

**CHILDSAFE
AND
SALADO CREEK CAMPUS
HOLDING CORPORATION**

**Audited Consolidated Financial Statements
and
Single Audit Reports**

June 30, 2020

AKIN, DOHERTY, KLEIN & FEUGE, P.C.
Certified Public Accountants

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ChildSafe and Salado Creek Campus Holding Corporation
San Antonio, Texas

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of ChildSafe and Salado Creek Campus Holding Corporation (collectively referred to as the Organization), which comprise the consolidated statements of financial position of as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the ChildSafe and Salado Creek Campus Holding Corporation as of June 30, 2020 and 2019, and its activities, functional expenses and cash flows for the years then ended, in conformity with U. S. generally accepted accounting principles.

Other Matters

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.


Akin, Doherty, Klein & Feuge, P.C.

San Antonio, Texas

October 7, 2020

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidated Statements of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets:		
Cash and cash equivalents:		
Unrestricted	\$ 1,294,652	\$ 214,484
Board designated	20,428	20,412
Capital campaign	1,757,682	6,910,190
Leverage lender account, designated for construction	1,389,576	5,428,419
Restricted for reserves, long term debt	868,808	968,308
Total cash and cash equivalents	<u>5,331,146</u>	<u>13,541,813</u>
Investments, at fair value:		
Board designated	199,319	206,231
Restricted for capital campaign	12,517	12,517
Accounts receivable	578,804	374,251
Pledges receivable, current portion	277,026	941,706
Prepaid expenses and other current assets	40,913	75,771
Hwy 90 campus, held for sale	-	772,464
Total current assets	<u>6,439,725</u>	<u>15,924,753</u>
Noncurrent Assets:		
Salado Creek Campus:		
Land and improvements	1,713,053	1,713,053
Building and improvements	29,986,914	-
Leasehold improvements	106,994	-
Construction in progress	-	25,240,014
Furniture, fixtures, and equipment	1,926,963	1,145,648
Total Salado Creek Campus	<u>33,733,924</u>	<u>28,098,715</u>
Less accumulated depreciation	<u>(1,443,135)</u>	<u>-</u>
Salado Creek Campus, net	32,290,789	28,098,715
Pledges receivable, net of current portion	313,629	533,459
Note receivable	17,602,340	17,602,340
Other noncurrent assets	-	8,626
Total noncurrent assets	<u>50,206,758</u>	<u>46,243,140</u>
Total Assets	<u><u>\$ 56,646,483</u></u>	<u><u>\$ 62,167,893</u></u>

See notes to audited financial statements.

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidated Statements of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 22,943	\$ 2,650,454
Accrued expenses	142,571	97,403
Line of credit	250,000	680,000
Long-term debt, current portion	<u>6,592,457</u>	<u>2,024,369</u>
Total current liabilities	7,007,971	5,452,226
Non-Current Liabilities:		
Long-term debt, net of current portion	<u>35,012,762</u>	<u>40,869,631</u>
Total non-current liabilities	<u>35,012,762</u>	<u>40,869,631</u>
Total Liabilities	42,020,733	46,321,857
Net Assets:		
Without donor restrictions		
Available for general operations	10,530,573	1,693,102
Board designated	219,747	226,643
Designated for construction	1,389,576	5,428,419
With donor restrictions	<u>2,485,854</u>	<u>8,497,872</u>
Total net assets	<u>14,625,750</u>	<u>15,846,036</u>
Total Liabilities and Net Assets	<u><u>\$ 56,646,483</u></u>	<u><u>\$ 62,167,893</u></u>

See notes to audited financial statements.

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidated Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
United Way	\$ 515,044	\$ -	\$ 515,044
University Health System	171,405	-	171,405
Government contracts:			
Federal	1,821,777	-	1,821,777
State	819,328	-	819,328
Local	180,253	-	180,253
Contributions and grants:			
Foundations	749,648	125,000	874,648
Corporations and business	92,758	-	92,758
Individuals	187,005	-	187,005
Other	7,431	-	7,431
Special events, net of expenses of \$15,730	18,627	-	18,627
Capital campaign	-	62,490	62,490
Program revenue	12,477	-	12,477
Investment earnings (loss), net	(6,896)	-	(6,896)
In-kind support	201,652	-	201,652
Other revenues	12,635	-	12,635
Total support and revenues	<u>4,783,144</u>	<u>187,490</u>	<u>4,970,634</u>
Expenses			
Program services	5,517,780	-	5,517,780
Supporting services	437,004	-	437,004
Fundraising	332,963	-	332,963
Total expenses	<u>6,287,747</u>	<u>-</u>	<u>6,287,747</u>
Income (Loss) from Operations	(1,504,603)	187,490	(1,317,113)
Other Revenues (Expenses)			
Interest income	176,023	-	176,023
Interest expense	(521,227)	-	(521,227)
Gain on sale of Hwy 90 campus	442,153	-	442,153
Other	(122)	-	(122)
Total other revenues (expenses), net	<u>96,827</u>	<u>-</u>	<u>96,827</u>
Change in Net Assets	(1,407,776)	187,490	(1,220,286)
Net assets released from restrictions	6,199,508	(6,199,508)	-
Net assets at beginning of year	<u>7,348,164</u>	<u>8,497,872</u>	<u>15,846,036</u>
Net Assets at End of Year	<u>\$ 12,139,896</u>	<u>\$ 2,485,854</u>	<u>\$ 14,625,750</u>

See notes to audited financial statements.

