



Child Protection Center, Inc.

November 6, 2020

Dear Funder/Donor:

Each year the Child Protection Center, Inc. (CPC) participates in a rigorous audit process. The results are presented to CPC's Board of Directors and are also shared with our diversified funders, including state and local funders. This process demonstrates CPC's transparency and good fiscal stewardship. CPC has engaged the same audit firm since 2011, yielding clean audits each year. During 2019, CPC's audit firm merged with RSM US LLP, which provided its first audit for CPC's fiscal year ending June 30, 2020.

RSM determined that the CPC's prior year financials did not properly allocate value between the land and building improvements owned by CPC. As a result, depreciation was incorrectly calculated from the date of purchase in December 2008 - June 30, 2019. The audit report states that CPC did not have an internal control in place to evaluate the allocation between its land and building improvements at the time of the property's purchase in 2008. RSM recommended that no portion of the purchase price be allocated to capitalized building and improvements and all depreciation associated with the prior allocation be eliminated from CPC's financial statements.

CPC explained to RSM that CPC's prior auditors had been fully aware of the depreciation taken and the allocation of value between the land and building. At no time over the last 11 years did the auditors require any adjustments. Further, if CPC's prior auditors had proposed the same correction as RSM, in the year following the property's acquisition, no material weakness or deficiency in CPC's internal control would have ever occurred.

After further analysis and discussion, CPC ultimately agreed to follow RSM's recommendation to allocate the entire purchase price to land for the facility located at 720 S. Orange Ave., though CPC believes a portion of the purchase price should continue to be allocated to the improvements acquired. The impact of the adjustment results in an increase in CPC's total assets by \$548,077. This amount represents the accumulated depreciation associated with CPC's property and equipment that was eliminated from CPC's financial statements.

The Board of Directors encourages any funder to contact Doug Staley, CPC's Executive Director, if you have questions on the Audited Financial Statements (941-365-1277; Ext. 204).

Together We Make a Difference,


Tony Dempsey, CPC Board Chair

Child Protection Team

**Sexual Abuse
Treatment Program**

Kid Kindness Program

**Supervised Visitation
Program**

**Personal Safety and
Community Awareness
Program**

Main Office
720 South Orange Avenue
Sarasota, Florida 34236
Phone: (941) 365-1277
Fax: (941) 953-7181
Child Protection Team
Fax: (941) 366-1849

Supervised Visitation Program
2210 South Tamiami Trail
Venice, Florida 34293
Phone: (941) 492-6491
Fax: (941) 408-8469

North Port Office
2530 Bobcat Village Center Road
Unit A & B
North Port, Florida 34287

DeSoto County Office
222 N. Roberts Avenue
Arcadia, Florida 34266



Programs are funded entirely,
or in part, under agreements
with the State of Florida,
Sarasota County.




Sarasota County



www.CPCsarasota.org

Child Protection Center, Inc.

Financial Report
June 30, 2020

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Independent Auditor's Report

RSM US LLP

Board of Directors
Child Protection Center, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Child Protection Center, Inc., which comprise the statement of financial position as of June 30, 2020, the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 Child Protection Center, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

St. Petersburg, Florida
October 29, 2020

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Child Protection Center, Inc.

**Statement of Financial Position
June 30, 2020**

Assets

Current assets:

Cash	\$ 1,459,670
Certificate of deposit	800,000
Grant and contract receivables	164,736
Prepaid expenses and other current assets	12,072
Total current assets	<u>2,436,478</u>

Property and equipment, net	3,718,863
Investments	919,704
Deposits	5,694

Total assets \$ 7,080,739

Liabilities and net assets

Current liabilities:

Accounts payable	\$ 7,932
Current portion of note payable	142,071
Total current liabilities	<u>150,003</u>

Note payable, net of current portion	159,829
Total liabilities	<u>309,832</u>

Commitments and contingencies (Note 8 and 9)

Net assets:

Without donor restrictions	5,671,571
Without donor restrictions – board-designated endowment	920,713
	<u>6,592,284</u>

With donor restrictions	178,623
Total net assets	<u>6,770,907</u>

Total liabilities and net assets \$ 7,080,739

See notes to financial statements.

Child Protection Center, Inc.

**Statement of Activities and Changes in Net Assets
Year Ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Federal and state contracts	\$ 1,122,854	\$ -	\$ 1,122,854
County government grants	252,565	-	252,565
United Way	39,090	-	39,090
Foundations and private grants	421,783	178,623	600,406
Contributions	515,224	-	515,224
Contributions – in-kind	38,749	-	38,749
Investment return, net	(1,558)	-	(1,558)
Special events, net of special event expenses of \$108,692	392,762	-	392,762
Other	7,289	-	7,289
Client fees	21,260	-	21,260
Total revenues and support	2,810,018	178,623	2,988,641
Expenses:			
Program services:			
Intervention	1,050,405	-	1,050,405
Prevention and education	309,241	-	309,241
Treatment	708,741	-	708,741
Total program services	2,068,387	-	2,068,387
Supporting services:			
Management and general	139,577	-	139,577
Fundraising	303,099	-	303,099
Total supporting services	442,676	-	442,676
Total expenses	2,511,063	-	2,511,063
Gain on disposal of property	17,354	-	17,354
Change in net assets	316,309	178,623	494,932
Net assets:			
Beginning of year, as previously reported	5,727,898	-	5,727,898
Revision (See Note 1)	548,077	-	548,077
Beginning of year, as revised	6,275,975	-	6,275,975
End of year	\$ 6,592,284	\$ 178,623	\$ 6,770,907

See notes to financial statements.

Child Protection Center, Inc.

Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services			Total Program Services	Management and General	Fundraising	Total Expenses
	Intervention	Prevention and Education	Treatment				
Personnel and contractual:							
Program directors/coordinator	\$ 405,315	\$ 163,575	\$ 46,320	\$ 615,210	\$ -	\$ -	\$ 615,210
Administrative/clerical	109,225	26,034	129,137	264,396	33,397	221,582	519,375
Medical/psychological/therapist	113,194	-	232,032	345,226	-	-	345,226
Accountant	57,678	17,175	43,765	118,618	13,178	-	131,796
Fringe benefits and payroll taxes	146,759	55,124	87,056	288,939	8,909	37,305	335,153
Total personnel and contractual	832,171	261,908	538,310	1,632,389	55,484	258,887	1,946,760
Other expenses:							
Audit	9,080	2,270	7,945	19,295	3,855	975	24,125
Bank and credit card fees	-	-	-	-	1,020	-	1,020
Payroll related expenses	11,123	4,171	9,733	25,027	2,781	-	27,808
Equipment rental and maintenance	16,329	4,903	13,874	35,106	4,612	1,356	41,074
Advertising and promotion	460	242	471	1,173	-	7,025	8,198
Travel and conferences	12,512	4,298	9,576	26,386	203	876	27,465
Occupancy	46,674	-	23,415	70,089	-	-	70,089
Telephone	9,926	2,120	5,611	17,657	1,187	300	19,144
Supplies, office and postage	11,064	1,636	9,624	22,324	2,039	11,363	35,726
Printing and materials	10,708	11,846	19,845	42,399	1,431	5,984	49,814
Insurance	14,462	4,082	12,403	30,947	5,026	72	36,045
Meals and entertainment	1,082	162	247	1,491	1,008	1,439	3,938
Dues and subscriptions	1,222	240	2,905	4,367	545	5,289	10,201
Miscellaneous	531	15	1,328	1,874	8,240	6,187	16,301
Depreciation	20,290	5,072	27,960	53,322	36,456	-	89,778
Building expense	50,985	5,976	19,900	76,861	9,340	340	86,541
Professional fees	1,786	300	5,594	7,680	5,595	3,006	16,281
Interest expense	-	-	-	-	755	-	755
Total other expenses	218,234	47,333	170,431	435,998	84,093	44,212	564,303
Total functional expenses	\$ 1,050,405	\$ 309,241	\$ 708,741	\$ 2,068,387	\$ 139,577	\$ 303,099	\$ 2,511,063

See notes to financial statements.

Child Protection Center, Inc.

Statement of Cash Flows
Years Ended June 30, 2020

Cash flows from operating activities:	
Change in net assets	\$ 494,932
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	89,778
Realized and unrealized gains on investments	20,752
Gain on disposal of property	(17,354)
Changes in operating assets and liabilities:	
Grant and contract receivables	(34,422)
Prepaid expenses and other current assets	4,389
Deposits	(545)
Accounts payable	5,763
Deferred revenue	(40,439)
Net cash provided by operating activities	522,854
Cash flows from investing activities:	
Purchase of property and equipment	(37,228)
Proceeds from sale of property and equipment	25,000
Purchases of investments	(27,076)
Purchase of certificate of deposit	(764,419)
Proceeds from sale of investments	7,644
Net cash used by investing activities	(796,079)
Cash flows from financing activities:	
Proceeds from note payable	301,900
Net cash provided by financing activities	301,900
Net change in cash	28,675
Cash:	
Beginning	1,430,995
Ending	\$ 1,459,670

See notes to financial statements.

Child Protection Center, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization: Child Protection Center, Inc. (Center) is a not-for-profit corporation incorporated on July 15, 1981, and located in Sarasota, Florida. The Center administers a variety of programs with the goal of preventing, intervening in and treating child abuse consistent with their stated vision: "We envision a community where children are safe from abuse and free to thrive." Services are provided primarily to individuals who reside in the greater Sarasota region of Florida.

A summary of the Center's significant accounting policies follows:

Basis of accounting: The Center prepares its financial statements on the accrual basis of accounting, whereby unconditional support is recorded when received, revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: A not-for-profit organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Contributions and other inflows of assets that are not subject to donor imposed stipulations, but may be designated for specific purposes by action of the Board of Directors (Board). Net assets without donor restrictions include expendable funds available to support operations as well as net assets invested in property and equipment.

Net assets with donor restrictions: Contributions and other inflows of assets subject to donor imposed stipulations that may or will be met by actions of the Center or the passage of time or are permanently maintained by the Center. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released to net assets without donor restrictions and reported in the accompanying statement of activities and changes in net assets as net assets released from restriction.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash deposits: The Center maintains demand deposit accounts at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 or the Securities Investor Protection Corporation up to \$500,000. Account balances periodically exceed the federally insured limits. The Center has not experienced any losses in such accounts. The Center believes it is not exposed to any significant credit risk in regards to cash and investments.

Certificate of deposit: The certificate of deposit (CD) is carried at cost plus accrued interest, which approximates fair value. The CD has a stated interest rate of 1.8% and matured in August 2020 at which time the funds were transferred to a cash account.

Unconditional promises to give: Unconditional promises to give are recorded in the year the promise is made. Conditional promises to give are not recorded as support until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

Child Protection Center, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

The carrying amount of unconditional promises to give is reduced by a valuation allowance that reflects management's best estimate of the amount that will not be collected based on historical experience and an assessment of individual balances. Certain accounts are written off under the direct write-off method; other accounts are part of the reserve for doubtful accounts established based on management's review of individual donors. The Center did not have any promises to give at June 30, 2020.

Property and equipment, net: Property and equipment is carried at cost if purchased or at estimated fair market value at date of receipt if acquired by gift, less accumulated depreciation. Expenditures in excess of \$1,500 with estimated useful lives greater than one year are capitalized.

Depreciation on all property and equipment is calculated by the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings and improvements	12-39
Equipment	5-7
Furniture	7
Playground equipment	15

Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of the asset are capitalized. Expenditures for normal repairs and maintenance are expensed as incurred. Upon retirement, sale or other disposition of property and equipment, the costs and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included within the statement of activities and changes in net assets.

Property acquired with government funds is considered to be owned by the Center while used in the program for which it was purchased or in future authorized programs; however, its disposition and the ownership of any proceeds are subject to applicable regulations.

Impairment of long-lived assets: The Center evaluates the recoverability of its buildings and improvements and equipment whenever adverse events or changes in the business climate indicate that the expected undiscounted future cash flows from the related asset may be less than previously anticipated. If the net book value of the related asset exceeds the undiscounted future cash flows of the asset, the carrying amount would be reduced to the present value of its expected future cash flows and an impairment loss would be recognized. Management believes no indication of impairment existed at June 30, 2020.

Investments and investment return, net: Investments are valued at their estimated fair values in the accompanying statement of financial position. Investment return, net is reported in the statement of activities and changes in net assets and consists of interest and dividend income and realized and unrealized gains and losses net of investment expenses. All investments are classified as long-term, as the Center does not intend to use the investments for current operations.

Fair value measurements: The Center defines fair value in accordance with U.S. GAAP, which specifies a hierarchy of valuation techniques. The hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs. The Center measures investments at fair value on a recurring basis.

