

A CHILD'S HAVEN, INC.

GREENVILLE, SOUTH CAROLINA

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

A CHILD'S HAVEN, INC.

GREENVILLE, SOUTH CAROLINA

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT ----- | 1 |
| STATEMENTS OF FINANCIAL POSITION ----- | 3 |
| STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS ----- | 4 |
| STATEMENTS OF FUNCTIONAL EXPENSES ----- | 6 |
| STATEMENTS OF CASH FLOWS ----- | 8 |
| NOTES TO THE FINANCIAL STATEMENTS ----- | 10 |



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
A Child's Haven, Inc.
Greenville, South Carolina

We have audited the accompanying financial statements of A Child's Haven, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of A Child's Haven, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bradley, Gordon + Clinchcales, LLC

March 21, 2016

A CHILD'S HAVEN, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

ASSETS

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 696,522 | \$ 465,425 |
| Restricted cash and cash equivalents | 175,154 | 64,159 |
| Donations receivable | 11,769 | 16,425 |
| Grants and contracts receivable | 161,802 | 128,072 |
| Pledges receivable – Capital Campaign, current portion, net | 120,703 | 130,145 |
| Pledges receivable – Capital Campaign – maintenance, current portion, net | 7,052 | 13,020 |
| Investment in Community Foundation of Greater Greenville | 146,164 | 142,464 |
| Charitable remainder trust | 198 | 198 |
| Prepaid expenses | 18,744 | 18,128 |
| | <u>1,338,108</u> | <u>978,036</u> |
| PROPERTY AND EQUIPMENT, Net | <u>4,210,266</u> | <u>3,196,177</u> |
| OTHER ASSETS: | | |
| Pledges receivable – Capital Campaign, less current portion, net | 67,037 | 279,962 |
| Pledges receivable – Capital Campaign – maintenance, less current portion, net | 150 | 7,725 |
| Restricted cash and cash equivalents – Capital Campaign | 690,528 | 1,890,361 |
| Restricted certificates of deposit – Capital Campaign | - | 103,757 |
| | <u>757,715</u> | <u>2,281,805</u> |
| TOTAL ASSETS | <u>\$ 6,306,089</u> | <u>\$ 6,456,018</u> |

LIABILITIES AND NET ASSETS

| | <u>2015</u> | <u>2014</u> |
|---|-------------------------|-------------------------|
| LIABILITIES: | | |
| Accounts payable | \$ 16,600 | \$ 524,161 |
| Accrued expenses | <u>43,645</u> | <u>33,641</u> |
| Total Liabilities (All Current) | <u>60,245</u> | <u>557,802</u> |
| NET ASSETS: | | |
| Unrestricted | 5,081,857 | 3,840,803 |
| Temporarily restricted | <u>1,163,987</u> | <u>2,057,413</u> |
| Total Net Assets | <u>6,245,844</u> | <u>5,898,216</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 6,306,089</u> | <u>\$ 6,456,018</u> |

The accompanying notes are an integral part of these financial statements.

A CHILD'S HAVEN, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|---------------------|
| PUBLIC SUPPORT AND REVENUE: | | | |
| Public Support: | | | |
| General contributions | \$ 265,992 | \$ 320,990 | \$ 586,982 |
| In-kind contributions | 34,884 | | 34,884 |
| Special events | 422,406 | | 422,406 |
| United Way | 88,871 | | 88,871 |
| Capital Campaign | - | 195,222 | 195,222 |
| Total Public Support | <u>812,153</u> | <u>516,212</u> | <u>1,328,365</u> |
| Revenue: | | | |
| Fees, contracts and grants from governmental agencies | 1,277,108 | - | 1,277,108 |
| Change in value of investments | 1,477 | - | 1,477 |
| Interest income | 5,401 | 1,854 | 7,255 |
| Total Revenue | <u>1,283,986</u> | <u>1,854</u> | <u>1,285,840</u> |
| Net assets released from restrictions | <u>1,411,492</u> | <u>(1,411,492)</u> | <u>-</u> |
| Total Public Support and Revenue | <u>3,507,631</u> | <u>(893,426)</u> | <u>2,614,205</u> |
| FUNCTIONAL EXPENSES: | | | |
| Direct program expenses | 2,028,104 | - | 2,028,104 |
| General and administrative expenses | 131,692 | - | 131,692 |
| Fundraising | 106,781 | - | 106,781 |
| Total Functional Expenses | <u>2,266,577</u> | <u>-</u> | <u>2,266,577</u> |
| CHANGES IN NET ASSETS | 1,241,054 | (893,426) | 347,628 |
| NET ASSETS, Beginning of year | <u>3,840,803</u> | <u>2,057,413</u> | <u>5,898,216</u> |
| NET ASSETS, End of year | <u>\$ 5,081,857</u> | <u>\$ 1,163,987</u> | <u>\$ 6,245,844</u> |

