

**CHILDSAFE
AND
SALADO CREEK CAMPUS
HOLDING CORPORATION**

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

June 30, 2023

ADKF, 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 Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of the ChildSafe and Salado Creek Campus Holding Corporation (collectively referred to as the Organization) (a non-profit organization) which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the ChildSafe and Salado Creek Campus Holding Corporation as of June 30, 2023 and 2022, its activities, functional expenses, and cash flows for the years then ended in accordance with accounting principle generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated financial statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to your audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

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

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Auditor's Responsibility for the Audit of the Consolidated Financial Statements - continued

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Texas Grant Management Standards, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the 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 November 13, 2023 on our consideration of ChildSafe'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 ChildSafe's internal control over financial reporting 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 over financial reporting and compliance.

ADKF, PC

ADKF, P.C.

San Antonio, Texas

November 13, 2023

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidated Statements of Financial Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets:		
Cash and cash equivalents:		
Unrestricted	\$ 1,436,572	\$ 2,649,632
Board designated for reserves	2,403,359	20,312
Capital campaign	578,312	967,999
Leverage lender account, designated for construction	894,910	1,035,391
Restricted for reserves, long term debt	<u>588,308</u>	<u>681,308</u>
Total cash and cash equivalents	5,901,461	5,354,642
Investments, at fair value:		
Board designated	247,156	221,800
Restricted for capital campaign	12,517	12,517
Accounts receivable	571,548	567,920
Pledges receivable, current portion	505,250	166,233
Prepaid expenses and other current assets	<u>23,739</u>	<u>45,208</u>
Total current assets	7,261,671	6,368,320
Noncurrent Assets:		
Salado Creek Campus:		
Land and improvements	1,713,053	1,713,053
Building and improvements	29,986,914	29,986,914
Leasehold improvements	170,397	165,509
Furniture, fixtures, and equipment	<u>2,112,686</u>	<u>2,103,132</u>
Total Salado Creek Campus	33,983,050	33,968,608
Less accumulated depreciation	<u>(5,321,325)</u>	<u>(4,015,037)</u>
Salado Creek Campus, net	28,661,725	29,953,571
Pledges receivable, net of current portion	500,000	-
Note receivable	17,602,340	17,602,340
Operating lease right-of-use assets	<u>12,172</u>	<u>-</u>
Total noncurrent assets	<u>46,776,237</u>	<u>47,555,911</u>
Total Assets	<u><u>\$ 54,037,908</u></u>	<u><u>\$ 53,924,231</u></u>

See notes to audited financial statements.

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidated Statements of Financial Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 21,312	\$ 50,987
Accrued expenses	145,773	141,035
Operating lease liabilities, current portion	6,300	-
Long-term debt, current portion	<u>-</u>	<u>14,935,020</u>
Total current liabilities	173,385	15,127,042
Non-Current Liabilities:		
Operating lease liabilities, net of current portion	6,922	-
Long-term debt, net of current portion	<u>39,829,020</u>	<u>24,894,000</u>
Total non-current liabilities	39,835,942	24,894,000
Total Liabilities	40,009,327	40,021,042
Net Assets:		
Without donor restrictions		
General operations	8,887,077	11,468,437
Board designated	2,650,515	242,112
Designated for construction	894,910	1,035,391
With donor restrictions	<u>1,596,079</u>	<u>1,157,249</u>
Total net assets	14,028,581	13,903,189
Total Liabilities and Net Assets	<u><u>\$ 54,037,908</u></u>	<u><u>\$ 53,924,231</u></u>

See notes to audited financial statements.

