	\$ 1,942,218

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

CHILDREN'S ATTENTION HOME, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Continued from Page 8:

Supporting Services	2019	2018
Management and General		
Salaries	\$ 325,345	\$ 331,498
Employee Benefits - Health Insurance	27,762	22,447
Payroll Taxes	26,511	26,975
Workmen's Compensation Insurance	5,398	5,783
Auto Expense	5,859	5,277
Depreciation	20,299	14,874
Minor Furnishings and Equipment	7,221	2,483
Miscellaneous	8,466	8,730
Occupancy	25,737	26,828
Office Expense	20,378	19,263
Professional Fees	11,305	13,246
Staff Training and Development	4,061	2,500
Travel and Meetings	2,691	4,586
Total Management and General Expenses	491,034	484,490
Fundraising	33,716	27,382
Total Support Services	524,750	511,872
Total Expenses	\$ 2,453,687	\$ 2,454,090

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, 2019 AND 2018

	2019	2018
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	\$ 607,952	\$ 522,989
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation, net of gain on property and equipment disposals	92,270	67,605
In-kind contributions of property and equipment	-	(9,228)
Net investment earnings	(84,775)	(90,376)
(Increase) / Decrease in accounts receivable, net	(124,482)	(39,501)
(Increase) / Decrease in pledges receivable, net	(13,800)	12,850
(Increase) / Decrease in prepaid expense	(5,405)	(4,203)
(Increase) / Decrease in other assets	-	3,490
(Decrease) / Increase in accounts payable	738	(17,178)
(Decrease) / Increase in credit cards	4,856	4,101
(Decrease) / Increase in accrued payroll and related liabilities	(50,406)	(2,608)
Net cash provided (used) by operating activities	<u>426,948</u>	<u>447,941</u>
Cash Flows From Investing Activities:		
Board directed contributions into non-endowed investments	(501,695)	(2,660)
Proceeds from disposal of property and equipment	4,978	23,500
Payments for property and equipment	(43,753)	(103,613)
Net cash provided (used) by investing activities	<u>(540,470)</u>	<u>(82,773)</u>
Cash Flows From Financing Activities:		
Payments on Capital Lease	(1,661)	(1,421)
Net cash provided (used) by financing activities	<u>(1,661)</u>	<u>(1,421)</u>
Net increase / (decrease) in cash and cash equivalents	(115,183)	363,747
Cash Balance, Beginning of Year	<u>1,098,338</u>	<u>734,591</u>
Cash Balance, End of Year	<u>\$ 983,155</u>	<u>\$ 1,098,338</u>

Supplemental Information:

Interest paid on a capital lease in 2019 and 2018 was \$1,455 and \$1,615, respectively

In 2019 there were no non-cash investing nor financing activities. In 2018 non-cash investing activities included \$9,228 of donated security equipment and \$3,867 of furniture and computer equipment on S/T credit.

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, 2019 AND 2018

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

Basis of Accounting

The Center'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 Center 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 Center. These net assets may be used at the discretion of the Center'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 Center 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, 2019 AND 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued):

Reclassifications

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

Functional Expenses

The Home uses square footage method to allocate its natural expenses between its program and supporting services functions. Exceptions include direct program costs which are expensed 100% to program expense and fundraising costs which are expensed 100% to fundraising expense. The *other program expenses* line in the statement of activities includes items for the children such as food, clothing, recreation, and other supplies for educational, medical, hygiene, and household purposes. In 2019, allocations were 78% for program and 22% for support. In 2018, allocations were 78% for program and 22% for support.

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.

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 2016, 2017, and 2018 returns are open for examination by federal and state taxing authorities.

CHILDREN'S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued):

Program and Support Revenue

The Home has one primary program, namely the Residential Care Program. Residential Care Program revenues are generated primarily through (1) a service contract with the South Carolina Department of Social Services and (2) grants from the South Carolina Department of Public Safety, 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 cost reimbursement. The Home would be expected to absorb the additional cost of providing the quantity of services contracted. Likewise, if the Home performs the services more efficiently than contracted for, the excess is available for future operating cost. Revenue is recognized once services have been performed.