The accompanying notes are an integral part
of these financial statements.

A CHILD'S HAVEN, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2014

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|---------------------|
| PUBLIC SUPPORT AND REVENUE: | | | |
| Public Support: | | | |
| General contributions | \$ 198,906 | \$ 223,927 | \$ 422,833 |
| In-kind contributions | 57,305 | 7,000 | 64,305 |
| Special events | 349,578 | - | 349,578 |
| United Way | 94,568 | - | 94,568 |
| Capital Campaign | - | 1,274,429 | 1,274,429 |
| Total Public Support | <u>700,357</u> | <u>1,505,356</u> | <u>2,205,713</u> |
| Revenue: | | | |
| Fees, contracts and grants from governmental agencies | 1,261,706 | - | 1,261,706 |
| Change in value of investments | 8,236 | - | 8,236 |
| Interest income | 3,815 | 9,853 | 13,668 |
| Total Revenue | <u>1,273,757</u> | <u>9,853</u> | <u>1,283,610</u> |
| Net assets released from restrictions | <u>2,701,018</u> | <u>(2,701,018)</u> | <u>-</u> |
| Total Public Support and Revenue | <u>4,675,132</u> | <u>(1,185,809)</u> | <u>3,489,323</u> |
| FUNCTIONAL EXPENSES: | | | |
| Direct program expenses | 2,034,405 | - | 2,034,405 |
| General and administrative expenses | 105,452 | - | 105,452 |
| Fundraising | 115,537 | - | 115,537 |
| Total Functional Expenses | <u>2,255,394</u> | <u>-</u> | <u>2,255,394</u> |
| CHANGES IN NET ASSETS | 2,419,738 | (1,185,809) | 1,233,929 |
| NET ASSETS, Beginning of year | <u>1,421,065</u> | <u>3,243,222</u> | <u>4,664,287</u> |
| NET ASSETS, End of year | <u>\$ 3,840,803</u> | <u>\$ 2,057,413</u> | <u>\$ 5,898,216</u> |

The accompanying notes are an integral part
of these financial statements.