Child Protection Center, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

The following is a brief description of the type of valuation information (inputs) that qualifies a financial asset for each level:

- Level 1:** Unadjusted quoted market prices for identical assets or liabilities in active markets which are accessible by the Center.
- Level 2:** Observable prices in active markets for similar assets or liabilities. Prices for identical or similar assets or liabilities in markets that are not active. Market inputs that are not directly observable but are derived from or corroborated by observable market data.
- Level 3:** Unobservable inputs based on the Center's own judgment as to assumptions a market participant would use, including inputs derived from extrapolation and interpolation that are not corroborated by observable market data.

The Center evaluates the various types of financial assets and liabilities to determine the appropriate fair value hierarchy based upon trading activity and the observability of market inputs. The Center employs control processes to validate the reasonableness of the fair value estimates of its assets and liabilities, including those estimates based on prices and quotes obtained from independent third-party sources.

While the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies and assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the report date.

During the year ended June 30, 2020, there were no changes to the Center's valuation techniques that had, or are expected to have, a material impact on its statement of financial position or activities and change in net assets.

Revenue recognition: A significant portion of the Center's revenue is derived from agreed upon rates for service or cost-reimbursement federal and state contracts and grants. Cost reimbursement contracts and grants are conditional upon certain performance requirements or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Center has incurred expenditures in compliance with specific contract or grant provisions.

Contributions and recognition of donor restrictions: The Center recognizes contributions received, including unconditional promises to give, as assets and revenue in the period received at their fair values. All contributions are considered to be increases in net assets without donor restrictions and available for use unless specifically restricted by the donor. Gifts of cash and other assets are reported as net assets with donor restrictions support if they are received with donor stipulations that limit the use of such assets.

When donor restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the contributions are received

Donated material and services: Donations of materials are recorded as support at the estimated fair market value at the date of donation. Donations of services are recorded as support at their estimated fair value if the services received create or enhance nonfinancial assets or the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A number of full and part-time volunteers have made contributions of their time to maintain the Center's programs. The estimated value of this contributed time is not reflected in these financial statements, since these services do not meet recognition requirements.

Child Protection Center, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Functional allocation of expenses: The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities and changes in net assets and detailed in the statement of functional expenses. Expenses that can be identified with a specific program or supporting service are charged directly to that program or service according to their natural classification. Certain other costs have been allocated among the programs and supporting services benefited. Personnel and contractual expenses, audit, payroll related expenses, equipment rental and maintenance, advertising and promotion, travel and conferences, occupancy, telephone, supplies, office and postage, printing and materials, insurance, meals and entertainment, dues and subscriptions, miscellaneous, depreciation, building expense and professional fees may contain allocations based on time and effort, square footage and direct charges. Management and general expenses that are not directly allocable are allocated based on their estimated time and effort in each program or supporting service.

Income tax: The Center is qualified under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes except for net revenue from unrelated business activities. As such, no provision for income tax expense has been made in the accompanying financial statements.

The Center recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination of the taxing authorities. Management evaluated the Center's tax positions and concluded that the Center had no material uncertainties in income taxes as of June 30, 2020.

The Center is no longer subject to income tax examinations by the U.S. federal, state, or local authorities for fiscal years before 2017.

Newly adopted accounting pronouncement: In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify the definition of an exchange transaction and contribution and to clarify accounting for the same. The standard is effective for nonpublic entities for fiscal years beginning after December 15, 2018 (the Center's June 30, 2020 financial statements); early adoption is permitted. The adoption of this ASU, using the modified prospective method of transition, did not materially impact the financial statements.

Recent accounting pronouncements: In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The update will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In June 2020, the FASB issued ASU 2020-05, which further delayed the effective date for nonpublic companies to annual periods beginning after December 15, 2019 (the Center's June 30, 2021, financial statements). The Center is currently evaluating the impact adopting this guidance will have on its financial statements.

Child Protection Center, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at commencement date: (a) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessees will no longer be provided with a source of off balance sheet financing. Lessees must apply a modified retrospective transition approach for leases existing at or entered into after, the beginning of the earliest comparative period presented in the financial statements. In June 2020, the FASB issued ASU 2020-05, which delayed the effective date for nonpublic companies to fiscal years beginning after December 15, 2021 (the Center's June 30, 2023 financial statements). The Center is currently evaluating the impact of this pronouncement on its financial statements.

Subsequent events: Management has evaluated all events subsequent to the statement of financial position date of June 30, 2020 through October 29, 2020, which is the date these financial statements were available to be issued. Management has determined that there are no subsequent events that require recognition or disclosure in the accompanying financial statements under the existing guidance.

Revision: During the year ended June 30, 2020, management made the decision to correct an error that was identified in the Center's prior financial statements. The acquisition price of the property acquired in 2008 had not been allocated between land and building and improvements, as such, depreciation was incorrectly recorded related to land that was reported with the Center's building and improvements from the date of purchase December 30, 2008, through fiscal year ending 2019. The Center determined that the effect on the prior fiscal year financial statements was not material; however, the error had accumulated over the course of several years to an amount that would be material if corrected in the current year Statement of Activities. Accordingly, the Center has retrospectively recorded the adjustment as of July 1, 2019, to property and equipment and net assets without donor restrictions both which were increased by \$548,077 to reflect the revision of the financial statements. The effect of the error on the 2019 Statement of Activities was an overstatement of depreciation in the amount of \$57,692.

Note 2. Availability and Liquidity

The following represents the Centers financial assets at June 30, 2020:

Financial assets at year end:	
Cash	\$ 1,459,670
Certificate of deposit	800,000
Grant and contract receivables	164,736
Investments	919,704
Total financial assets	<u>3,344,110</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions to be met in less than a year	(178,623)
Board-designated endowment	(920,713)
	<u>(1,099,336)</u>
Financial assets available to meet expenditures over the next 12 months	<u>\$ 2,244,774</u>

The Center maintains a policy of structuring its financial assets to be available as its general expenditures and other obligations come due. As part of its liquidity plan, excess cash is invested in short-term investments, including CD's, money market funds, fixed income mutual funds and equity mutual funds.

Child Protection Center, Inc.

Notes to Financial Statements

Note 2. Availability and Liquidity (Continued)

The board designated endowment fund was established by the board of directors to provide future support to the Center by providing regular, predictable operating income that will help fill gaps caused by increasing costs, demands and the possibility of diminishing government support and fluctuating donation and grant revenue. Management expects the principal to be preserved; however, as of June 30, 2020, the Center has approximately \$921,000 in resources that could be available upon approval of the board of directors to provide support for the Center's programs and facilities. See Note 6.