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidated Statement of Activities
Year Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues						
United Way	\$ 533,981	\$ -	\$ 533,981	\$ 533,784	\$ -	\$ 533,784
University Health System	172,613	-	172,613	174,171	-	174,171
Government contracts:						
Federal	1,702,808	-	1,702,808	1,901,063	-	1,901,063
State	1,238,157	-	1,238,157	1,057,843	-	1,057,843
Local	148,355	-	148,355	151,868	-	151,868
Contributions and grants:						
Foundations	1,607,372	-	1,607,372	837,415	-	837,415
Corporations and business	225,516	-	225,516	97,930	-	97,930
Individuals	161,699	-	161,699	178,429	-	178,429
Other	6,238	-	6,238	3,842	-	3,842
PPP Grant	-	-	-	178,100	-	178,100
Special events, net of expenses of \$20,134 and \$10,273	11,484	-	11,484	42,464	-	42,464
Capital campaign	-	1,000,000	1,000,000	-	540	540
Program revenue	195,129	-	195,129	187,534	-	187,534
Investment earnings (loss), net	58,583	-	58,583	(52,628)	-	(52,628)
In-kind support	68,052	-	68,052	197,673	-	197,673
Other revenues	-	-	-	9,250	-	9,250
Total support and revenues	<u>6,129,987</u>	<u>1,000,000</u>	<u>7,129,987</u>	<u>5,498,738</u>	<u>540</u>	<u>5,499,278</u>
Expenses						
Program services	5,982,326	-	5,982,326	5,812,918	-	5,812,918
Supporting services	409,900	-	409,900	401,155	-	401,155
Fundraising	339,219	-	339,219	313,401	-	313,401
Total expenses	<u>6,731,445</u>	<u>-</u>	<u>6,731,445</u>	<u>6,527,474</u>	<u>-</u>	<u>6,527,474</u>
Income (Loss) from Operations	(601,458)	1,000,000	398,542	(1,028,736)	540	(1,028,196)
Other Revenues (Expenses)						
Interest income	176,023	-	176,023	176,023	-	176,023
Interest expense	(448,051)	-	(448,051)	(448,051)	-	(448,051)
Other	(1,122)	-	(1,122)	(704)	-	(704)
Total other revenues (expenses), net	<u>(273,150)</u>	<u>-</u>	<u>(273,150)</u>	<u>(272,732)</u>	<u>-</u>	<u>(272,732)</u>
Change in Net Assets	(874,608)	1,000,000	125,392	(1,301,468)	540	(1,300,928)
Net assets released from restrictions	561,170	(561,170)	-	557,797	(557,797)	-
Net assets at beginning of year	<u>12,745,940</u>	<u>1,157,249</u>	<u>13,903,189</u>	<u>13,489,611</u>	<u>1,714,506</u>	<u>15,204,117</u>
Net Assets at End of Year	<u>\$ 12,432,502</u>	<u>\$ 1,596,079</u>	<u>\$ 14,028,581</u>	<u>\$ 12,745,940</u>	<u>\$ 1,157,249</u>	<u>\$ 13,903,189</u>

See notes to audited financial statements.

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidated Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services	Supporting Services	Fundraising	Totals
ChildSafe				
Salaries	\$ 2,998,740	\$ 267,018	\$ 236,053	\$ 3,501,811
Payroll taxes	246,822	21,175	18,883	286,880
Retirement plan	77,019	7,188	5,737	89,944
Health insurance and benefits	266,492	16,965	17,237	300,694
Conference and training	58,435	719	439	59,593
Insurance	87,746	9,177	4,157	101,080
Dues	20,418	2,959	8,480	31,857
Equipment rental and maintenance	22,274	4,521	1,542	28,337
Miscellaneous	4,004	1,273	2,295	7,572
Occupancy	99,085	10,235	4,577	113,897
Postage	2,613	321	190	3,124
Printing	3,108	315	4,131	7,554
Professional fees	232,102	19,953	9,890	261,945
Repairs and maintenance	30,109	3,187	1,381	34,677
Supplies	42,226	4,757	5,052	52,035
Telephone	42,500	5,189	1,542	49,231
Travel	5,697	375	346	6,418
Public education and training	78,062	-	-	78,062
Bad debt	12,483	-	-	12,483
Depreciation	260,717	30,672	15,336	306,725
In-kind expense	62,200	3,901	1,951	68,052
Total Functional Expenses - ChildSafe	4,652,852	409,900	339,219	5,401,971
Salado Creek Campus Holding Corporation				
Professional fees	11,500	-	-	11,500
Depreciation	999,564	-	-	999,564
Interest	303,221	-	-	303,221
Miscellaneous	15,189	-	-	15,189
Total Functional Expenses - Salado Creek	1,329,474	-	-	1,329,474
Total Functional Expenses	<u>\$ 5,982,326</u>	<u>\$ 409,900</u>	<u>\$ 339,219</u>	<u>\$ 6,731,445</u>
Other costs not included above:				
Special events, direct costs			<u>\$ 20,134</u>	

See notes to audited financial statements.