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidated Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
United Way	\$ 148,579	\$ -	\$ 148,579
University Health System	168,369	-	168,369
Government contracts:			
Federal	2,102,365	-	2,102,365
State	529,586	-	529,586
Local	161,942	-	161,942
Contributions and grants:			
Foundations	558,225	900,000	1,458,225
Corporations and business	71,452	-	71,452
Individuals	197,543	-	197,543
Other	11,219	-	11,219
Special events, net of expenses of \$66,791	86,658	-	86,658
Capital campaign	-	4,714,263	4,714,263
Program revenue	8,785	-	8,785
Investment earnings, net	3,876	-	3,876
In-kind support	200,825	-	200,825
Other revenues	516	-	516
Total support and revenues	<u>4,249,940</u>	<u>5,614,263</u>	<u>9,864,203</u>
Expenses			
Program services	3,913,952	-	3,913,952
Supporting services	352,490	-	352,490
Fundraising	346,314	-	346,314
Total expenses	<u>4,612,756</u>	<u>-</u>	<u>4,612,756</u>
Income (Loss) from Operations	(362,816)	5,614,263	5,251,447
Other Revenues (Expenses)			
Interest income	176,023	-	176,023
Interest expense	(396,686)	-	(396,686)
Other	(62)	-	(62)
Total other revenues (expenses), net	<u>(220,725)</u>	<u>-</u>	<u>(220,725)</u>
Change in Net Assets	(583,541)	5,614,263	5,030,722
Net assets released from restrictions	1,320,709	(1,320,709)	-
Net assets at beginning of year	<u>6,610,996</u>	<u>4,204,318</u>	<u>10,815,314</u>
Net Assets at End of Year	<u>\$ 7,348,164</u>	<u>\$ 8,497,872</u>	<u>\$ 15,846,036</u>

See notes to audited financial statements.

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidated Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services	Supporting Services	Fundraising	Totals 2020
ChildSafe				
Salaries	\$ 2,778,697	\$ 283,436	\$ 207,575	\$ 3,269,708
Payroll taxes	223,069	22,596	16,637	262,302
Retirement plan	46,940	5,051	3,408	55,399
Health insurance and benefits	255,119	18,711	8,790	282,620
Conference and training	29,234	677	2,117	32,028
Insurance	70,295	7,396	3,344	81,035
Dues	10,690	1,785	7,192	19,667
Equipment rental	32,145	3,499	1,756	37,400
Miscellaneous	24,598	3,518	1,504	29,620
Occupancy	2,852	9,524	4,258	16,634
Postage	1,878	372	189	2,439
Program marketing	18,333	2,305	1,078	21,716
Printing	6,041	1,446	1,278	8,765
Professional fees	156,902	22,760	7,774	187,436
Professional fees, capital campaign	-	-	29,475	29,475
Repairs and maintenance	18,235	1,918	867	21,020
Supplies	40,936	3,083	1,427	45,446
Telephone	67,098	7,511	4,270	78,879
Travel	7,898	1,185	909	9,992
Public education and training	63,561	-	-	63,561
Depreciation	240,965	28,349	14,174	283,488
In-kind	183,829	11,882	5,941	201,652
Total Functional Expenses - ChildSafe	4,279,315	437,004	323,963	5,040,282
Salado Creek Campus Holding Corporation				
Professional fees	27,500	-	-	27,500
Professional fees, capital campaign	-	-	9,000	9,000
Depreciation	916,267	-	-	916,267
Interest	278,782	-	-	278,782
Miscellaneous	15,916	-	-	15,916
Total Functional Expenses - Salado Creek	1,238,465	-	9,000	1,247,465
Total Functional Expenses	\$ 5,517,780	\$ 437,004	\$ 332,963	\$ 6,287,747
Other costs not included above:				
Special events, direct costs			<u>\$ 15,730</u>	

See notes to audited financial statements.

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidated Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services	Supporting Services	Fundraising	Totals 2019
ChildSafe				
Salaries	\$ 2,389,619	\$ 192,399	\$ 169,933	\$ 2,751,951
Payroll taxes	186,567	14,620	13,354	214,541
Retirement plan	45,172	4,279	2,559	52,010
Health insurance and benefits	240,905	12,603	8,197	261,705
Conference and training	71,466	6,113	52	77,631
Insurance	23,643	2,560	1,190	27,393
Dues	9,189	1,149	4,137	14,475
Equipment rental	17,207	2,051	978	20,236
Miscellaneous	28,884	4,737	1,908	35,529
Occupancy	150,179	3,705	1,661	155,545
Postage	1,719	362	275	2,356
Program marketing	117,495	48,408	6,912	172,815
Printing	4,441	434	743	5,618
Professional fees	132,749	15,713	8,902	157,364
Professional fees, capital campaign	-	-	19,173	19,173
Repairs and maintenance	26,277	2,638	1,180	30,095
Supplies	38,774	1,554	422	40,750
Telephone	41,889	4,490	2,455	48,834
Travel	19,315	42	1,670	21,027
Public education and training	68,114	-	-	68,114
Depreciation	96,916	11,402	5,701	114,019
In-kind	141,525	23,231	36,069	200,825
Total Functional Expenses - ChildSafe	3,852,045	352,490	287,471	4,492,006
Salado Creek Campus Holding Corporation				
Professional fees	45,500	-	-	45,500
Professional fees, capital campaign	-	-	58,843	58,843
Miscellaneous	16,407	-	-	16,407
Total Functional Expenses - Salado Creek	61,907	-	58,843	120,750
Total Functional Expenses	\$ 3,913,952	\$ 352,490	\$ 346,314	\$ 4,612,756
Other costs not included above:				
Special events, direct costs			\$ 66,791	

See notes to audited financial statements.