A CHILD'S HAVEN, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

| | Direct Program Expenses | General and Administrative Expenses | Fundraising | Total Functional Expenses |
|---|-------------------------------|---|-------------------|---------------------------------|
| Salaries | \$ 1,288,382 | \$ 37,305 | \$ 52,714 | \$ 1,378,401 |
| Mandatory benefits | 150,816 | 4,046 | 5,074 | 159,936 |
| Non-mandatory benefits | 77,151 | 1,654 | 1,612 | 80,417 |
| Total Personnel Expenses | 1,516,349 | 43,005 | 59,400 | 1,618,754 |
| Assistance to individuals | 34,894 | - | - | 34,894 |
| Contracted services | 71,549 | 9,707 | 495 | 81,751 |
| Depreciation | 100,871 | 7,012 | - | 107,883 |
| Dues, memberships and subscriptions | 55 | 3,794 | 35 | 3,884 |
| Education and training | 31,298 | 1,235 | 565 | 33,098 |
| Employee expenses | 12,134 | 819 | - | 12,953 |
| Fundraising | - | - | 23,158 | 23,158 |
| Insurance | 20,675 | 2,669 | - | 23,344 |
| Miscellaneous | 5,084 | 1,587 | 76 | 6,747 |
| Office expenses | 379 | 3,666 | 152 | 4,197 |
| Other supplies | 4,625 | 5,185 | 11 | 9,821 |
| Postage | - | 2,953 | 1,380 | 4,333 |
| Printing | 120 | 10,027 | 3,165 | 13,312 |
| Professional and consulting fees | 13,621 | 22,637 | 13,744 | 50,002 |
| Program meals | 34,229 | 2,679 | - | 36,908 |
| Program supplies | 14,148 | 213 | 576 | 14,937 |
| Rent | 37,888 | 2,418 | - | 40,306 |
| Repairs and maintenance | 18,031 | 353 | - | 18,384 |
| Taxes, licenses and fees | 575 | 3,539 | - | 4,114 |
| Technology | 33,560 | 3,921 | 3,614 | 41,095 |
| Telephone | 10,995 | 779 | - | 11,774 |
| Travel (client) | 17,326 | - | - | 17,326 |
| Travel (entertainment and staff appreciation) | 8,312 | 1,733 | 410 | 10,455 |
| Utilities | 25,338 | 1,761 | - | 27,099 |
| Vehicle fuel | 16,048 | - | - | 16,048 |
| | \$ 2,028,104 | \$ 131,692 | \$ 106,781 | \$ 2,266,577 |

The accompanying notes are an integral part of these financial statements.

A CHILD'S HAVEN, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

| | Direct Program Expenses | General and Administrative Expenses | Fundraising | Total Functional Expenses |
|---|-------------------------------|---|-------------------|---------------------------------|
| Salaries | \$ 1,284,037 | \$ 36,672 | \$ 61,580 | \$ 1,382,289 |
| Mandatory benefits | 152,431 | 4,348 | 7,302 | 164,081 |
| Non-mandatory benefits | 79,839 | 2,303 | 3,825 | 85,967 |
| Total Personnel Expenses | 1,516,307 | 43,323 | 72,707 | 1,632,337 |
| Assistance to individuals | 57,327 | 200 | - | 57,527 |
| Contracted services | 65,865 | 10,289 | - | 76,154 |
| Depreciation | 21,931 | 1,525 | - | 23,456 |
| Dues, memberships and subscriptions | 365 | 1,616 | 301 | 2,282 |
| Education and training | 19,980 | 379 | 2,913 | 23,272 |
| Employee expenses | 10,056 | 713 | - | 10,769 |
| Fundraising | - | 100 | 25,311 | 25,411 |
| Insurance | 9,158 | 9,474 | - | 18,632 |
| Miscellaneous | 2,626 | 743 | 287 | 3,656 |
| Office expenses | 1,330 | 4,648 | 105 | 6,083 |
| Other supplies | 8,925 | 2,702 | 142 | 11,769 |
| Postage | 311 | 2,622 | 1,560 | 4,493 |
| Printing | 609 | 516 | 4,151 | 5,276 |
| Professional and consulting fees | 34,955 | 7,435 | 4,434 | 46,824 |
| Program meals | 37,467 | 276 | 8 | 37,751 |
| Program supplies | 13,442 | - | - | 13,442 |
| Rent | 97,524 | 6,371 | - | 103,895 |
| Repairs and maintenance | 20,697 | 608 | - | 21,305 |
| Taxes, licenses and fees | 164 | 4,582 | - | 4,746 |
| Technology | 39,547 | 3,785 | 3,082 | 46,414 |
| Telephone | 11,791 | 1,002 | - | 12,793 |
| Travel (client) | 15,158 | - | - | 15,158 |
| Travel (entertainment and staff appreciation) | 10,894 | 2,218 | 536 | 13,648 |
| Utilities | 18,316 | 302 | - | 18,618 |
| Vehicle fuel | 19,660 | 23 | - | 19,683 |
| | \$ 2,034,405 | \$ 105,452 | \$ 115,537 | \$ 2,255,394 |

The accompanying notes are an integral part of these financial statements.