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION

Consolidated Statement of Functional Expenses

Year Ended June 30, 2022

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Totals</u>
ChildSafe				
Salaries	\$ 2,812,668	\$ 260,833	\$ 208,916	\$ 3,282,417
Payroll taxes	241,622	20,689	17,870	280,181
Retirement plan	46,391	5,611	2,495	54,497
Health insurance and benefits	258,905	15,692	20,685	295,282
Conference and training	23,233	1,122	503	24,858
Insurance	85,179	8,958	4,035	98,172
Dues	18,693	5,048	8,899	32,640
Equipment rental and maintenance	14,511	3,877	761	19,149
Miscellaneous	5,098	1,108	1,053	7,259
Occupancy	85,337	8,213	3,650	97,200
Postage	2,102	252	124	2,478
Program marketing	-	20	293	313
Printing	8,119	790	10,020	18,929
Professional fees	201,905	16,385	7,922	226,212
Repairs and maintenance	46,244	4,843	2,646	53,733
Supplies	54,374	3,342	1,373	59,089
Telephone	42,913	5,203	2,559	50,675
Travel	6,049	40	32	6,121
Public education and training	73,865	-	-	73,865
Depreciation	253,061	29,772	14,886	297,719
In-kind expenses	<u>183,637</u>	<u>9,357</u>	<u>4,679</u>	<u>197,673</u>
Total Functional Expenses - ChildSafe	4,463,906	401,155	313,401	5,178,462
Salado Creek Campus Holding Corporation				
Professional fees	30,000	-	-	30,000
Depreciation	999,563	-	-	999,563
Interest	303,219	-	-	303,219
Miscellaneous	<u>16,230</u>	<u>-</u>	<u>-</u>	<u>16,230</u>
Total Functional Expenses - Salado Creek	<u>1,349,012</u>	<u>-</u>	<u>-</u>	<u>1,349,012</u>
Total Functional Expenses	<u><u>\$ 5,812,918</u></u>	<u><u>\$ 401,155</u></u>	<u><u>\$ 313,401</u></u>	<u><u>\$ 6,527,474</u></u>
Other costs not included above:				
Special events, direct costs			<u><u>\$ 10,273</u></u>	

See notes to audited financial statements.

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Activities		
Change in net assets	\$ 125,392	\$ (1,300,928)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	1,306,289	1,297,282
Unrealized (gain) loss on investments	(25,487)	51,732
PPP Loan forgiveness	-	(178,100)
Bad debt	12,483	-
Change in operating assets and liabilities:		
Accounts receivable	(3,628)	33,797
Pledges receivable	(851,500)	165,500
Prepaid expenses and other current assets	21,469	(23,006)
Operating lease right-of-use assets	4,910	-
Accounts payable and accrued expenses	(24,937)	11,864
Operating lease liabilities	(4,829)	-
Net cash provided by operating activities	<u>560,162</u>	<u>58,141</u>
Investing Activities		
Net investment activity	131	899
Acquisition of fixed assets	(13,474)	(96,057)
Net cash (used) by investing activities	<u>(13,343)</u>	<u>(95,158)</u>
Net change in cash and cash equivalents	546,819	(37,017)
Cash and cash equivalents, beginning of year	<u>5,354,642</u>	<u>5,391,659</u>
Cash and Cash Equivalents, at End of Year	<u><u>\$ 5,901,461</u></u>	<u><u>\$ 5,354,642</u></u>
Supplemental Disclosures		
Cash paid for interest	\$ 751,272	\$ 751,270
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, 2023 and 2022

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*". Intercompany transactions have been eliminated from these financial statements.

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, 2023 and 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Program revenue includes income from the sublease of campus office space to two unrelated organizations - a government agency and a nonprofit, which benefit the public as a whole. Rental income from the organizations is earned when the rental period applies.

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.