The Home receives support from its many local private donors. It also receives grants from many regional and local foundations and businesses. Grant revenues are recorded as they are earned, according to the provisions of the grant. Grant expenses are recognized when incurred for a grant related obligation. General contributions are recognized upon receipt.

Contributed Services

During the years ended June 30, 2019 and 2018, the value of contributed services meeting the requirements for recognition in the financial statements were not material and have not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Home, but these services do not meet the criteria for recognition as contributed services. The Home received more than 5,644 and 7,120 volunteer hours for the years ended June 30, 2019 and 2018, respectively.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Home that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Annual Fundraising Event, 'Heart of the Home' - Requests are for unrestricted pledges and 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, 2019 AND 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued):

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. Estimated useful lives of the assets generally are as follows:

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

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

CHILDREN’S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

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

These investments 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 investment 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.

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.

**CHILDREN’S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Center has adjusted the presentation of these statements accordingly.

NOTE B – LIQUIDITY AND AVAILABILITY

The following represents the Home’s financial assets at June 30, 2019:

Financial Assets at year end:	
Cash and cash equivalents	\$ 983,155
Accounts receivable, net	279,669
Pledges and private grants receivable, net	14,000
Investments	2,085,268
Total Financial Assets	3,362,092
Less amounts not available to be used within one year:	
Net assets with donor restrictions	81,647
Investments held for quasi-endowment	1,093,958
Financial assets available to meet general expenditures over the next twelve months	\$ 2,186,487

Children’s Attention 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 Children’s Attention 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 shows positive cash generated by operations for fiscal years 2019 and 2018.

**CHILDREN’S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE B – LIQUIDITY AND AVAILABILITY (Continued)

As part of its liquidity plan, excess cash at fiscal yearend 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.

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.

NOTE C - ACCOUNTS RECEIVABLE, NET

Accounts Receivable, Net at June 30, 2019 and 2018 consisted of the following:

<u>Customer</u>	<u>2019</u>	<u>2018</u>
SC Dept. of Social Services	\$ 47,787	\$ 55,668
SC Office of Attorney General	216,988	91,367
SC Dept. of Education	5,596	5,945
Other	9,298	3,422
Total Accounts Receivable	<u>279,669</u>	<u>156,202</u>
Allowance for Doubtful Accounts	(-)	(1,015)
Total Accounts Receivable, Net	<u>\$ 279,669</u>	<u>\$ 155,387</u>

NOTE D – PLEDGES RECEIVABLE, NET

Below is a summary of Pledges Receivable, Net at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Due in less than year	\$ 15,000	\$ 200
Due in 1 to 5 years	-	-
Total Pledges Receivable	<u>15,000</u>	<u>200</u>
Allowance for Doubtful Pledges	(1,000)	(-)
Total Pledges Receivable, Net	<u>\$ 14,000</u>	<u>\$ 200</u>

CHILDREN'S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE E –PROPERTY AND EQUIPMENT

Property and equipment for the years ended June 30, 2019 and 2018 consisted of the following:

<u>Classification</u>	<u>2019</u>	<u>2018</u>
Land and Land Improvements	\$ 481,584	\$ 481,584
Building and Improvements	2,204,813	2,170,396
Operational Equipment	110,539	101,198
Furniture and Fixtures	17,201	17,201
Vehicles	187,644	201,933
Playground Equipment	31,799	38,582
Total Cost	<u>3,033,580</u>	<u>3,010,893</u>
Accumulated Depreciation	<u>(1,077,900)</u>	<u>(1,001,719)</u>
Total Property and Equipment, Net	<u>\$ 1,955,680</u>	<u>\$ 2,009,174</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$92,270 and \$67,605 including net gains / (losses) on fixed asset disposals of \$(3,396) and \$20,224, respectively.