Note 3. Property and Equipment

Costs and accumulated depreciation of property and equipment are summarized as follows at June 30, 2020:

Land	\$ 2,223,000
Building and improvements	1,903,606
Equipment	434,489
Furniture	179,395
Playground equipment	178,909
	<u>4,919,399</u>
Less accumulated depreciation	<u>(1,200,536)</u>
	<u><u>\$ 3,718,863</u></u>

Note 4. Investments

A review of fair value hierarchy classifications is conducted on an annual basis. The following table provides information about the Center's investments measured at estimated fair value on a recurring basis as of June 30, 2020:

Description	Total	June 30, 2020		
		Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market fund	\$ 8,843	\$ 8,843	\$ -	\$ -
Fixed income - mutual funds	255,179	255,179	-	-
Equities – stocks	175,509	175,509	-	-
Equities – exchange-trade funds	177,050	177,050	-	-
Equities – mutual funds	303,123	303,123	-	-
Total investments	<u>\$ 919,704</u>	<u>\$ 919,704</u>	<u>\$ -</u>	<u>\$ -</u>

Financial assets classified as Level 1 in the fair value hierarchy include money market funds and mutual funds consisting of fixed income and equities measured at estimated fair value based on quoted market prices on an active market.

Child Protection Center, Inc.

Notes to Financial Statements

Note 4. Investments (Continued)

Return from investments is summarized as follows for the year ended June 30, 2020:

Interest and dividends	\$	26,838
Realized and unrealized gain		(20,752)
Investments fees		(7,644)
Investment return, net	\$	<u>(1,558)</u>

Note 5. Note Payable

On April 20, 2020, the Center was granted a loan pursuant to the Paycheck Protection Program established as part of the Coronavirus Aid, Relief and Economics Security Act (CARES Act) in the aggregate amount of \$301,900. The loan bears interest at 1% per annum and is payable monthly commencing November 17, 2020. Principal payments of \$142,071 are due in the year ending June 30, 2021, the remaining balance \$159,829 becoming due in the year ending June 30, 2022. The loan may be prepaid by the Center at any time prior to maturity with no prepayment penalties. Under the terms of the loan, certain amounts may be forgiven if they are used for qualifying expenses, as described in the CARES Act. Qualifying expenses including payroll costs, continuation of health care benefits, mortgage payments, rent, utilities and interest on other debt obligation. The Center intends to use the entire loan amount for qualifying expense, however, no assurance can be given that expenditures will qualify or be forgiven.

Note 6. Endowment Funds

The Center's endowment fund (endowment) includes net assets without donor restriction designated for endowment by the board of directors to provide future support to the Center. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. There are no donor-imposed restrictions on the endowment as of June 30, 2020.

The Center considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the endowment fund
- The purposes of the Center and the endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Center
- The investment policy of the Center

Return objectives and risk parameters: The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments, while seeking to maintain the purchasing power of endowment assets.

Child Protection Center, Inc.

Notes to Financial Statements

Note 6. Endowment Funds (Continued)

Under these policies, as approved by the board of directors, endowment assets will be invested in a manner that is intended to protect against loss associated with a single security, industry, issuer or event which focuses on a strategic allocation of portfolio assets across broadly defined financial asset and sub asset categories with varying degrees of risk, return and return correlation.

Strategies employed for achieving objectives: To satisfy its long-term, rate-of-return objectives, the Center will rely on a total return strategy whereby investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Center will target a diversified asset allocation.

Spending policy and how the investment objectives relate to spending policy: The Center has an overall goal to increase the endowment to approximately \$3 million. Endowment funds shall be used to provide perpetual financial support to the Center. The Center's policy does not prohibit spending from underwater endowment funds if it is necessary, although it has been management's practice not to do so.

At the direction of the board of directors, an annual payout of 4% applied to the smoothed, average market value of the endowed assets, to support approved strategic initiatives of the Center will be determined each fiscal year. In addition, a reasonable allocation of general overhead expenses may be charged to the endowment fund as a cost of administration in accordance with the U.S. GAAP. The allocation must be approved by the board of directors when it makes its annual affirmation of the 4% payout. During the year ended June 30, 2020, the Center did not appropriate any earnings from endowment funds to current year operations.

The board reserves the right at its discretion to adjust the annual payout amount, but the adjusted payout may not exceed 6% in a given year. The board may approve the adjusted annual payout with a super majority vote. For purposes of this resolution, a super majority shall mean more than 3/4 of the members of the board of directors of the Center present at the meeting considering such change. In no event, however, may the board approve an annual payout greater than 6% unless the entire board unanimously approves the resolution to do so, and the resolution is unanimously passed in two board meetings at least 60 days apart.

The board of directors should, in general, and on a long-term basis, only approve a calculated payout ratio percentage, which when adjusted for anticipated expenses and inflation does not exceed the long-term expected return of the endowment's assets. The board believes that this rate will provide sufficient income while preserving principal. In the event the board of directors does not set a payout ratio, no funds from the endowment may be spent until such time as the board affirms a payout ratio.

Endowment net asset composition by type of fund is as follows as of June 30, 2020:

	<u>Net Assets Without Donor Restrictions</u>
Donor restricted endowment funds	\$ -
Board-designated endowment funds	920,713
	<u>\$ 920,713</u>

Child Protection Center, Inc.

Notes to Financial Statements

Note 6. Endowment Funds (Continued)

Changes in endowment funds net assets for the year ended June 30, 2020, are as follows:

	Net Assets Without Donor Restrictions
Endowment net assets, beginning	\$ 923,533
Investment return, net	(2,820)
Endowment net assets, end	<u>\$ 920,713</u>

Note 7. Employee Benefit Plan

The Center has a 401(k) salary deferral plan covering substantially all of its employees. The Center makes a discretionary contribution to the plan, presently 7% of an employee's annual salary. For the year ended June 30, 2020, the Center made contributions to the plan totaling approximately \$82,000.

Note 8. Lease Commitments

The Center leases certain facilities under operating lease agreements varying in length from one to three years and expiring in 2022.

Future minimum lease commitments for noncancelable operating leases are as follows at June 30, 2020:

Years ending June 30:	
2021	\$ 69,988
2022	14,937
	<u>\$ 84,925</u>

Lease expense for the year ended June 30, 2020, was approximately \$70,000.