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Activities		
Change in net assets	\$ (1,220,286)	\$ 5,030,722
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	1,199,755	114,019
Unrealized loss (gain) on investments	7,531	(2,880)
(Gain) on sale of Hwy 90 campus	(442,153)	-
Change in operating assets and liabilities:		
Accounts receivable	(204,553)	74,329
Pledges receivable	884,510	532,808
Prepaid expenses and other current assets	34,858	(41,605)
Accounts payable and accrued expenses	<u>(2,582,343)</u>	<u>274,659</u>
Net cash (used) provided by operating activities	<u>(2,322,681)</u>	<u>5,982,052</u>
Investing Activities		
Net investment activity	(619)	(866)
Proceeds from sale of Hwy 90 campus	1,167,870	-
Acquisition of fixed assets	(598,182)	(1,107,753)
Acquisition of construction and related costs	(4,746,900)	(16,040,964)
Other current assets	8,626	-
Net cash (used) by investing activities	<u>(4,169,205)</u>	<u>(17,149,583)</u>
Financing Activities		
Advances on line of credit	250,000	405,000
Payments on line of credit	(680,000)	-
Payments on long-term debt	(1,466,881)	-
Borrowings on long-term debt	<u>178,100</u>	<u>4,980,610</u>
Net cash (used) provided by financing activities	<u>(1,718,781)</u>	<u>5,385,610</u>
Net change in cash and cash equivalents	(8,210,667)	(5,781,921)
Cash and cash equivalents, beginning of year	<u>13,541,813</u>	<u>19,323,734</u>
Cash and Cash Equivalents, at End of Year	<u><u>\$ 5,331,146</u></u>	<u><u>\$ 13,541,813</u></u>
Supplemental Disclosures		
Cash paid for interest	\$ 800,009	\$ 425,196
Cash paid for capitalized interest	25,434	304,464
Cash paid for income taxes	-	-

See notes to audited financial statements.

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION**
Notes to Audited Consolidated Financial Statements
June 30, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities: ChildSafe is a Texas not-for-profit organization located in San Antonio, Texas and primarily serves residents of Bexar County to restore hope and healing through expert treatment to children and their families who have been traumatized by sexual abuse, physical abuse, and neglect. ChildSafe works with a multi-disciplinary team of Child Protective Services, the District Attorney's office and law enforcement to provide a continuum of care to each child and their family and bring perpetrators to justice. Services include forensic interviews, crisis intervention, case management, individual, group and family therapy, and adventure therapy to aid in the healing of child victims, with the support of their protective family members.

Salado Creek Campus Holding Corporation (Salado Creek), is a Texas not-for-profit corporation organized in 2017 to construct and maintain a campus for ChildSafe. Salado Creek holds title to the property and leases the facilities to ChildSafe. The campus is situated on 15 acres of land in San Antonio, Texas located at IH-10 and Houston Street.

ChildSafe and Salado Creek (collectively, the "Organization") are considered affiliates, and accordingly, these financial statements include the operations of both entities, and are therefore referred to as "*consolidated*".

Basis of Presentation: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions: Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Grants and contributions gifted for recurring programs are generally not considered "restricted" under GAAP, though for internal reporting the Organization tracks such grants and contributions to verify the disbursement matches the intent. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions, board designated.

With Donor Restrictions: Net assets with donor restrictions are subject to donor-imposed stipulations that are more restrictive than the Organization's mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition: Revenue from government contracts consist of cost reimbursable federal and state contracts and grants, which are generally conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION**
Notes to Audited Consolidated Financial Statements
June 30, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Contributions: Contributions and grants are reported as without or with donor restrictions, depending on the existence and/or nature of any restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restriction depending on the nature of the restriction. When a restriction expires, the net assets are reclassified to net assets without donor restriction. Non-cash contributions are recorded at their fair market value at the date of contribution.

Gifts of equipment are reported as without donor restrictions support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as with donor restrictions support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Contributions – United Way: The Organization typically receives an allocated grant on an annual basis from the United Way, covering the Organization's year July 1 to the following June 30. The grant is generally confirmed by the United Way near the Organization's year end or shortly thereafter and is recognized as revenue in the year to which the grant applies.

Contributed Materials and Services: Contributed gifts and services include in-kind contributions received by the Organization. Donated materials, which include clothing and toys, school supplies, and other items, are valued based on their estimated fair market value on the date of contribution. Services are valued based on an amount determined to be appropriate if individuals were employed by the Organization to perform such services.

Special Events: Costs associated with special events are netted against the related revenue.

Advertising: Advertising costs are expensed as incurred.

Functional Expenses: The costs of providing services and other activities are summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited. Expenses are allocated on a basis of time and effort (such as salaries and benefits) as well as square footage (such as depreciation, office and occupancy) or other reasonable basis.

Joint Costs: The Organization conducts a program specific marketing campaign for public awareness. Such costs are allocated primarily to program costs as there is not a direct plea for financial support in conjunction with this campaign.

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION**
Notes to Audited Consolidated Financial Statements
June 30, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and Cash Equivalents: Cash consists of unrestricted cash-on-hand, demand deposits held by financial institutions and any equivalent securities with an original maturity of three months or less. Board designated cash represents amounts designated for major capital improvements and to provide emergency funds in cases of operating cash shortfalls. Board approval is required for expenditures in accordance with the Organization's policy. Capital campaign cash represents amounts collected from pledges for construction of the Salado Creek Campus. The leverage lender account was set-up from the bridge loan proceeds to facilitate the construction of the Salado Creek Campus. See Note E. The reserves accounts were created based on guidelines established by the third-party lenders for long-term debt related to the construction of the Salado Creek Campus. Approval from a designated disbursing agent is required for expenditures from these accounts.