A CHILD'S HAVEN, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|--|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Changes in net assets | \$ 347,628 | \$ 1,233,929 |
| Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 107,883 | 23,456 |
| Investment income reinvested | (4,003) | (2,700) |
| Noncash investment fees | 1,780 | 1,554 |
| Realized and unrealized (gains) losses on investments | (1,477) | (8,236) |
| (Increase) decrease in: | | |
| Donations receivable | 4,656 | (4,300) |
| Grants and contracts receivable | (33,730) | (19,369) |
| Pledges receivable – Capital Campaign | 222,367 | (265,940) |
| Pledges receivable – Capital Campaign – maintenance | 13,543 | (6,920) |
| Prepaid expenses | (616) | (7,263) |
| Restricted certificates of deposit – Capital Campaign | 103,757 | 237,466 |
| Increase (decrease) in: | | |
| Accounts payable | (507,561) | 510,186 |
| Accrued expenses | 10,004 | (6,218) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>264,231</u> | <u>1,685,645</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of investments held at Community Foundation of Greater Greenville | - | (31,576) |
| Purchases of property and equipment | <u>(1,121,972)</u> | <u>(2,496,276)</u> |
| NET CASH USED BY INVESTING ACTIVITIES | <u>(1,121,972)</u> | <u>(2,527,852)</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | <u>(857,741)</u> | <u>(842,207)</u> |

The accompanying notes are an integral part
of these financial statements.

A CHILD'S HAVEN, INC.

STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| CASH AND CASH EQUIVALENTS, Beginning of year | <u>2,419,945</u> | <u>3,262,152</u> |
| CASH AND CASH EQUIVALENTS, End of year | <u>\$ 1,562,204</u> | <u>\$ 2,419,945</u> |
| RECONCILIATION OF CASH: | | |
| Cash and cash equivalents | \$ 696,522 | \$ 465,425 |
| Restricted cash and cash equivalents | 175,154 | 64,159 |
| Restricted cash and cash equivalents – Capital Campaign | <u>690,528</u> | <u>1,890,361</u> |
| | <u>\$ 1,562,204</u> | <u>\$ 2,419,945</u> |

The accompanying notes are an integral part
of these financial statements.

A CHILD'S HAVEN, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Child's Haven, Inc. (the Organization) is a non-profit corporation located in Greenville, South Carolina. The Organization was created to provide a consortium of services to children who are developmentally delayed or at risk for developmental delay due to abuse or neglect, as well as services to their parents or guardians. The Organization works interdependently with other organizations and institutions that are collectively connected by their common objectives and goals.

Financial Statement Presentation and Revenue Recognition: The accompanying financial statements are presented in accordance with the provisions of topic 958, *Not-for-Profit Entities*, of the Financial Accounting Standards Board's Accounting Standards Codification (FASB ASC).

Those provisions establish standards for external financial reporting by nonprofit organizations and require net assets and revenues, expenses, gains and losses to be classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are neither temporarily restricted nor permanently restricted by donor-imposed restrictions.
- Temporarily restricted net assets – Net assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.
- Permanently restricted net assets – Net assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization does not have any permanently restricted net assets as of June 30, 2015 and 2014.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by donor stipulation or by law.

The provisions of FASB ASC topic 958 require that contributions, including unconditional promises to give (pledges), be recognized as revenues in the period received. Conditional pledges are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Cash and Cash Equivalents: For purposes of the statements of cash flows, the term *cash and cash equivalents* includes cash on deposit and certificates of deposit with local banks with maturities under ninety days.

Restricted Cash and Cash Equivalents: Restricted cash and cash equivalents represents contributions that have been designated by the donors for current and long-term purposes.