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, 2023 and 2022

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 D. The reserves accounts were created based on guidelines established by the third-party lenders of the 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 and represent amounts due from local, state and federal agencies for grants. 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, 2023 and 2022. Interest is generally not charged on accounts receivable. There were no receivables due for program service revenues at June 30, 2023 and 2022.

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.

Salado Creek Campus: 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.

Employee Benefit Plan: The Organization has established a 401(k) retirement plan for the benefit of substantially all of its full time employees. In 2022, the Organization matched 100% of the first 2.5% of an employee's contributions to the Plan. In 2023, the Organization contributed 3% of plan compensation for all eligible employees under the Safe Harbor provisions of the Plan. Contributions by the Organization to the Plan totaled approximately \$90,000 in 2023 and \$54,000 in 2022.

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION**
Notes to Audited Consolidated Financial Statements
June 30, 2023 and 2022

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.

Operating Leases: The Organization determines if an arrangement is an operating lease or financing lease at commencement of the lease. For all operating leases with a term greater than 12 months, lease assets and obligations are recognized at the lease commencement date based on the present value of lease payments over the term of the lease. The Organization uses the risk-free discount rate to determine the present value of lease payments, according to the Organization's elected policy. In determining lease asset values, the Organization considers fixed and variable payment terms, prepayments, incentives, and options to extend, terminate or purchase. Renewal, termination, or purchase options affect the lease term used for determining lease asset value only if the option is reasonably certain to be exercised.

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION**
Notes to Audited Consolidated Financial Statements
June 30, 2023 and 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Compliance with Government Assistance, Grants and Contributions: The Organization participates in a number of federal and state grant 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. At June 30, 2023, the Organization had approximately \$4.2 million in excess of the FDIC insured limit. 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.

Recently Adopted Accounting Pronouncement: In February 2016, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2021. A lessee is required to recognize on the balance sheet the right-of-use assets, as well as the lease liability for all leases with terms greater than 12 months. The guidance also requires qualitative and quantitative disclosures designated to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the new standard effective July 1, 2022, the first day of the lease standard implementation date. Consistent with the optional transition method allowed as part of the modified retrospective transition approach provided in ASU No. 2018-11, the Organization did not adjust comparative periods. The new standard applied to leases that have commenced as of the effective date, July 1, 2022, with a cumulative effect adjustment recorded as of that date. The Organization also elected to apply certain practical expedients allowed in ASC 842 whereby the Organization need not reassess whether any expired or existing contracts are or contain leases, the Organization need not reassess the lease classification for any expired or existing leases, and the Organization need not reassess initial direct costs for any existing leases. The Organization's adoption of the ASU resulted in the addition of operating lease right-of-use assets and corresponding lease liability on the statement of financial position for the right to use the underlying assets of operating leases. The Organization elected to use hindsight for transition when considering judgments and estimates such as assessments of lessee options to extend or terminate a lease or purchase the underlying asset. For all asset classes, the Organization elected to not recognize a right-of-use asset and lease liability for leases with a term of twelve months or less. The adoption of this ASU did not have a material adjustment to the statement of operations. At July 1, 2022, the Organization recognized right of use assets of \$752,756 and corresponding lease liabilities of \$753,726 , prior to intercompany eliminations.

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, 2023 and 2022

NOTE B – PLEDGES RECEIVABLE

Pledges receivable consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 505,250	\$ 166,233
Receivable in one to five years	<u>500,000</u>	<u>-</u>
Total pledges receivable	1,005,250	166,233
Less discount for long-term pledges	<u>-</u>	<u>-</u>
Pledges receivable, net of discount	<u><u>\$ 1,005,250</u></u>	<u><u>\$ 166,233</u></u>

Discounting multi-year pledges at June 30, 2023 is not significant for recognition.

NOTE C – NOTE RECEIVABLE

	<u>2023</u>	<u>2022</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><u>\$ 17,602,340</u></u>	<u><u>\$ 17,602,340</u></u>

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

Year Ended June 30:

2024	\$ -
2025	552,158
2026	1,025,071
2027	1,035,369
2028	1,045,770
Thereafter	<u>13,943,972</u>
Total	<u><u>\$ 17,602,340</u></u>

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION**
Notes to Audited Consolidated Financial Statements
June 30, 2023 and 2022

NOTE D – 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, 2023, 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 F. 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.