Note 9. Commitments and Contingencies

The Center routinely enters into grant agreements and contracts with government agencies that provide for reimbursement of the eligible direct and indirect costs of providing certain of the Center's program services. The grants and contracts are subject to audit or review and retroactive adjustment based on a final determination by the grantor of eligible reimbursable expenditures. The effect of such adjustments, if any, on the Center's financial statements cannot be determined at this time and no provision has been made for any such adjustment in the accompanying financial statements.

COVID-19: On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Center operates. On March 27, 2020, the CARES Act was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Center.

Child Protection Center, Inc.

Notes to Financial Statements

Note 10. Funding and Credit Concentrations

Revenues: The Center receives a substantial portion of its support directly from federal, state and local government agencies or as pass-through government funding awards from other local agencies. Continuation of the Center's program services is greatly dependent upon the continued support of these agencies.

The Center received three grants from federal, state and county agencies that comprise approximately 40% of the total revenues for the year ended June 30, 2020.

Note 11. Conditional Promises to Give from Donors

The Center has conditional promises (mainly conditional grants) to give from grantors and donors of \$333,980 as of June 30, 2020. Future payments are contingent upon the Center carrying out certain activities (meeting grant and donor imposed barriers) stipulated by the grant or contract.

Conditional promises to give from the Center's grant donors consist of the following:

	<u>2020</u>
Cash grants from federal and state contracts	\$ 119,152
Cash grants from county government contracts	64,828
Cash grants from other grantors/donors	<u>150,000</u>
	<u>\$ 333,980</u>

Child Protection Center, Inc.

Financial Report
June 30, 2020

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Independent Auditor's Report

RSM US LLP

Board of Directors
Child Protection Center, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Child Protection Center, Inc., which comprise the statement of financial position as of June 30, 2020, the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 Child Protection Center, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

St. Petersburg, Florida
October 29, 2020

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Child Protection Center, Inc.

**Statement of Financial Position
June 30, 2020**

Assets

Current assets:

Cash	\$	1,459,670
Certificate of deposit		800,000
Grant and contract receivables		164,736
Prepaid expenses and other current assets		12,072
Total current assets		<u>2,436,478</u>

Property and equipment, net		3,718,863
Investments		919,704
Deposits		5,694
Total assets	\$	<u>7,080,739</u>

Liabilities and net assets

Current liabilities:

Accounts payable	\$	7,932
Current portion of note payable		142,071
Total current liabilities		<u>150,003</u>

Note payable, net of current portion		159,829
Total liabilities		<u>309,832</u>

Commitments and contingencies (Note 8 and 9)

Net assets:

Without donor restrictions		5,671,571
Without donor restrictions – board-designated endowment		920,713
		<u>6,592,284</u>

With donor restrictions		178,623
Total net assets		<u>6,770,907</u>

Total liabilities and net assets	\$	<u>7,080,739</u>
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See notes to financial statements.

Child Protection Center, Inc.

**Statement of Activities and Changes in Net Assets
Year Ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Federal and state contracts	\$ 1,122,854	\$ -	\$ 1,122,854
County government grants	252,565	-	252,565
United Way	39,090	-	39,090
Foundations and private grants	421,783	178,623	600,406
Contributions	515,224	-	515,224
Contributions – in-kind	38,749	-	38,749
Investment return, net	(1,558)	-	(1,558)
Special events, net of special event expenses of \$108,692	392,762	-	392,762
Other	7,289	-	7,289
Client fees	21,260	-	21,260
Total revenues and support	2,810,018	178,623	2,988,641
Expenses:			
Program services:			
Intervention	1,050,405	-	1,050,405
Prevention and education	309,241	-	309,241
Treatment	708,741	-	708,741
Total program services	2,068,387	-	2,068,387
Supporting services:			
Management and general	139,577	-	139,577
Fundraising	303,099	-	303,099
Total supporting services	442,676	-	442,676
Total expenses	2,511,063	-	2,511,063
Gain on disposal of property	17,354	-	17,354
Change in net assets	316,309	178,623	494,932
Net assets:			
Beginning of year, as previously reported	5,727,898	-	5,727,898
Revision (See Note 1)	548,077	-	548,077
Beginning of year, as revised	6,275,975	-	6,275,975
End of year	\$ 6,592,284	\$ 178,623	\$ 6,770,907

See notes to financial statements.

Child Protection Center, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2020**

	Program Services			Total Program Services	Management and General	Fundraising	Total Expenses
	Intervention	Prevention and Education	Treatment				
Personnel and contractual:							
Program directors/coordinator	\$ 405,315	\$ 163,575	\$ 46,320	\$ 615,210	\$ -	\$ -	\$ 615,210
Administrative/clerical	109,225	26,034	129,137	264,396	33,397	221,582	519,375
Medical/psychological/therapist	113,194	-	232,032	345,226	-	-	345,226
Accountant	57,678	17,175	43,765	118,618	13,178	-	131,796
Fringe benefits and payroll taxes	146,759	55,124	87,056	288,939	8,909	37,305	335,153
Total personnel and contractual	832,171	261,908	538,310	1,632,389	55,484	258,887	1,946,760
Other expenses:							
Audit	9,080	2,270	7,945	19,295	3,855	975	24,125
Bank and credit card fees	-	-	-	-	1,020	-	1,020
Payroll related expenses	11,123	4,171	9,733	25,027	2,781	-	27,808
Equipment rental and maintenance	16,329	4,903	13,874	35,106	4,612	1,356	41,074
Advertising and promotion	460	242	471	1,173	-	7,025	8,198
Travel and conferences	12,512	4,298	9,576	26,386	203	876	27,465
Occupancy	46,674	-	23,415	70,089	-	-	70,089
Telephone	9,926	2,120	5,611	17,657	1,187	300	19,144
Supplies, office and postage	11,064	1,636	9,624	22,324	2,039	11,363	35,726
Printing and materials	10,708	11,846	19,845	42,399	1,431	5,984	49,814
Insurance	14,462	4,082	12,403	30,947	5,026	72	36,045
Meals and entertainment	1,082	162	247	1,491	1,008	1,439	3,938
Dues and subscriptions	1,222	240	2,905	4,367	545	5,289	10,201
Miscellaneous	531	15	1,328	1,874	8,240	6,187	16,301
Depreciation	20,290	5,072	27,960	53,322	36,456	-	89,778
Building expense	50,985	5,976	19,900	76,861	9,340	340	86,541
Professional fees	1,786	300	5,594	7,680	5,595	3,006	16,281
Interest expense	-	-	-	-	755	-	755
Total other expenses	218,234	47,333	170,431	435,998	84,093	44,212	564,303
Total functional expenses	\$ 1,050,405	\$ 309,241	\$ 708,741	\$ 2,068,387	\$ 139,577	\$ 303,099	\$ 2,511,063

See notes to financial statements.