Restricted Certificates of Deposit: Restricted certificates of deposits are stated at fair value. Interest income is recognized when paid. At June 30, 2015 and 2014 all restricted certificates of deposit are made up of cash contributions that have been designated by the donors for long-term purposes.

Pledges Receivable: Pledges receivable are recorded when the donor makes a promise to give. In management's opinion, an allowance for uncollectible pledges receivable of \$31,475 and \$66,000 at June 30, 2015 and 2014, respectively, is necessary.

Investments: In accordance with provisions of FASB ASC topic 958-320, *Investments – Debt and Equity Securities*, investments in marketable securities with readily determinable fair value are stated at their fair values in the Statements of Financial Position. Gains and losses are reported as increases or decreases in unrestricted net assets on the Statements of Activities unless their use is temporarily or permanently restricted by donor stipulations or by law.

Property and Equipment: The cost of property and equipment, including major renewals and betterments, is depreciated over the estimated useful lives of the related assets using the straight-line method. Acquisitions of property and equipment in excess of \$1,000 are capitalized. When property and equipment are sold or otherwise disposed of, the asset cost and related accumulated depreciation are removed from the respective asset and accumulated depreciation accounts, and any resulting gain or loss is included in revenues or expenses, respectively.

The estimated useful lives of property and equipment for purposes of computing depreciation are:

| | |
|------------------------------------|---------------|
| Building and building improvements | 15 – 39 years |
| Furniture and equipment | 3 – 7 years |
| Vehicles | 5 years |

Contributed Services: During 2015 and 2014, a substantial number of volunteers and community businesses donated significant amounts of services to various Organization activities. These services did not meet the criteria for financial statement recognition and are, therefore, not included on the Statements of Activities and Changes in Net Assets.

Functional Allocation of Expenses: The costs of providing the Organization's various programs and support services have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the program and support services.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates: The preparation of the accompanying financial statements in conformity with the accrual basis of accounting requires the use of certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Fair Value of Financial Investments: Provisions of various sections within FASB ASC topic 820, *Fair Value Measurements and Disclosures*, define fair value, establish a framework for measuring fair value in accounting principles generally accepted in the United States of America, and require certain disclosures about fair value measurements. Those provisions address acceptable valuation techniques and establish a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, and 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* are unadjusted quoted prices for identical assets and liabilities in active markets to which the reporting entity has access.
- *Level 2 inputs* are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. They include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable (for example, interest rates); and inputs that are derived from or corroborated by observable market data.
- *Level 3 inputs* are unobservable and are significant to the fair value measurement.

Provisions of FASB ASC topic 820 require disclosures about fair value measurements for certain financial assets and liabilities.

The carrying amounts of cash, receivables, accounts payable, and other accrued liabilities approximate fair value because of the short maturity of these financial instruments. The carrying values of the Organization's investments are based on information provided by external investment managers or comparison to quoted market values.

Tax Status: The Organization is a not-for-profit entity under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes pursuant to Section 501(a) of the Internal Revenue Code.

NOTE 2 – PLEDGES RECEIVABLE — CAPITAL CAMPAIGN

During 2008, the Organization initiated a capital campaign, the mission of which was to renovate the 39,000 square foot old Armstrong School in Greenville, South Carolina into the largest treatment center in the Southeast for neglected and abused children. The campaign’s original goal was to raise approximately \$6,300,000 for building renovations and approximately \$1,000,000 to create a maintenance fund going forward to provide income for maintenance of the building and grounds. During the fiscal year ended June 30, 2013, the Organization decided to build a new 25,000 square foot facility rather than renovate the old school building, to gain the same advantages and benefits in a more economical option, and also enhancing the sustainability of future operations. Accordingly, the capital campaign goal, including the maintenance fund, was lowered to approximately \$5,500,000. Construction on the new facility started in January 2014 and was completed in September 2014. The Organization moved into the new facility in October 2014. Gifts of \$6,000 or more are recognized permanently in the new building. Gifts below \$6,000 were acknowledged in print materials for the duration of the campaign. The pledge payment process includes monthly, quarterly, and yearly invoices for collecting the capital campaign contributions, with a minimal percentage of uncollectible pledges anticipated. No signatures are required on the pledge forms. The pledges receivable are unconditional and due from one to five years. Currently the capital campaign funds which have been collected but not yet used are held in separate accounts which are reported as restricted cash and cash equivalents and restricted certificates of deposit on the accompanying Statements of Financial Position.