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION**
Notes to Audited Consolidated Financial Statements
June 30, 2023 and 2022

NOTE E – LONG-TERM DEBT

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

	<u>2023</u>	<u>2022</u>
Note payable to Ed Rachal Foundation, with interest at 3.00%, interest only payments through December 11, 2026 (maturity), unpaid principal and interest due upon maturity, secured by depository accounts.	\$ 14,935,020	\$ 14,935,020
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>\$ 39,829,020</u>	<u>\$ 39,829,020</u>

Maturities of long-term debt will require the following principal repayments for the year ended June 30:

2024	\$ -
2025	1,143,330
2026	3,457,961
2027	18,435,337
2028	3,543,191
Thereafter	<u>13,249,201</u>
Total	<u>\$ 39,829,020</u>

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION**
Notes to Audited Consolidated Financial Statements
June 30, 2023 and 2022

NOTE E – 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 \$588,308 and \$681,308 at June 30, 2023 and 2022, respectively.

NOTE F – NET ASSETS

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

<u>Asset / Item</u>	<u>Purpose / Restriction</u>	<u>2023</u>	<u>2022</u>
Pledges receivable - multi-year grants	Time restricted	\$ -	\$ 100,000
Pledges receivable - capital campaign	Capital campaign	1,005,250	66,233
Pledges received, not expended:			
Cash	Capital campaign	578,312	978,499
Investments	Capital campaign	<u>12,517</u>	<u>12,517</u>
Total net assets with donor restrictions		<u>\$ 1,596,079</u>	<u>\$ 1,157,249</u>

Net assets designated for construction of \$894,910 and \$1,035,391 at June 30, 2023 and 2022, 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 G – 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, 2023:

<u>Program Description</u>	<u>Federal Funds Received</u>	<u>State Funds Received</u>
Victim Services	<u>\$ 1,702,808 ⁽¹⁾</u>	<u>\$ 1,238,157 ⁽²⁾</u>

⁽¹⁾ The Organization expended more than \$750,000 in federal funding during the fiscal year ended June 30, 2023. 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, 2023. 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, 2023 and 2022

NOTE H – 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 \$259,673 at June 30, 2023 and \$234,317 at June 30, 2022 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 I – IN-KIND SUPPORT

The Organization received donated goods and services in the amount of \$68,052 in 2023 and \$197,673 in 2022, which are recorded as in-kind support on the consolidated statement of activities. These goods are primarily clothing, toys, professional services and supplies which are used in the Organization's program, general and administrative and fundraising activities as detailed in the statement of functional expenses. Donated materials, 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. Donated materials and services (in-kind support) are as follows for the years ended June 30:

	2023	2022
Clothing and toys	\$ 22,204	\$ 68,046
Professional services	21,525	49,342
Program supplies	24,323	80,285
Total	<u>\$ 68,052</u>	<u>\$ 197,673</u>

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION**
Notes to Audited Consolidated Financial Statements
June 30, 2023 and 2022

NOTE J – INVESTMENT EARNINGS, NET

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

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 36,066	\$ 3,016
Net realized and unrealized gains (losses)	25,487	(51,732)
Investment expense	<u>(2,970)</u>	<u>(3,912)</u>
Investment earnings (losses), net	<u><u>\$ 58,583</u></u>	<u><u>\$ (52,628)</u></u>

NOTE K – OPERATING LEASES

The Organization has an operating lease for office equipment. The lease term for this lease extends through August 2025. Office equipment lease expense totaled approximately \$17,000 in 2023 and \$13,000 in 2022. Future commitments relating to these lease agreements are as follows:

<u>Year Ending June 30:</u>	
2024	\$ 6,300
2025	6,300
2026	1,050
2027	-
2028	-
Thereafter	<u>-</u>
Total minimum future payments	\$ 13,650
Less: imputed interest	<u>(428)</u>
Present value of lease liability	<u><u>13,222</u></u>

At June 30, 2023, the weighted average discount rate is approximately 3.10% and the weighted average remaining lease term is approximately two years.

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, or terminates upon transfer of property ownership to ChildSafe. Intercompany lease transactions are eliminated in consolidation.