Accounts Receivable: Accounts receivable are reported at outstanding principal. The allowance for doubtful accounts is generally determined based on an account-by-account review and historical trends. Accounts are charged off when collection efforts have failed and the account is deemed uncollectible. An allowance was not required at June 30, 2020 and 2019. Interest is generally not charged on accounts receivable.

Pledges Receivable: Pledges receivable, less an allowance for uncollectible amounts, are recorded as receivables and revenue in the year made unless the pledge is dependent upon the occurrence of a specified future and uncertain event to bind the promisor. Conditional pledges are recognized when the conditions upon which they depend are substantially met or when the possibility that the condition will not be met is remote. Pledges with terms in excess of one year are discounted to present value.

Note Receivable: Note receivable is reported at outstanding principal.

Investments: Investments are reported at fair market value. Interest, dividends, gains and losses (realized and unrealized) and expenses are reported as investment earnings, net in the accompanying statements of activities.

Property and Equipment: Property and equipment is valued at historical cost or estimated fair value at the date of donation. Costs for incurred including construction, architectural, closing, capitalized interest and other "soft" costs, are capitalized as construction in progress. Expenditures for betterments that materially extend the useful life of an asset are capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets, which is generally three to thirty years. The Salado Creek Campus was built for and is used by ChildSafe, as such, management determined 85% of the campus depreciation will be allocated to program services.

Interest Costs: Interest costs of \$25,434 in 2020 and \$304,464 in 2019 have been capitalized as part of the new campus. Interest costs of \$800,009 in 2020 and \$425,196 in 2019 for long-term debt, not related to the campus construction, have been expensed and are included in the consolidated statement of activities.

Employee Benefit Plan: The Organization has established a 401(k) retirement plan for the benefit of substantially all of its full time employees. The Organization matches 100% of the first 2.5% an employee contributes to the Plan. Contributions by the Organization to the Plan totaled approximately \$55,000 in 2020 and \$52,000 in 2019.

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION**
Notes to Audited Consolidated Financial Statements
June 30, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Income Taxes: ChildSafe is a tax-exempt organization under Internal Revenue Service Code Section 501(c)(3). Salado Creek is a tax-exempt organization under Internal Revenue Service Code Section 501(c)(2). Therefore, no provision for income taxes has been provided in these consolidated financial statements. In addition, the Internal Revenue Service has determined Child Safe and Salado Creek are not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code; accordingly, donors of money and/or property are entitled to the maximum charitable contribution deduction allowed by law. The Organization is not subject to Texas margin tax. Management is not aware of any tax positions that would have a significant impact on its financial position. Its federal tax returns for the last 4 years remain subject to examination.

Compliance with Government Assistance, Grants and Contributions: The Organization participates in a number of federal and state awards programs. These programs require the Organization to comply with various conditions and stipulations. Management believes it is in compliance with, or will comply with, all such conditions and stipulations.

Concentrations of Credit Risk: Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, accounts receivable and pledges receivable. The Organization places its cash with financial institutions, and limits the amount of credit exposure, although it may from time to time have cash balances in excess of that insured by the FDIC. Accounts receivable are due primarily from federal, state and local governments and governmental units. A majority of the Organization's contributions and pledges are from individuals, corporations and foundations located in San Antonio and South Texas.

Subsequent Events: Subsequent events have been evaluated by management through the date of the independent auditor's report. Material subsequent events, if any, are disclosed in a separate footnote to these consolidated financial statements.

New Accounting Pronouncements: In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2021. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. Management does not expect the new standard to have a significant impact to its financial position, results of operations and related disclosures.

Recently Adopted Accounting Pronouncement: The Organization has adopted Accounting Standards Update (ASU) 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* which clarified how the new revenue recognition standard applied to not-for-profit organizations, and is effective for periods beginning after December 15, 2018. The Organization adopted this new pronouncement effective July 1, 2019 using the modified retrospective method. While adoption of this standard required additional disclosures, adoption did not have a significant impact on the financial statements and no adjustments were made to prior periods.

Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of consolidated financial statements, and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION**
Notes to Audited Consolidated Financial Statements
June 30, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Reclassifications: Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications has no effect on the previously reported change in net assets.

NOTE B – PLEDGES RECEIVABLE

Pledges receivable consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 277,026	\$ 941,706
Receivable in one to five years	<u>322,862</u>	<u>542,692</u>
Total pledges receivable	599,888	1,484,398
Less discount for long-term pledges	<u>(9,233)</u>	<u>(9,233)</u>
Pledges receivable, net of discount	<u>\$ 590,655</u>	<u>\$ 1,475,165</u>

NOTE C – NOTE RECEIVABLE

	<u>2020</u>	<u>2019</u>
Note receivable from Twain Investment Fund 214, LLC, with interest at 1.00%, quarterly interest only payments through December 2024, quarterly principal and interest payments of \$297,969 commencing March 2025 through December 2040.	<u>\$ 17,602,340</u>	<u>\$ 17,602,340</u>

Collection on the note receivable is expected to occur as follows:

Year Ended June 30:

2021	\$ -
2022	-
2023	-
2024	-
2025	1,191,876
Thereafter	<u>16,410,464</u>
Total	<u>\$ 17,602,340</u>

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION
Notes to Audited Consolidated Financial Statements
June 30, 2020 and 2019**

NOTE D – PROPERTY AND EQUIPMENT, HWY 90 CAMPUS

The Hwy 90 campus was sold in the fiscal year ended June 30, 2020 and ChildSafe received net proceeds of \$1,167,870 and recognized a gain on the sale of \$442,153.