Unconditional promises to give at June 30, 2015 are:

| | Capital Campaign | Capital Campaign – Maintenance | Total |
|---------------------------------------|---------------------|--------------------------------------|-------------------|
| Pledged | \$ 4,838,633 | \$ 645,303 | \$ 5,483,936 |
| Less: Cash received | <u>4,610,870</u> | <u>636,565</u> | <u>5,247,435</u> |
| Pledges receivable | 227,763 | 8,738 | 236,501 |
| Less: Discount to net present value | 9,711 | 373 | 10,084 |
| Less: Allowance for doubtful accounts | <u>30,312</u> | <u>1,163</u> | <u>31,475</u> |
| Pledges Receivable, Net | <u>\$ 187,740</u> | <u>\$ 7,202</u> | <u>\$ 194,942</u> |
| Due in less than one year | \$ 120,703 | \$ 7,052 | \$ 127,755 |
| Due in one to five years | <u>67,037</u> | <u>150</u> | <u>67,187</u> |
| | <u>\$ 187,740</u> | <u>\$ 7,202</u> | <u>\$ 194,942</u> |

NOTE 2 – PLEDGES RECEIVABLE — CAPITAL CAMPAIGN (CONTINUED)

Unconditional promises to give at June 30, 2014 are:

| | <u>Capital Campaign</u> | <u>Capital Campaign – Maintenance</u> | <u>Total</u> |
|---------------------------------------|-----------------------------|---|-------------------|
| Pledged | \$ 4,663,875 | \$ 614,757 | \$ 5,278,632 |
| Less: Cash received | <u>4,175,694</u> | <u>590,063</u> | <u>4,765,757</u> |
| Pledges receivable | 488,181 | 24,694 | 512,875 |
| Less: Discount to net present value | 15,252 | 771 | 16,023 |
| Less: Allowance for doubtful accounts | <u>62,822</u> | <u>3,178</u> | <u>66,000</u> |
| Pledges Receivable, Net | <u>\$ 410,107</u> | <u>\$ 20,745</u> | <u>\$ 430,852</u> |
| Due in less than one year | \$ 130,145 | \$ 13,020 | \$ 143,165 |
| Due in one to five years | <u>279,962</u> | <u>7,725</u> | <u>287,687</u> |
| | <u>\$ 410,107</u> | <u>\$ 20,745</u> | <u>\$ 430,852</u> |

A discount rate of 3.25% and 5.00% was used for the years ended June 30, 2015 and 2014, respectively.

NOTE 3 – INVESTMENT IN COMMUNITY FOUNDATION OF GREATER GREENVILLE

The Community Foundation of Greater Greenville manages investment funds with a fair value of \$146,164 and \$142,464 at June 30, 2015 and 2014, respectively. The Organization can designate that the funds be distributed back to the Organization or to another charitable organization. Investment return, consisting of interest, investment fees and unrealized gains or losses, is considered unrestricted.