Sublease Rental: In 2020, the Organization began to sublease space in the Salado Creek Campus to two organizations, including a government agency and a local nonprofit. Total sublease rental income recognized totaled \$175,824 in 2023 and 2022 and is recognized as program revenue in the consolidated statement of activities. The Organization expects to receive \$179,800 of payments in 2024 and \$72,900 in 2025.

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION
Notes to Audited Consolidated Financial Statements
June 30, 2023 and 2022**

NOTE L – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Organization has net financial assets of approximately \$4,400,000 at June 30, 2023 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 \$518,000 per month given full programmatic operations, excluding fundraising costs. The Organization relies on operations to fund its activities throughout the year.

NOTE M – PAYCHECK PROTECTION PROGRAM

On April 6, 2020 and February 23, 2021, the Organization received funding for two Paycheck Protection Program (PPP) loans as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), administered by the U.S. Small Business Administration (SBA). The Organization received full forgiveness of \$178,1000 on April 19, 2021 and on February 9, 2022. Accordingly, the amounts are recognized as a PPP Grant in the consolidated statements of activities in 2022.

NOTE N – CURRENT ECONOMIC CONDITIONS

The impact of current economic events, including increasing inflation and interest rates, supply chain constraints, availability of capital and labor, and geopolitical events, remains uncertain. Any related financial impact cannot be reasonably estimated at this time.

**CHILDSAFE
AND
SALADO CREEK CAMPUS
HOLDING CORPORATION**

Consolidating Statements

June 30, 2023

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidating Statement of Financial Position
June 30, 2023

	<u>ChildSafe</u>	<u>Salado Creek</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
ASSETS				
Current Assets:				
Cash and cash equivalents:				
Unrestricted	\$ 1,125,902	\$ 310,670	\$ -	\$ 1,436,572
Board designated for reserves	2,403,359	-	-	2,403,359
Capital campaign	578,312	-	-	578,312
Leverage lender account, designated for construction	894,910	-	-	894,910
Restricted for reserves, long term debt	-	588,308	-	588,308
Total cash and cash equivalents	<u>5,002,483</u>	<u>898,978</u>	<u>-</u>	<u>5,901,461</u>
Investments, at fair value:				
Board designated	247,156	-	-	247,156
Restricted for capital campaign	12,517	-	-	12,517
Accounts receivable	571,548	-	-	571,548
Pledges receivable, current portion	505,250	-	-	505,250
Prepaid expenses and other current assets	23,739	-	-	23,739
Total current assets	<u>6,362,693</u>	<u>898,978</u>	<u>-</u>	<u>7,261,671</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	170,397	-	-	170,397
Furniture, fixtures, and equipment	2,112,686	-	-	2,112,686
Total Salado Creek Campus	<u>2,283,083</u>	<u>31,924,119</u>	<u>(224,152)</u>	<u>33,983,050</u>
Less accumulated depreciation	<u>(1,406,367)</u>	<u>(3,914,958)</u>	<u>-</u>	<u>(5,321,325)</u>
Salado Creek Campus, net	876,716	28,009,161	(224,152)	28,661,725
Pledges receivable, net of current	500,000	-	-	500,000
Note receivable	17,602,340	-	-	17,602,340
Operating lease right-of-use assets	473,796	-	(461,624)	12,172
Total noncurrent assets	<u>19,452,852</u>	<u>28,009,161</u>	<u>(685,776)</u>	<u>46,776,237</u>
Total Assets	<u><u>\$ 25,815,545</u></u>	<u><u>\$ 28,908,139</u></u>	<u><u>\$ (685,776)</u></u>	<u><u>\$ 54,037,908</u></u>

See notes to audited financial statements.