Included in Vehicles is \$53,795 [net book value] of vans 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 the vehicles are 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 - INVESTMENTS

As of June 30, 2019, and 2018 investment funds were stated at fair market value and were invested as follows:

Foundation of the Carolinas <u>Investment Pool</u>	<u>2019</u>	<u>2018</u>
Income & Growth	\$ 1,648,434	\$ 1,073,866
Active L/T Growth	<u>436,834</u>	<u>424,933</u>
	<u>\$ 2,085,268</u>	<u>\$ 1,498,799</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%).

CHILDREN'S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE F – INVESTMENTS (Continued)

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 (36.5%), international equity (25.5%), emerging markets (8%), real assets [commodities] (5%), and fixed income (25%).

Assets are measured at fair value on a recurring basis using quoted prices in active markets for identical assets or liabilities which is a Level 1. Below are schedules demonstrating the values by level at June 30, 2019 and 2018:

		<u>2019</u>		
<u>Assets</u>	<u>Total</u>	<u>Quoted Prices: Level 1</u>	<u>Significant other Inputs: Level 2</u>	<u>Significant Non-observable Inputs: Level 3</u>
Trading Securities	\$ 2,085,268	\$ 2,085,268	-	-
Total	\$ 2,085,268	\$ 2,085,268	-	-

		<u>2018</u>		
<u>Assets</u>	<u>Total</u>	<u>Quoted Prices: Level 1</u>	<u>Significant other Inputs: Level 2</u>	<u>Significant Non-observable Inputs: Level 3</u>
Trading Securities	\$ 1,498,799	\$ 1,498,799	-	-
Total	\$ 1,498,799	\$ 1,498,799	-	-

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

<u>Description</u>	<u>2019</u>	<u>2018</u>
Investment Earnings	\$ 99,796	\$ 102,066
Investment Fees	(15,021)	(11,690)
Net Investment Earnings	\$ 84,775	\$ 90,376

**CHILDREN’S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE G – ENDOWMENT FUNDS

Board-designated Endowments

As of June 30, 2019, and 2018, the Board of Directors have designated \$2,085,268 and \$1,498,799 respectively to support the Home’s (1) continued operations; (2) capital projects; and (3) preservation for an indefinite future in the community. For further information concerning investment restrictions, investment objectives, and spending policy to the three areas above, refer to “Note A – Significant Accounting Policies: Investments.”

Changes in endowment net assets as of June 30, 2019 and 2018 are as follows:

	<u>2019</u>	
	<u>Without Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of the year	\$ 1,498,799	\$ 1,498,799
Contributions	501,694	501,694
Net investment earnings	84,775	84,775
Reclassifications	-	-
Endowment net assets, end of year	<u>\$ 2,085,268</u>	<u>\$ 2,085,268</u>
	<u>2018</u>	
	<u>Without Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of the year	\$ 1,405,763	\$ 1,405,763
Contributions	2,660	2,660
Net investment earnings	90,376	90,376
Reclassifications	-	-
Endowment net assets, end of year	<u>\$ 1,498,799</u>	<u>\$ 1,498,799</u>

**CHILDREN’S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE H – RELATED PARTY TRANSACTIONS

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

The Home rents space to the Charter School and renewed its annual lease agreement on July 1, 2018 for another term of one year at \$2,100 per month. These rent revenues were used for general operational expenses of the Children’s Attention Home. Rents received in 2019 and 2018 were \$25,200 and \$25,200, respectively.

The Home renewed its lease on July 1, 2019 for another one-year term and expects to receive \$25,200 over the term.

NOTE I – CONCENTRATION IN CREDIT RISK

The Home maintains its cash and cash equivalent balance in one financial institution. At June 30, 2019 and 2018 the Home’s cash and cash equivalents exceeded the federally insured limits by \$739,602 and \$852,789 respectively.