Child Protection Center, Inc.

Statement of Cash Flows
Years Ended June 30, 2020

Cash flows from operating activities:	
Change in net assets	\$ 494,932
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	89,778
Realized and unrealized gains on investments	20,752
Gain on disposal of property	(17,354)
Changes in operating assets and liabilities:	
Grant and contract receivables	(34,422)
Prepaid expenses and other current assets	4,389
Deposits	(545)
Accounts payable	5,763
Deferred revenue	(40,439)
Net cash provided by operating activities	<u>522,854</u>
Cash flows from investing activities:	
Purchase of property and equipment	(37,228)
Proceeds from sale of property and equipment	25,000
Purchases of investments	(27,076)
Purchase of certificate of deposit	(764,419)
Proceeds from sale of investments	7,644
Net cash used by investing activities	<u>(796,079)</u>
Cash flows from financing activities:	
Proceeds from note payable	<u>301,900</u>
Net cash provided by financing activities	<u>301,900</u>
Net change in cash	28,675
Cash:	
Beginning	<u>1,430,995</u>
Ending	<u>\$ 1,459,670</u>

See notes to financial statements.

Child Protection Center, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization: Child Protection Center, Inc. (Center) is a not-for-profit corporation incorporated on July 15, 1981, and located in Sarasota, Florida. The Center administers a variety of programs with the goal of preventing, intervening in and treating child abuse consistent with their stated vision: "We envision a community where children are safe from abuse and free to thrive." Services are provided primarily to individuals who reside in the greater Sarasota region of Florida.

A summary of the Center's significant accounting policies follows:

Basis of accounting: The Center prepares its financial statements on the accrual basis of accounting, whereby unconditional support is recorded when received, revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: A not-for-profit organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Contributions and other inflows of assets that are not subject to donor imposed stipulations, but may be designated for specific purposes by action of the Board of Directors (Board). Net assets without donor restrictions include expendable funds available to support operations as well as net assets invested in property and equipment.

Net assets with donor restrictions: Contributions and other inflows of assets subject to donor imposed stipulations that may or will be met by actions of the Center or the passage of time or are permanently maintained by the Center. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released to net assets without donor restrictions and reported in the accompanying statement of activities and changes in net assets as net assets released from restriction.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash deposits: The Center maintains demand deposit accounts at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 or the Securities Investor Protection Corporation up to \$500,000. Account balances periodically exceed the federally insured limits. The Center has not experienced any losses in such accounts. The Center believes it is not exposed to any significant credit risk in regards to cash and investments.

Certificate of deposit: The certificate of deposit (CD) is carried at cost plus accrued interest, which approximates fair value. The CD has a stated interest rate of 1.8% and matured in August 2020 at which time the funds were transferred to a cash account.

Unconditional promises to give: Unconditional promises to give are recorded in the year the promise is made. Conditional promises to give are not recorded as support until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

Child Protection Center, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

The carrying amount of unconditional promises to give is reduced by a valuation allowance that reflects management's best estimate of the amount that will not be collected based on historical experience and an assessment of individual balances. Certain accounts are written off under the direct write-off method; other accounts are part of the reserve for doubtful accounts established based on management's review of individual donors. The Center did not have any promises to give at June 30, 2020.

Property and equipment, net: Property and equipment is carried at cost if purchased or at estimated fair market value at date of receipt if acquired by gift, less accumulated depreciation. Expenditures in excess of \$1,500 with estimated useful lives greater than one year are capitalized.

Depreciation on all property and equipment is calculated by the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings and improvements	12-39
Equipment	5-7
Furniture	7
Playground equipment	15

Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of the asset are capitalized. Expenditures for normal repairs and maintenance are expensed as incurred. Upon retirement, sale or other disposition of property and equipment, the costs an accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included within the statement of activities and changes in net assets.

Property acquired with government funds is considered to be owned by the Center while used in the program for which it was purchased or in future authorized programs; however, its disposition and the ownership of any proceeds are subject to applicable regulations.

Impairment of long-lived assets: The Center evaluates the recoverability of its buildings and improvements and equipment whenever adverse events or changes in the business climate indicate that the expected undiscounted future cash flows from the related asset may be less than previously anticipated. If the net book value of the related asset exceeds the undiscounted future cash flows of the asset, the carrying amount would be reduced to the present value of its expected future cash flows and an impairment loss would be recognized. Management believes no indication of impairment existed at June 30, 2020.

Investments and investment return, net: Investments are valued at their estimated fair values in the accompanying statement of financial position. Investment return, net is reported in the statement of activities and changes in net assets and consists of interest and dividend income and realized and unrealized gains and losses net of investment expenses. All investments are classified as long-term, as the Center does not intend to use the investments for current operations.

Fair value measurements: The Center defines fair value in accordance with U.S. GAAP, which specifies a hierarchy of valuation techniques. The hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs. The Center measures investments at fair value on a recurring basis.

Child Protection Center, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

The following is a brief description of the type of valuation information (inputs) that qualifies a financial asset for each level:

- Level 1:** Unadjusted quoted market prices for identical assets or liabilities in active markets which are accessible by the Center.
- Level 2:** Observable prices in active markets for similar assets or liabilities. Prices for identical or similar assets or liabilities in markets that are not active. Market inputs that are not directly observable but are derived from or corroborated by observable market data.
- Level 3:** Unobservable inputs based on the Center's own judgment as to assumptions a market participant would use, including inputs derived from extrapolation and interpolation that are not corroborated by observable market data.

The Center evaluates the various types of financial assets and liabilities to determine the appropriate fair value hierarchy based upon trading activity and the observability of market inputs. The Center employs control processes to validate the reasonableness of the fair value estimates of its assets and liabilities, including those estimates based on prices and quotes obtained from independent third-party sources.

While the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies and assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the report date.

During the year ended June 30, 2020, there were no changes to the Center's valuation techniques that had, or are expected to have, a material impact on its statement of financial position or activities and change in net assets.

Revenue recognition: A significant portion of the Center's revenue is derived from agreed upon rates for service or cost-reimbursement federal and state contracts and grants. Cost reimbursement contracts and grants are conditional upon certain performance requirements or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Center has incurred expenditures in compliance with specific contract or grant provisions.