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidating Statement of Financial Position
June 30, 2023

	<u>ChildSafe</u>	<u>Salado Creek</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ 21,269	\$ 43	\$ -	\$ 21,312
Accrued expenses	145,773	-	-	145,773
Operating lease liabilities, current portion	321,682	-	(315,382)	6,300
Total current liabilities	<u>488,724</u>	<u>43</u>	<u>(315,382)</u>	<u>173,385</u>
Non-Current Liabilities:				
Operating lease liabilities, net of current portion	153,164	-	(146,242)	6,922
Long-term debt, net of current portion	14,935,020	24,894,000	-	39,829,020
Total Liabilities	<u>15,576,908</u>	<u>24,894,043</u>	<u>(461,624)</u>	<u>40,009,327</u>
Net Assets:				
Without donor restrictions:				
General operations	5,097,133	4,014,096	(224,152)	8,887,077
Board designated	2,650,515	-	-	2,650,515
Designated for construction	894,910	-	-	894,910
With donor restrictions	<u>1,596,079</u>	<u>-</u>	<u>-</u>	<u>1,596,079</u>
Total net assets	<u>10,238,637</u>	<u>4,014,096</u>	<u>(224,152)</u>	<u>14,028,581</u>
Total Liabilities and Net Assets	<u><u>\$ 25,815,545</u></u>	<u><u>\$ 28,908,139</u></u>	<u><u>\$ (685,776)</u></u>	<u><u>\$ 54,037,908</u></u>

See notes to audited financial statements.

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidating Statement of Activities
Year Ended June 30, 2023

	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	\$ 533,981	\$ -	\$ -	\$ -	\$ 533,981	\$ -	\$ 533,981
University Health System	172,613	-	-	-	172,613	-	172,613
Government grants:							
Federal	1,702,808	-	-	-	1,702,808	-	1,702,808
State	1,238,157	-	-	-	1,238,157	-	1,238,157
Local	148,355	-	-	-	148,355	-	148,355
Contributions and grants:							
Foundations	1,607,372	-	-	-	1,607,372	-	1,607,372
Corporations and business	225,516	-	-	-	225,516	-	225,516
Individuals	161,699	-	-	-	161,699	-	161,699
Other	6,238	-	-	-	6,238	-	6,238
Special events, net of expenses of \$20,134	11,484	-	-	-	11,484	-	11,484
Capital campaign	-	1,000,000	-	-	-	1,000,000	1,000,000
Program revenue	195,129	-	-	-	195,129	-	195,129
Rental revenue	-	-	315,382	(315,382)	-	-	-
Investment loss, net	58,583	-	-	-	58,583	-	58,583
In-kind support	68,052	-	-	-	68,052	-	68,052
Total support and revenues	6,129,987	1,000,000	315,382	(315,382)	6,129,987	1,000,000	7,129,987
Expenses							
Program services	4,927,235	-	1,329,474	(274,383)	5,982,326	-	5,982,326
Supporting services	438,284	-	-	(28,384)	409,900	-	409,900
Fundraising	351,834	-	-	(12,615)	339,219	-	339,219
Total expenses	5,717,353	-	1,329,474	(315,382)	6,731,445	-	6,731,445
Income (Loss) from Operations	412,634	1,000,000	(1,014,092)	-	(601,458)	1,000,000	398,542
Other Revenues (Expenses)							
Interest income	176,023	-	-	-	176,023	-	176,023
Interest expense	(448,051)	-	-	-	(448,051)	-	(448,051)
Other	(1,122)	-	-	-	(1,122)	-	(1,122)
Other revenues (expenses), net	(273,150)	-	-	-	(273,150)	-	(273,150)
Change in Net Assets	139,484	1,000,000	(1,014,092)	-	(874,608)	1,000,000	125,392
Net assets released from restrictions	561,170	(561,170)	-	-	561,170	(561,170)	-
Net assets at beginning of year	7,941,904	1,157,249	5,028,188	(224,152)	12,745,940	1,157,249	13,903,189
Net Assets at End of Year	<u>\$ 8,642,558</u>	<u>\$ 1,596,079</u>	<u>\$ 4,014,096</u>	<u>\$ (224,152)</u>	<u>\$ 12,432,502</u>	<u>\$ 1,596,079</u>	<u>\$ 14,028,581</u>

See notes to audited financial statements.

CHILDSAFE

**Single Audit Reports
Federal and State Awards**

June 30, 2023



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

To the Board of Directors
ChildSafe
San Antonio, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of ChildSafe (Organization), which comprise the statement of financial position as of June 30, 2023, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 ChildSafe's internal control.