NOTE E – SALADO CREEK CAMPUS, NEW MARKET TAX CREDIT FINANCING AND NOTE RECEIVABLE

In May 2017, the Organization purchased approximately 36 acres of land in San Antonio, Texas located on IH-10 at Houston Street for a new campus. On September 22, 2017, 21 of the 36 acres were donated to the City of San Antonio and will become part of the City's linear *Creekway Parks Development* program. Total costs of land, construction, architectural, closing and other "soft" costs have been capitalized as part of the Salado Creek Campus, and as of June 30, 2020, pledges and financing proceeds for the total project costs have been received or promised.

Construction financing was secured through a bridge loan for \$18,000,000 and six construction loans for approximately \$25,000,000, which qualify as new market tax credit mortgage loans, see Note G. In conjunction with the construction loans Twain Investment Fund 214, LLC committed approximately \$18,000,000 in the form of a note receivable to ChildSafe, see Note C.

NOTE F - LINE OF CREDIT

Broadway Bank: At June 30, 2019, the Organization had a revolving line of credit with Broadway Bank for \$1,000,000, which matured April 2020. The outstanding principal balance on the line of \$680,000 at June 30, 2019 was paid off and not renewed by the Organization.

The Ed Rachal Foundation: The Organization has revolving line of credit with The Ed Rachal Foundation for \$1,000,000. The line of credit bears interest at 3%. Monthly interest only payments are due on amounts drawn with all outstanding principal and interest due at maturity, May 1, 2021. Outstanding principal balance on the line totaled \$250,000 at June 30, 2020 and \$-0- at June 30, 2019.

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION**
Notes to Audited Consolidated Financial Statements
June 30, 2020 and 2019

NOTE G – LONG-TERM DEBT

Long-term debt consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
PPP loan payable to Vantage Bank Texas, See Note O	\$ 178,100	\$ -
Note payable to Ed Rachal Foundation, with interest at 3.00%, monthly principal and interest payments of \$571,783 through December 2022, secured by depository accounts.	16,533,119	18,000,000
Notes payable to PeopleFund NMTC 5, LLC, with interest at 1.218%, quarterly interest only payments through December 2024, quarterly principal and interest payments of \$95,393 commencing March 2025 through December 2047, secured by land and building. Prepayments are prohibited through December 2024.	7,644,000	7,644,000
Notes payable to MBS-UI SUB-CDE 35, LLC, with interest at 1.218%, quarterly interest only payments through December 2024, quarterly principal and interest payments of \$91,725 commencing March 2025 through December 2047, secured by land and building. Prepayments are prohibited through December 2024.	7,350,000	7,350,000
Notes payable to TMF SUB-CDE XXVIII, LLC, with interest at 1.218%, quarterly interest only payments through December 2024, quarterly principal and interest payments of \$123,548 commencing March 2025 through December 2047, secured by land and building. Prepayments are prohibited through December 2024.	<u>9,900,000</u>	<u>9,900,000</u>
Total long-term debt	<u>\$ 41,605,219</u>	<u>\$ 42,894,000</u>

Maturities of long-term debt will require the following principal repayments:

Year Ended June 30:

2021	\$ 6,592,457
2022	6,767,195
2023	3,351,567
2024	-
2025	1,143,330
Thereafter	<u>23,750,670</u>
Total	<u>\$ 41,605,219</u>

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION**
Notes to Audited Consolidated Financial Statements
June 30, 2020 and 2019

NOTE G – LONG-TERM DEBT – continued

PeopleFund, MBS and TMF notes require certain amounts to be maintained in reserve for interest, audit and tax reimbursements, service fees and various other expenses over the term of the loan. Reserves in cash and cash equivalents restricted by these lenders totaled \$868,808 and \$968,308 at June 30, 2020 and 2019, respectively.

NOTE H – NET ASSETS

Net assets with donor restrictions consist of the following at June 30:

<u>Asset / Item</u>	<u>Purpose / Restriction</u>	<u>2020</u>	<u>2019</u>
Accounts receivable	Time restricted	\$ 125,000	\$ 100,000
Pledges receivable - multi-year grants	Time restricted	400,000	600,000
Pledges receivable - capital campaign	Capital campaign	190,655	875,165
Pledges received, not expended:			
Cash	Capital campaign	1,757,682	6,910,190
Investments	Capital campaign	<u>12,517</u>	<u>12,517</u>
Total net assets with donor restrictions		<u>\$ 2,485,854</u>	<u>\$ 8,497,872</u>

Net assets designated for construction of \$1,389,576 and \$5,428,419 at June 30, 2020 and 2019, respectively, consist of the designated balance held in the Leverage Lender account. Advances on the bridge loan and annual interest income earned on the note receivable with Twain Investment Fund 214, LLC are funded to this account. The advances on the loan were designated by the lender to bridge funding periods between capital campaign pledges made to ChildSafe and the actual receipt of those funds, and to indirectly facilitate the construction of the Salado Creek Campus.

NOTE I – GOVERNMENT ASSISTANCE

The Organization receives government assistance for certain programs it administers. A description of the federal and state programs with assistance received is as follows for the year ended June 30, 2020:

<u>Program Description</u>	<u>Federal Funds Received</u>	<u>State Funds Received</u>
Victim Services	<u>\$ 1,821,777</u> ⁽¹⁾	<u>\$ 819,328</u> ⁽²⁾

⁽¹⁾ The Organization expended more than \$750,000 in federal funding during the fiscal year ended June 30, 2020. Accordingly, a Federal Single Audit is required for these expenditures.