NOTE 4 – FAIR VALUE OF INVESTMENTS

Fair values of assets and liabilities measured on a recurring basis at June 30, 2015 and 2014 were as follows:

| <u>Description</u> | <u>Assets (Liabilities)</u> | |
|---|-----------------------------|--|
| | <u>Fair Value</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| <u>June 30, 2015:</u> | | |
| <u>ASSETS:</u> | | |
| Investments: | | |
| Community Foundation of Greater Greenville Charitable remainder trust | \$ 146,164 198 | \$ 146,164 198 |
| Total Assets | <u>\$ 146,362</u> | <u>\$ 146,362</u> |
| <u>June 30, 2014:</u> | | |
| <u>ASSETS:</u> | | |
| Investments: | | |
| Community Foundation of Greater Greenville Charitable remainder trust | \$ 142,464 198 | \$ 142,464 198 |
| Total Assets | <u>\$ 142,662</u> | <u>\$ 142,662</u> |

The valuation techniques for the assets and liabilities presented above were determined as follows:

- Level 3 fair values for the charitable remainder trust held by the Presbyterian Foundation and the investments held by Community Foundation of Greater Greenville were determined by the Presbyterian Foundation and the Community Foundation of Greater Greenville, respectively, to represent the fair market value of the investments.

The Organization had no Level 1 or Level 2 assets or liabilities at June 30, 2015 and 2014.

NOTE 4 – FAIR VALUE OF INVESTMENTS (CONTINUED)

The following table represents a reconciliation of activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at June 30:

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| Beginning balance | \$ 142,662 | \$ 101,704 |
| Investment purchases | - | 31,576 |
| Investment interest income | 4,003 | 2,700 |
| Investment fees | (1,780) | (1,554) |
| Change in value of investments | <u>1,477</u> | <u>8,236</u> |
| | <u>\$ 146,362</u> | <u>\$ 142,662</u> |
| Total gains (losses) included in changes in net assets attributable to the change in unrealized gains or losses relating to investments still held at June 30, 2015 and 2014 | | |
| | <u>\$ 1,477</u> | <u>\$ 8,236</u> |

NOTE 5 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at June 30:

| | <u>2015</u> | <u>2014</u> |
|--------------------------------|---------------------|---------------------|
| Land | \$ 60,000 | \$ 60,000 |
| Building | 4,030,896 | - |
| Construction-in-progress | - | 3,081,161 |
| Leasehold improvements | - | 21,594 |
| Furniture and equipment | 270,415 | 109,256 |
| Vehicles | <u>250,896</u> | <u>250,896</u> |
| | 4,612,207 | 3,522,907 |
| Less: Accumulated depreciation | <u>401,940</u> | <u>326,730</u> |
| | <u>\$ 4,210,267</u> | <u>\$ 3,196,177</u> |

Depreciation expense for the years ended June 30, 2015 and 2014 was \$107,883 and \$23,456, respectively.

NOTE 6 – CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in several financial institutions. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times throughout the year, the Organization may maintain bank balances in excess of the FDIC insured limits. At June 30, 2015 and 2014, the balances in excess of FDIC coverage limit totaled \$781,450 and \$425,641, respectively.

Concentrations of credit risk with respect to pledges receivable are limited due to the large number of contributors comprising the Organization's contributor base and their dispersion across different industries. However, as of June 30, 2015 and 2014, approximately 75% and 68%, respectively, of the Organization's pledges receivable was due from two donors.

NOTE 7 – OPERATING LEASE OBLIGATIONS

The Organization entered into an operating lease with a third party for their facilities. The lease was amended in April 2011 with monthly installments of \$6,911 and was scheduled to expire in December 2013. In December 2013 the lease was amended to extend the lease term one year to December 2014, with the same monthly installments of \$6,911, and included an option granted by the lessor to allow the lessee the option to terminate the agreement at any time with a thirty day written notice to the lessor. The Organization terminated the lease in September 2014. Lease expenditures for the operating lease for the years ended June 30, 2015 and 2014 were \$27,645 and \$89,258, respectively and are included in rent on the accompanying Statements of Functional Expenses.

NOTE 8 – CREDIT LINE

At June 30, 2015, the Organization had a \$700,000 credit line with a local bank with an interest rate of prime and a floor of 0.0% and 5.5% at June 30, 2015 and 2014. The interest rate was 3.25% at June 30, 2015 and 2014. The credit line is secured by real property with a net book value of \$4,057,790 and \$3,140,792 at June 30, 2015 and 2014, respectively. At June 30, 2015 and 2014, the entire balance was available to the Organization. The credit line matures in November 2016.