For the years ending June 30, 2019 and 2018, the Home’s governmental contracts and grants accounts receivable included the following concentrations of the Home’s total accounts receivable:

	<u>2019</u>		<u>2018</u>	
<u>State Agency</u>	<u>Amount</u>	<u>Percentage of Total A/R</u>	<u>Amount</u>	<u>Percentage of Total A/R</u>
South Carolina’s Dept. of Social Services	\$ 47,787	16 %	\$ 55,668	36 %
South Carolina’s Office of Attorney General and Department of Public Safety	214,147	73	91,367	59
Total	<u>\$ 261,934</u>	<u>89 %</u>	<u>\$ 147,035</u>	<u>95 %</u>

**CHILDREN’S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

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

For the years ending June 30, 2019 and 2018, the Home’s governmental contract and grant revenues included the following concentrations of the Home’s total revenues:

<u>State Agency</u>	<u>2019</u>	<u>Percentage</u> <u>of Total</u> <u>Operating</u> <u>Revenue</u>	<u>2018</u>	<u>Percentage</u> <u>of Total</u> <u>Operating</u> <u>Revenue</u>
	<u>Amount</u>		<u>Amount</u>	
South Carolina’s Dept. of Social Services	\$ 1,125,575	38 %	\$ 1,126,990	37 %
South Carolina’s Office of Attorney General and Department of Public Safety	401,766	14	405,140	13
Total	<u>\$ 1,527,341</u>	<u>52 %</u>	<u>\$ 1,532,130</u>	<u>50 %</u>

NOTE K – OPERATING LEASES

The Home entered into an operating lease with Pitney Bowes on March 21, 2013 for postage processing equipment. The lease’s term is for 51 months and includes quarterly base payments in the amount of \$111 plus applicable taxes. The lease expired during 2017, but the Home renewed the lease for another 51 months at the same rates on July 11, 2017. Payments totaling \$475 and \$475 were made in 2019 and 2018 respectively. Future rental payments for July 11, 2019 to July 10, 2021 total \$1,068.

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 qualifies as a capital lease under generally accepted accounting principles in the United States. The equipment’s fair market value at lease inception was \$10,486 and is being depreciated over the lease’s term for this cost in the Operational Equipment classification. The lease is collateralized with the equipment and has a carrying value of \$7,990. Interest charged to expense in 2019 and 2018 was \$1,429 and \$1,607, respectively.

In 2018, the lease terms were revised by the vendor and include the following:

- An incremental borrowing rate that approximates 18.58%
- 50 monthly installments
- Monthly installment is \$257.51

CHILDREN’S ATTENTION HOME, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE L – CAPITAL LEASES (Continued)

The maturity of this obligation is as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 1,997
2021	2,401
2022	2,369
Total Due	<u>\$ 6,767</u>

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 at June 30, 2019, were 9.49% and 26.24%, 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 2019 and 2018 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 at June 30, 2019 and 2018, were \$43,867 and \$38,356 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 accrues interest on any outstanding principal balance at a floating rate equal to the Index plus 1.500% (the “Indexed Rate”). Interest is computed on an actual/360 simple interest basis. The line is available until September 5, 2019, 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 balance due at June 30, 2019 and 2018, was \$0 and \$0, respectively.

NOTE N – COMPENSATED ABSENCES

Depending on the length of service, employees can accrue up to 320 hours of paid leave. The Home has accrued liabilities for compensated absences at June 30, 2019 and 2018 in the amounts of \$48,061 and \$42,027 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 full-time employees. Traditional plan contributions are made on a pre-tax basis while Roth plan contributions are made on an after-tax basis. Plan contributions are made exclusively by employees through payroll deduction.

**CHILDREN'S ATTENTION HOME, INC.
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FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE P - SUBSEQUENT EVENTS

Subsequent events were evaluated through September 30, 2019, which is the date the financial statements were available to be issued.