⁽²⁾ The Organization expended more than \$750,000 in state funding during the fiscal year ended June 30, 2020. Accordingly, a State Single Audit is required for these expenditures.

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION**
Notes to Audited Consolidated Financial Statements
June 30, 2020 and 2019

NOTE J – FAIR VALUE MEASUREMENTS

In accordance with U.S. generally accepted accounting principles, the Organization utilizes a fair value hierarchy that prioritizes the inputs for the 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets
 - quoted prices for identical or similar assets or liabilities in inactive markets
 - inputs other than quoted prices that are observable for the asset or liability
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means
 - the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in methodologies used to measure fair value or transfers between levels. All of the Organization’s investments of \$211,836 at June 30, 2020 and \$218,748 at June 30, 2019 are held in mutual funds within pooled separate accounts, which represent a Level 2 investment under the fair value hierarchy. Pooled separate accounts are valued at the net asset value of the underlying mutual funds.

NOTE K – DONATED MATERIALS AND SERVICES

Donated materials and services (in-kind) are as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Clothing and toys	\$ 40,218	\$ 25,915
Professional services	19,933	121,023
School supplies	42,617	12,652
Other	<u>98,884</u>	<u>41,235</u>
Total	<u>\$ 201,652</u>	<u>\$ 200,825</u>

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION**
Notes to Audited Consolidated Financial Statements
June 30, 2020 and 2019

NOTE L – INVESTMENT EARNINGS, NET

Investment earnings are comprised of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 2,209	\$ 2,118
Net realized and unrealized gains (losses)	(7,531)	2,880
Investment expense	<u>(1,574)</u>	<u>(1,122)</u>
Investment earnings (losses), net	<u>\$ (6,896)</u>	<u>\$ 3,876</u>

NOTE M – OPERATING LEASES

ChildSafe leases certain equipment pursuant to non-cancellable operating lease agreements expiring through September 2022. Lease expense totaled approximately \$30,000 in 2020 and \$124,000 in 2019. The following is a schedule of future minimum rentals:

Year Ending June 30,

2021	\$ 11,820
2022	11,820
2023	2,955

Campus Lease: In August 2019, ChildSafe executed the lease agreement with Salado Creek for housing ChildSafe’s operations. The term of the lease is for thirty years, subject to an extension option. Intercompany lease transactions are eliminated in consolidation.

Sublease Rental Income: In 2020, the Organization began to sublease space in the Salado Creek Campus to two organizations. Total sublease rental income recognized in 2020 totaled \$117,156 and is reported net of the Organization’s lease expense in the statement of activities. The Organization expects to receive payments under the sublease as follows:

Year Ending June 30,

2021	\$ 175,800
2022	175,800
2023	175,800
2024	82,200
2025	85,200

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION
Notes to Audited Consolidated Financial Statements
June 30, 2020 and 2019**

NOTE N – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Organization has net financial assets of approximately \$2,000,000 at June 30, 2020 to conduct its mission during the next fiscal year. The Organization has a goal to maintain financial assets to meet two months of recurring operating expenses, which on average, total approximately \$548,000 per month given full programmatic operations, excluding fundraising costs. The Organization relies on operations to fund its activities throughout the year. The Organization also has a \$1,000,000 line of credit with a \$750,000 balance, which is available in the event of an unanticipated liquidity need.

NOTE O – PPP LOAN PAYABLE

The Organization received funding under the Paycheck Protection Program (PPP) as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), administered by the U.S. Small Business Administration (SBA). Under the terms of the note, the Organization received proceeds of \$178,100 bearing interest at a rate of 1% per annum with a maturity date of April 6, 2022. In addition, principal and interest payments will be deferred for the first six months of the loan.

The principal may be forgiven if the loan proceeds are used for qualifying expenses as described in the CARES Act, such as payroll costs, benefits, rent, and utilities. The Organization will apply for forgiveness and the determination of how much of the loan, if any, may be subject to forgiveness will be determined by the SBA. In the event the loan is not forgiven, \$78,327 will be due in year end June 30, 2021 and \$99,773 due in year end June 30, 2022.

NOTE P – COVID-19

As a result of the COVID-19 outbreak in the United States, economic uncertainties have arisen which could impact the Organization's operations. Mandated and voluntary closings have caused various business disruptions and created volatility in the economy. While these disruptions are currently expected to be temporary, there is considerable uncertainty around the duration or the effect on the stock market. Any related financial impact and duration cannot be reasonably estimated at this time.

**CHILDSAFE
AND
SALADO CREEK CAMPUS
HOLDING CORPORATION**

Consolidating Statements

June 30, 2020

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidating Statement of Financial Position
June 30, 2020