Contributions and recognition of donor restrictions: The Center recognizes contributions received, including unconditional promises to give, as assets and revenue in the period received at their fair values. All contributions are considered to be increases in net assets without donor restrictions and available for use unless specifically restricted by the donor. Gifts of cash and other assets are reported as net assets with donor restrictions support if they are received with donor stipulations that limit the use of such assets.

When donor restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the contributions are received

Donated material and services: Donations of materials are recorded as support at the estimated fair market value at the date of donation. Donations of services are recorded as support at their estimated fair value if the services received create or enhance nonfinancial assets or the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A number of full and part-time volunteers have made contributions of their time to maintain the Center's programs. The estimated value of this contributed time is not reflected in these financial statements, since these services do not meet recognition requirements.

Child Protection Center, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Functional allocation of expenses: The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities and changes in net assets and detailed in the statement of functional expenses. Expenses that can be identified with a specific program or supporting service are charged directly to that program or service according to their natural classification. Certain other costs have been allocated among the programs and supporting services benefited. Personnel and contractual expenses, audit, payroll related expenses, equipment rental and maintenance, advertising and promotion, travel and conferences, occupancy, telephone, supplies, office and postage, printing and materials, insurance, meals and entertainment, dues and subscriptions, miscellaneous, depreciation, building expense and professional fees may contain allocations based on time and effort, square footage and direct charges. Management and general expenses that are not directly allocable are allocated based on their estimated time and effort in each program or supporting service.

Income tax: The Center is qualified under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes except for net revenue from unrelated business activities. As such, no provision for income tax expense has been made in the accompanying financial statements.

The Center recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination of the taxing authorities. Management evaluated the Center's tax positions and concluded that the Center had no material uncertainties in income taxes as of June 30, 2020.

The Center is no longer subject to income tax examinations by the U.S. federal, state, or local authorities for fiscal years before 2017.

Newly adopted accounting pronouncement: In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify the definition of an exchange transaction and contribution and to clarify accounting for the same. The standard is effective for nonpublic entities for fiscal years beginning after December 15, 2018 (the Center's June 30, 2020 financial statements); early adoption is permitted. The adoption of this ASU, using the modified prospective method of transition, did not materially impact the financial statements.

Recent accounting pronouncements: In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The update will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In June 2020, the FASB issued ASU 2020-05, which further delayed the effective date for nonpublic companies to annual periods beginning after December 15, 2019 (the Center's June 30, 2021, financial statements). The Center is currently evaluating the impact adopting this guidance will have on its financial statements.

Child Protection Center, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at commencement date: (a) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessees will no longer be provided with a source of off balance sheet financing. Lessees must apply a modified retrospective transition approach for leases existing at or entered into after, the beginning of the earliest comparative period presented in the financial statements. In June 2020, the FASB issued ASU 2020-05, which delayed the effective date for nonpublic companies to fiscal years beginning after December 15, 2021 (the Center's June 30, 2023 financial statements). The Center is currently evaluating the impact of this pronouncement on its financial statements.

Subsequent events: Management has evaluated all events subsequent to the statement of financial position date of June 30, 2020 through October 29, 2020, which is the date these financial statements were available to be issued. Management has determined that there are no subsequent events that require recognition or disclosure in the accompanying financial statements under the existing guidance.

Revision: During the year ended June 30, 2020, management made the decision to correct an error that was identified in the Center's prior financial statements. The acquisition price of the property acquired in 2008 had not been allocated between land and building and improvements, as such, depreciation was incorrectly recorded related to land that was reported with the Center's building and improvements from the date of purchase December 30, 2008, through fiscal year ending 2019. The Center determined that the effect on the prior fiscal year financial statements was not material; however, the error had accumulated over the course of several years to an amount that would be material if corrected in the current year Statement of Activities. Accordingly, the Center has retrospectively recorded the adjustment as of July 1, 2019, to property and equipment and net assets without donor restrictions both which were increased by \$548,077 to reflect the revision of the financial statements. The effect of the error on the 2019 Statement of Activities was an overstatement of depreciation in the amount of \$57,692.

Note 2. Availability and Liquidity

The following represents the Centers financial assets at June 30, 2020:

Financial assets at year end:	
Cash	\$ 1,459,670
Certificate of deposit	800,000
Grant and contract receivables	164,736
Investments	919,704
Total financial assets	<u>3,344,110</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions to be met in less than a year	(178,623)
Board-designated endowment	(920,713)
	<u>(1,099,336)</u>
Financial assets available to meet expenditures over the next 12 months	<u>\$ 2,244,774</u>

The Center maintains a policy of structuring its financial assets to be available as its general expenditures and other obligations come due. As part of its liquidity plan, excess cash is invested in short-term investments, including CD's, money market funds, fixed income mutual funds and equity mutual funds.

Child Protection Center, Inc.

Notes to Financial Statements

Note 2. Availability and Liquidity (Continued)

The board designated endowment fund was established by the board of directors to provide future support to the Center by providing regular, predictable operating income that will help fill gaps caused by increasing costs, demands and the possibility of diminishing government support and fluctuating donation and grant revenue. Management expects the principal to be preserved; however, as of June 30, 2020, the Center has approximately \$921,000 in resources that could be available upon approval of the board of directors to provide support for the Center's programs and facilities. See Note 6.

Note 3. Property and Equipment

Costs and accumulated depreciation of property and equipment are summarized as follows at June 30, 2020:

Land	\$ 2,223,000
Building and improvements	1,903,606
Equipment	434,489
Furniture	179,395
Playground equipment	178,909
	<u>4,919,399</u>
Less accumulated depreciation	<u>(1,200,536)</u>
	<u><u>\$ 3,718,863</u></u>

Note 4. Investments

A review of fair value hierarchy classifications is conducted on an annual basis. The following table provides information about the Center's investments measured at estimated fair value on a recurring basis as of June 30, 2020:

Description	Total	June 30, 2020		
		Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market fund	\$ 8,843	\$ 8,843	\$ -	\$ -
Fixed income - mutual funds	255,179	255,179	-	-
Equities - stocks	175,509	175,509	-	-
Equities - exchange-trade funds	177,050	177,050	-	-
Equities - mutual funds	303,123	303,123	-	-
Total investments	<u>\$ 919,704</u>	<u>\$ 919,704</u>	<u>\$ -</u>	<u>\$ -</u>

Financial assets classified as Level 1 in the fair value hierarchy include money market funds and mutual funds consisting of fixed income and equities measured at estimated fair value based on quoted market prices on an active market.

Child Protection Center, Inc.