NOTE 9 – MATCHING FUNDING PROVIDED BY UNITED WAY

The Organization was provided matching funds of \$140,000 for the years ended June 30, 2015 and 2014 by the United Way of Greenville County. Under the terms of this funding, the funds are paid directly to the South Carolina Department of Health and Human Services (SCDHHS) on behalf of the Organization. The funds are applied to the matching funds requirement as outlined in the Matching Funds for Therapeutic Child Services agreement with the SCDHHS effective July 1, 1999. The funds are subsequently recognized as revenue by the Organization when earned and reimbursed from the SCDHHS.

This revenue is included in fees, contracts and grants from governmental agencies on the accompanying Statements of Activities and Changes in Net Assets. The United Way of Greenville County also donates money directly to the Organization. This is represented as United Way public support.

NOTE 10 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions as of June 30, 2015 and 2014 consisted of the following support transferred out of temporarily restricted funds for payment by unrestricted funds:

| | 2015 | 2014 |
|----------------------------------|---------------------|---------------------|
| Accreditation | \$ 6,926 | \$ 882 |
| Behavior Therapy | 2,139 | 4,956 |
| Building Dedication | 4,315 | - |
| Bus | - | 39,974 |
| Capital Campaign | 1,113,920 | 2,456,947 |
| Childrens' Trust Fund | 198,894 | 156,073 |
| Classroom supplies | 3,115 | 5,408 |
| Food | 3,500 | - |
| Field trips | 3,328 | 3,540 |
| Music and exercise | 10,075 | 7,875 |
| Nurse | 10,000 | 10,000 |
| Parenting | 20,000 | - |
| Pinwheel Literacy Grant | 895 | - |
| Print materials for new building | 12,747 | - |
| Staff Appreciation | - | 294 |
| Strategic planning | 8,000 | - |
| Technical | 5,732 | 6,365 |
| Training | 7,906 | 8,704 |
| | <u>\$ 1,411,492</u> | <u>\$ 2,701,018</u> |

NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS

The following classifications reflect the nature of restrictions on temporarily restricted net assets for the years ended June 30, 2015 and 2014, respectively.

| | <u>2015</u> | <u>2014</u> |
|----------------------------------|---------------------|---------------------|
| Accreditation | \$ 69,257 | \$ 76,183 |
| Behavior Therapy | - | 2,139 |
| Building Dedication | 1,835 | - |
| Capital Campaign | 368,009 | 1,313,306 |
| Capital Campaign – maintenance | 645,303 | 614,757 |
| Classroom supplies | 1,628 | 1,639 |
| Field trips | 929 | 1,637 |
| Furnishings | - | 1,322 |
| Music and exercise | 3,954 | 4,204 |
| New classroom | 10,000 | - |
| New infant center | 20,326 | - |
| Nurse | - | 10,000 |
| Pinwheel Literacy Grant | - | 895 |
| Print materials for new building | 2,253 | - |
| Scansource Parenting Grant | 20,000 | 20,000 |
| Strategic planning | 17,000 | - |
| Technical | 3,049 | 2,981 |
| Training | 444 | 8,350 |
| | <u>\$ 1,163,987</u> | <u>\$ 2,057,413</u> |

NOTE 12 – SUBSEQUENT EVENTS

Management of the Organization has evaluated subsequent events through March 21, 2016, which is the date that the accompanying financial statements were available to be issued.

NOTE 13 – OTHER MATTERS

In January 2015, the reimbursement rate received by the Organization from SCDHHS was reduced by approximately 66%. Most of the revenues of the Organization are received from SCDHHS, therefore, this reduction had a negative impact on the Organization. Plans have been implemented to offset this negative impact through private donations, adding additional revenue-producing services, and reducing expenses. The Organization's ability to succeed is dependent upon the success of these endeavors.