	<u>ChildSafe</u>	<u>Salado Creek</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
ASSETS				
Current Assets:				
Cash and cash equivalents:				
Unrestricted	\$ 1,181,772	\$ 112,880	\$ -	\$ 1,294,652
Board designated	20,428	-	-	20,428
Capital campaign	1,757,682	-	-	1,757,682
Leverage lender account, designated for construction	1,389,576	-	-	1,389,576
Restricted for reserves, long term debt	-	868,808	-	868,808
Total cash and cash equivalents	<u>4,349,458</u>	<u>981,688</u>	<u>-</u>	<u>5,331,146</u>
Investments, at fair value:				
Board designated	199,319	-	-	199,319
Restricted for capital campaign	12,517	-	-	12,517
Accounts receivable	578,804	-	-	578,804
Pledges receivable, current portion	277,026	-	-	277,026
Prepaid expenses and other current assets	40,913	-	-	40,913
Total current assets	<u>5,458,037</u>	<u>981,688</u>	<u>-</u>	<u>6,439,725</u>
Noncurrent Assets:				
Salado Creek Campus:				
Land and improvements	-	1,937,205	(224,152)	1,713,053
Building and improvements	-	29,986,914	-	29,986,914
Leasehold improvements	106,994	-	-	106,994
Furniture, fixtures, and equipment	1,926,963	-	-	1,926,963
Total Salado Creek Campus	<u>2,033,957</u>	<u>31,924,119</u>	<u>(224,152)</u>	<u>33,733,924</u>
Less accumulated depreciation	<u>(526,868)</u>	<u>(916,267)</u>	<u>-</u>	<u>(1,443,135)</u>
Salado Creek Campus, net	<u>1,507,089</u>	<u>31,007,852</u>	<u>(224,152)</u>	<u>32,290,789</u>
Pledges receivable, net of current	313,629	-	-	313,629
Note receivable	17,602,340	-	-	17,602,340
Total noncurrent assets	<u>19,423,058</u>	<u>31,007,852</u>	<u>(224,152)</u>	<u>50,206,758</u>
Total Assets	<u><u>\$ 24,881,095</u></u>	<u><u>\$ 31,989,540</u></u>	<u><u>\$ (224,152)</u></u>	<u><u>\$ 56,646,483</u></u>

See notes to audited financial statements.

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidating Statement of Financial Position
June 30, 2020

	<u>ChildSafe</u>	<u>Salado Creek</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ 22,893	\$ 50	\$ -	\$ 22,943
Accrued expenses	142,571	-	-	142,571
Line of credit	250,000	-	-	250,000
Long-term debt, current portion	6,592,457	-	-	6,592,457
Total current liabilities	<u>7,007,921</u>	<u>50</u>	<u>-</u>	<u>7,007,971</u>
Non-Current Liabilities:				
Long-term debt, net of current portion	<u>10,118,762</u>	<u>24,894,000</u>	<u>-</u>	<u>35,012,762</u>
Total Liabilities	17,126,683	24,894,050	-	42,020,733
Net Assets:				
Without donor restrictions:				
General operations	3,659,235	7,095,490	(224,152)	10,530,573
Board designated	219,747	-	-	219,747
Designated for construction	1,389,576	-	-	1,389,576
With donor restrictions	2,485,854	-	-	2,485,854
Total net assets	<u>7,754,412</u>	<u>7,095,490</u>	<u>(224,152)</u>	<u>14,625,750</u>
Total Liabilities and Net Assets	<u><u>\$ 24,881,095</u></u>	<u><u>\$ 31,989,540</u></u>	<u><u>\$ (224,152)</u></u>	<u><u>\$ 56,646,483</u></u>

See notes to audited financial statements.

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidating Statement of Activities
Year Ended June 30, 2020

	ChildSafe		Salado Creek		Consolidated Total		
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Eliminations	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues							
United Way	\$ 515,044	\$ -	\$ -	\$ -	\$ 515,044	\$ -	\$ 515,044
University Health System	171,405	-	-	-	171,405	-	171,405
Government contracts:							
Federal	1,821,777	-	-	-	1,821,777	-	1,821,777
State	819,328	-	-	-	819,328	-	819,328
Local	180,253	-	-	-	180,253	-	180,253
Contributions and grants:							
Foundations	749,648	125,000	-	-	749,648	125,000	874,648
Corporations and business	92,758	-	-	-	92,758	-	92,758
Individuals	187,005	-	-	-	187,005	-	187,005
Other	7,431	-	-	-	7,431	-	7,431
Special events, net of expenses of \$15,730	18,627	-	-	-	18,627	-	18,627
Capital campaign	-	62,490	-	-	-	62,490	62,490
Program revenue	12,477	-	-	-	12,477	-	12,477
Rental revenue	-	-	289,100	(289,100)	-	-	-
Investment earnings, net	(6,896)	-	-	-	(6,896)	-	(6,896)
In-kind support	201,652	-	-	-	201,652	-	201,652
Other revenues	12,635	-	7,393,671	(7,393,671)	12,635	-	12,635
Total support and revenues	<u>4,783,144</u>	<u>187,490</u>	<u>7,682,771</u>	<u>(7,682,771)</u>	<u>4,783,144</u>	<u>187,490</u>	<u>4,970,634</u>
Expenses							
Program services	4,530,832	-	1,238,465	(251,517)	5,517,780	-	5,517,780
Supporting services	463,023	-	-	(26,019)	437,004	-	437,004
Fundraising	335,527	-	9,000	(11,564)	332,963	-	332,963
Total expenses	<u>5,329,382</u>	<u>-</u>	<u>1,247,465</u>	<u>(289,100)</u>	<u>6,287,747</u>	<u>-</u>	<u>6,287,747</u>
Income (Loss) from Operations	(546,238)	187,490	6,435,306	(7,393,671)	(1,504,603)	187,490	(1,317,113)
Other Revenues (Expenses)							
Interest income	176,023	-	-	-	176,023	-	176,023
Interest expense	(521,227)	-	-	-	(521,227)	-	(521,227)
Gain on sale of assets	442,153	-	-	-	442,153	-	442,153
Other	(7,393,793)	-	-	7,393,671	(122)	-	(122)
Other revenues (expenses), net	<u>(7,296,844)</u>	<u>-</u>	<u>-</u>	<u>7,393,671</u>	<u>96,827</u>	<u>-</u>	<u>96,827</u>
Change in Net Assets	(7,843,082)	187,490	6,435,306	-	(1,407,776)	187,490	(1,220,286)
Net assets released from restrictions	6,199,508	(6,199,508)	-	-	6,199,508	(6,199,508)	-
Net assets at beginning of year	<u>6,912,132</u>	<u>8,497,872</u>	<u>660,184</u>	<u>(224,152)</u>	<u>7,348,164</u>	<u>8,497,872</u>	<u>15,846,036</u>
Net Assets at End of Year	<u>\$ 5,268,558</u>	<u>\$ 2,485,854</u>	<u>\$ 7,095,490</u>	<u>\$ (224,152)</u>	<u>\$ 12,139,896</u>	<u>\$ 2,485,854</u>	<u>\$ 14,625,750</u>