Notes to Financial Statements

Note 4. Investments (Continued)

Return from investments is summarized as follows for the year ended June 30, 2020:

Interest and dividends	\$ 26,838
Realized and unrealized gain	(20,752)
Investments fees	(7,644)
Investment return, net	<u>\$ (1,558)</u>

Note 5. Note Payable

On April 20, 2020, the Center was granted a loan pursuant to the Paycheck Protection Program established as part of the Coronavirus Aid, Relief and Economics Security Act (CARES Act) in the aggregate amount of \$301,900. The loan bears interest at 1% per annum and is payable monthly commencing November 17, 2020. Principal payments of \$142,071 are due in the year ending June 30, 2021, the remaining balance \$159,829 becoming due in the year ending June 30, 2022. The loan may be prepaid by the Center at any time prior to maturity with no prepayment penalties. Under the terms of the loan, certain amounts may be forgiven if they are used for qualifying expenses, as described in the CARES Act. Qualifying expenses including payroll costs, continuation of health care benefits, mortgage payments, rent, utilities and interest on other debt obligation. The Center intends to use the entire loan amount for qualifying expense, however, no assurance can be given that expenditures will qualify or be forgiven.

Note 6. Endowment Funds

The Center's endowment fund (endowment) includes net assets without donor restriction designated for endowment by the board of directors to provide future support to the Center. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. There are no donor-imposed restrictions on the endowment as of June 30, 2020.

The Center considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the endowment fund
- The purposes of the Center and the endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Center
- The investment policy of the Center

Return objectives and risk parameters: The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments, while seeking to maintain the purchasing power of endowment assets.

Child Protection Center, Inc.

Notes to Financial Statements

Note 6. Endowment Funds (Continued)

Under these policies, as approved by the board of directors, endowment assets will be invested in a manner that is intended to protect against loss associated with a single security, industry, issuer or event which focuses on a strategic allocation of portfolio assets across broadly defined financial asset and sub asset categories with varying degrees of risk, return and return correlation.

Strategies employed for achieving objectives: To satisfy its long-term, rate-of-return objectives, the Center will rely on a total return strategy whereby investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Center will target a diversified asset allocation.

Spending policy and how the investment objectives relate to spending policy: The Center has an overall goal to increase the endowment to approximately \$3 million. Endowment funds shall be used to provide perpetual financial support to the Center. The Center's policy does not prohibit spending from underwater endowment funds if it is necessary, although it has been management's practice not to do so.

At the direction of the board of directors, an annual payout of 4% applied to the smoothed, average market value of the endowed assets, to support approved strategic initiatives of the Center will be determined each fiscal year. In addition, a reasonable allocation of general overhead expenses may be charged to the endowment fund as a cost of administration in accordance with the U.S. GAAP. The allocation must be approved by the board of directors when it makes its annual affirmation of the 4% payout. During the year ended June 30, 2020, the Center did not appropriate any earnings from endowment funds to current year operations.

The board reserves the right at its discretion to adjust the annual payout amount, but the adjusted payout may not exceed 6% in a given year. The board may approve the adjusted annual payout with a super majority vote. For purposes of this resolution, a super majority shall mean more than 3/4 of the members of the board of directors of the Center present at the meeting considering such change. In no event, however, may the board approve an annual payout greater than 6% unless the entire board unanimously approves the resolution to do so, and the resolution is unanimously passed in two board meetings at least 60 days apart.

The board of directors should, in general, and on a long-term basis, only approve a calculated payout ratio percentage, which when adjusted for anticipated expenses and inflation does not exceed the long-term expected return of the endowment's assets. The board believes that this rate will provide sufficient income while preserving principal. In the event the board of directors does not set a payout ratio, no funds from the endowment may be spent until such time as the board affirms a payout ratio.

Endowment net asset composition by type of fund is as follows as of June 30, 2020:

	<u>Net Assets Without Donor Restrictions</u>
Donor restricted endowment funds	\$ -
Board-designated endowment funds	920,713
	<u>\$ 920,713</u>

Child Protection Center, Inc.

Notes to Financial Statements

Note 6. Endowment Funds (Continued)

Changes in endowment funds net assets for the year ended June 30, 2020, are as follows:

	Net Assets Without Donor Restrictions
Endowment net assets, beginning	\$ 923,533
Investment return, net	(2,820)
Endowment net assets, end	<u>\$ 920,713</u>

Note 7. Employee Benefit Plan

The Center has a 401(k) salary deferral plan covering substantially all of its employees. The Center makes a discretionary contribution to the plan, presently 7% of an employee's annual salary. For the year ended June 30, 2020, the Center made contributions to the plan totaling approximately \$82,000.

Note 8. Lease Commitments

The Center leases certain facilities under operating lease agreements varying in length from one to three years and expiring in 2022.

Future minimum lease commitments for noncancelable operating leases are as follows at June 30, 2020:

Years ending June 30:	
2021	\$ 69,988
2022	14,937
	<u>\$ 84,925</u>

Lease expense for the year ended June 30, 2020, was approximately \$70,000.

Note 9. Commitments and Contingencies

The Center routinely enters into grant agreements and contracts with government agencies that provide for reimbursement of the eligible direct and indirect costs of providing certain of the Center's program services. The grants and contracts are subject to audit or review and retroactive adjustment based on a final determination by the grantor of eligible reimbursable expenditures. The effect of such adjustments, if any, on the Center's financial statements cannot be determined at this time and no provision has been made for any such adjustment in the accompanying financial statements.

COVID-19: On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Center operates. On March 27, 2020, the CARES Act was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Center.

Child Protection Center, Inc.

Notes to Financial Statements

Note 10. Funding and Credit Concentrations

Revenues: The Center receives a substantial portion of its support directly from federal, state and local government agencies or as pass-through government funding awards from other local agencies. Continuation of the Center's program services is greatly dependent upon the continued support of these agencies.

The Center received three grants from federal, state and county agencies that comprise approximately 40% of the total revenues for the year ended June 30, 2020.

Note 11. Conditional Promises to Give from Donors

The Center has conditional promises (mainly conditional grants) to give from grantors and donors of \$333,980 as of June 30, 2020. Future payments are contingent upon the Center carrying out certain activities (meeting grant and donor imposed barriers) stipulated by the grant or contract.

Conditional promises to give from the Center's grant donors consist of the following:

	<u>2020</u>
Cash grants from federal and state contracts	\$ 119,152
Cash grants from county government contracts	64,828
Cash grants from other grantors/donors	<u>150,000</u>
	<u>\$ 333,980</u>