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

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

Report on 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 which could have a direct and material effect on the financial statements. 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*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the ChildSafe's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ADKF, PC
ADKF, P.C.
San Antonio, Texas
November 13, 2023



ADKF

with you
all the way

Member of the AICPA & TXCPA.

Registered with Public Company
Accounting Oversight Board.

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

To the Board of Directors
ChildSafe
San Antonio, Texas

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited ChildSafe's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of ChildSafe's major federal and state programs for the year ended June 30, 2023. 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.

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, 2023.

Basis for Opinion of Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Texas Grant Management Standards (TxGMS). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of ChildSafe and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination on ChildSafe's compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grants agreements applicable to the Organization's federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than from that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance and TxGMS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding ChildSafe's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the ChildSafe's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weakness in internal control over compliance that we identified during the audit.

Report on 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 a 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 and 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 and 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.

Report on Internal Control Over Compliance - continued

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

ADKF, PC
ADKF, P.C.
San Antonio, Texas
November 13, 2023

CHILDSAFE
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<i>FEDERAL AWARDS</i>			
<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	2019-V2-GX-0011 - VOCA I -FY22-4	\$ 11,894
The Children's Advocacy Centers of Texas (CACTX)	16.575	2018-V2-GX-0040 - VOCA II-FY22-4	417,327
Total Assistance Listing Number 16.575			<u>429,221</u>
Services for Trafficking Victims Program	16.320	2019-VM-BX-0007	55,995
Total Assistance Listing Number 16.320			<u>55,995</u>
<i>U. S. Department of the Treasury</i>			
Coronavirus State Fiscal Recovery Fund (Victims of Crime - SB 8) Grant Program			
Pass-through from:			
The Children's Advocacy Centers of Texas (CACTX)	21.027	2021-CS-2127 - VOCA I -FY23-4	1,217,592
Total Assistance Listing Number 21.027			<u>1,217,592</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,702,808</u></u>

<u>State Grantor/Pass-Through Grantor/Program or Contract Title</u>		<u>Pass-Through Entity Identifying Contract Number</u>	<u>State Expenditures</u>
<i>STATE AWARDS</i>			
<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-FY22-4	\$ 120,271
Local Children's Advocacy Centers Program		HHSC-FY23-4	609,579
Local Children's Advocacy Centers Program		HHSC MH-FY22-4	70,875
Local Children's Advocacy Centers Program		HHSC MH-FY23-4	383,345
			<u>1,184,070</u>
<i>Office of the Attorney General</i>			
Other Victim Assistance Grant Program	2215861		7,161
Other Victim Assistance Grant Program	C-00254		37,419
			<u>44,580</u>
Total Expenditures of State Awards			<u><u>\$ 1,228,650</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, 2023****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, 2023. 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 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, 2023.

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.

NOTE C – RECONCILIATION WITH THE FINANCIAL STATEMENTS

A reconciliation of total government contracts in the financial statements to the schedule of expenditures of federal and state awards is as follows:

	<u>Federal</u>	<u>State</u>
Total government contracts per financial statements	\$ 1,702,808	\$ 1,238,157
Less receivable from prior year	-	(9,827)
Add current year receivable	<u>-</u>	<u>320</u>
Total expenditures per SEFA/SESA	<u><u>\$ 1,702,808</u></u>	<u><u>\$ 1,228,650</u></u>

CHILDSAFE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

<u>Section I - Summary of Auditor's Results</u>	<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	No
Noncompliance material to financial statements noted?	No
<i>Federal Awards</i>	
Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified	No
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>Assistance Listing Number</u>
Coronavirus State Fiscal Recovery Fund (Victims of Crime - SB 8) Grant Program	21.027
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, 2023

<u>Section I - Summary of Auditor's Results - continued</u>	<u>Description</u>
<i>State Awards</i>	
Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified	No
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	
Local Children's Advocacy Centers Program	HHSC-FY22-4
Local Children's Advocacy Centers Program	HHSC-FY23-4
Local Children's Advocacy Centers Program	HHSC MH-FY22-4
Local Children's Advocacy Centers Program	HHSC MH-FY23-4
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes
<u>Section II – Financial Statement Findings</u>	
None	
<u>Section III – Federal Awards Findings</u>	
None	
<u>Section III – State Awards Findings</u>	
None	