See notes to audited financial statements.

CHILDSAFE

**Single Audit Reports
Federal and State Awards**

June 30, 2020



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Member of the AICPA & TXCPA.

Registered with Public Company
Accounting Oversight Board.

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

Independent Auditor's Report

To the Board of Directors
ChildSafe
San Antonio, Texas

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of ChildSafe (a nonprofit organization), which comprise of statement of financial position as of June 30, 2020, and the related statement of activities, functional expense and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 7, 2020.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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



Akin, Doherty, Klein & Feuge, P.C.

San Antonio, Texas

October 7, 2020



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Accounting Oversight Board.

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE* AND THE *TEXAS UNIFORM GRANT MANAGEMENT STANDARDS*

Independent Auditor’s Report

To the Board of Directors
ChildSafe
San Antonio, Texas

Report on Compliance for Each Major Federal and State Program

We have audited ChildSafe’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and *Texas Uniform Grant Management Standards* that could have a direct and material effect on each of ChildSafe’s major federal and state programs for the year ended June 30, 2020. ChildSafe’s major federal and state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of ChildSafe’s compliance.

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Opinion on Each Major Federal and State Program

In our opinion, ChildSafe complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2020.


Report on Internal Control over Compliance

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

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

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

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


Akin, Doherty, Klein & Feuge, P.C.
San Antonio, Texas
October 7, 2020

CHILDSAFE
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
FEDERAL AWARDS			
<i>U. S. Department of Justice</i>			
<i>Office of Justice Programs - Office for Victims of Crime</i>			
Victims of Crime Act Formula Grant Program			
Pass-through from:			
The Children's Advocacy Centers of Texas (CACTX)	16.575	2017-VA-GX-0006 - VOCA-FY19-20-4	\$ 1,723,180
Office of the Governor - Criminal Justice Division	16.575	2018-V2-GX-0040-3836601	38,897
			<u>1,762,077</u>
Services for Trafficking Victims Program	16.320	2019-VM-BX-0007	<u>59,700</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,821,777</u></u>

State Grantor/Pass-Through Grantor/Program or Contract Title		Pass-Through Entity Identifying Contract Number	State Expenditures
STATE AWARDS			
<i>Texas Health and Human Services Commission</i>			
Pass-through from:			
The Children's Advocacy Centers of Texas (CACTX)			
Local Children's Advocacy Centers Program		HHSC-FY19-4	\$ 74,912
Local Children's Advocacy Centers Program		HHSC-FY20-4	632,524
			<u>707,436</u>
<i>Texas Department of Family and Protective Services</i>			
Pass-through from:			
United Way of San Antonio & Bexar County (UWSA)			
Military Families & Veterans Pilot Program		S-5831001-A	8,000
Military Families & Veterans Pilot Program		S-5849106-A	62,001
			<u>70,001</u>
<i>Office of the Attorney General</i>			
Other Victim Assistance Grant Program	1986488		6,058
Other Victim Assistance Grant Program	2096782		35,833
			<u>41,891</u>
Total Expenditures of State Awards			<u><u>\$ 819,328</u></u>

See notes to schedule of expenditures of federal and state awards
See independent auditor's report

CHILDSAFE
Notes to Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2020

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards (the Schedule) includes the federal and state grant activity of ChildSafe under programs of the federal and state government for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the requirements of the *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the *Texas Uniform Grant Management Standards*. Because the Schedule presents only a selected portion of the operations of ChildSafe, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of ChildSafe. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

All of ChildSafe's federal and state awards were in the form of cash assistance. ChildSafe had no federal or state funded insurance programs or loan guarantees during the year ended June 30, 2020.

There is no indirect cost rate approved for these grants and ChildSafe did not elect to use the 10% de minimis indirect cost rate.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Such expenditures are recognized following the *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

CHILDSAFE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I - Summary of Auditor's Results

	<u>Description</u>
<i>Financial statements</i>	
Type of report of independent auditor	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified	None reported
Noncompliance material to financial statements noted?	No
<i>Federal Awards</i>	
Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified	None reported
Type of report of independent auditor issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Major Federal Programs:	
<u>Name of Federal Program or Cluster:</u>	<u>C DFA Number</u>
Victims of Crime Act Formula Grant Program	16.575
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

CHILDSAFE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I - Summary of Auditor's Results - continued

Description

State Awards

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified	None reported
Type of report of independent auditor issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Major State Programs:	
<u>Name of State Program or Cluster:</u>	<u>ID Number</u>
Texas Health and Human Services Commission	HHSC-FY19-4
Local Children's Advocacy Centers Program	HHSC-FY20-4
Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings

None

Section III – State Awards Findings

None