

**THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2016
(with comparable totals for 2015)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Children's Place at Home Safe, Inc.
Lake Worth, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of The Children's Place at Home Safe, Inc. (a nonprofit organization d/b/a HomeSafe), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows and functional expenses 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 The Children's Place at Home Safe, Inc. as of June 30, 2016, 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.

Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2016, on our consideration of The Children's Place at Home Safe, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Children's Place at Home Safe, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the June 30, 2015 financial statements, and our report dated November 17, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Holyfield & Thomas, LLC

West Palm Beach, Florida
November 16, 2016

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
STATEMENT OF FINANCIAL POSITION
As of June 30, 2016
(with comparable totals for 2015)

ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Totals</u>	<u>2015 Totals</u>
Cash and cash equivalents	\$ 438,472	\$ 410,461	\$ -	\$ 848,933	\$ 191,869
Accounts receivable	657,183	-	-	657,183	774,470
Pledges receivable, current portion	7,538	168,026	-	175,564	240,777
Prepaid expenses	1,606	-	-	1,606	2,854
Total current assets	1,104,799	578,487	-	1,683,286	1,209,970
Pledges receivable	13,750	56,250	-	70,000	28,584
Property and equipment, net	7,680,435	-	-	7,680,435	7,174,811
Split interest agreements	-	468,253	-	468,253	337,923
Deposits	6,985	-	-	6,985	7,445
Investments	160,638	-	2,460,253	2,620,891	2,391,355
Total assets	\$ 8,966,607	\$ 1,102,990	\$ 2,460,253	\$ 12,529,850	\$ 11,150,088
LIABILITIES AND NET ASSETS					
Accounts payable	\$ 154,499	\$ -	\$ -	\$ 154,499	\$ 115,294
Accrued expenses	393,901	-	-	393,901	369,173
Other liabilities	602	-	-	602	55
Total liabilities	549,002	-	-	549,002	484,522
Net assets	8,417,605	1,102,990	2,460,253	11,980,848	10,665,566
Total liabilities and net assets	\$ 8,966,607	\$ 1,102,990	\$ 2,460,253	\$ 12,529,850	\$ 11,150,088

See accompanying notes to financial statements.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016
(with comparable totals for 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Totals	2015 Totals
Revenues and support:					
Program service	\$ 7,030,341	\$ -	\$ -	\$ 7,030,341	\$ 6,497,619
Grants	31,817	518,753	-	550,570	604,388
Contributions	191,210	1,215,053	250,000	1,656,263	343,268
Special event revenue	543,849	-	-	543,849	763,514
Investment income, net	420	94	28,231	28,745	27,014
Realized and change in unrealized gain (loss)	977	-	(9,672)	(8,695)	(6,468)
Change in value of split interest agreements	-	130,330	-	130,330	(26,131)
Other income	3,577	-	-	3,577	71
Total revenues and support	7,802,191	1,864,230	268,559	9,934,980	8,203,275
Net assets released from restrictions	1,475,403	(1,435,403)	(40,000)	-	-
	<u>9,277,594</u>	<u>428,827</u>	<u>228,559</u>	<u>9,934,980</u>	<u>8,203,275</u>
Expenses:					
Program services	7,372,421	-	-	7,372,421	7,148,842
Supporting services:					
Management and general	700,210	-	-	700,210	652,097
Fundraising	544,463	-	-	544,463	535,798
Total expenses	8,617,094	-	-	8,617,094	8,336,737
Loss on disposal of assets	2,604	-	-	2,604	2,207
Total expenses and loss	8,619,698	-	-	8,619,698	8,338,944
Change in net assets	657,896	428,827	228,559	1,315,282	(135,669)
Net assets, beginning	7,759,709	674,163	2,231,694	10,665,566	10,801,235
Net assets, end	<u>\$ 8,417,605</u>	<u>\$ 1,102,990</u>	<u>\$ 2,460,253</u>	<u>\$ 11,980,848</u>	<u>\$ 10,665,566</u>

See accompanying notes to financial statements.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016
(with comparable totals for 2015)

	2016	2015
Cash flows from operating activities:		
Cash received from government grants and contracts	\$ 550,570	\$ 604,388
Cash received from program services	7,147,628	6,317,158
Cash received from contributions and support	1,973,909	1,028,198
Cash paid to suppliers and employees	(8,189,470)	(7,940,609)
Other income	3,577	71
Interest received	28,745	27,014
Interest paid	(8,904)	(9,079)
Net cash provided by operating activities	1,506,055	27,141
Cash flows from investing activities:		
Purchase of property and equipment	(862,360)	(94,038)
Purchase of investments	(652,109)	(113,020)
Proceeds from sale of property and equipment	1,600	-
Proceeds from sale of investments	413,878	186,230
Net cash used in investing activities	(1,098,991)	(20,828)
Cash flows from financing activities:		
Proceeds from contributions restricted for endowment	250,000	-
Net cash used in financing activities	250,000	-
Net change in cash and cash equivalents	657,064	6,313
Cash and cash equivalents, beginning	191,869	185,556
Cash and cash equivalents, end	\$ 848,933	\$ 191,869

See accompanying notes to financial statements.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016
(with comparable totals for 2015)

	2016	2015
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 1,315,282	\$ (135,669)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Bad debt	9,580	10,093
Depreciation	352,532	348,493
Realized and change in unrealized (gain) loss	8,695	6,468
Change in value of split interest agreements	(130,330)	26,131
Loss on disposal of assets	2,604	2,207
Decrease (increase) in certain assets:		
Accounts receivable	107,707	(180,461)
Pledges receivable	23,797	(78,584)
Prepaid expenses	1,248	796
Deposits	460	-
Increase (decrease) in certain liabilities:		
Accounts payable	39,205	6,512
Accrued expenses	24,673	32,783
Other liabilities	602	(11,628)
Contributions restricted for endowment	(250,000)	-
Net cash provided by operating activities	\$ 1,506,055	\$ 27,141

See accompanying notes to financial statements.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016
(with comparable totals for 2015)

	Program Services							2016 Totals	2015 Totals
	Enhanced Group Home	SafetyNet	Healthy Beginnings	Specialized Therapeutic Group Homes	Total Program Services	Management and General	Fundraising		
Personnel expenses:									
Salaries and wages	\$ 530,380	\$ 169,212	\$ 1,802,443	\$ 2,129,751	\$ 4,631,786	\$ 337,476	\$ 271,418	\$ 5,240,680	\$ 5,040,372
Payroll taxes	40,278	12,369	137,934	161,770	352,351	26,960	19,631	398,942	396,280
Employee benefits	61,322	23,263	222,621	347,586	654,792	80,294	17,134	752,220	738,464
Total personnel expenses	631,980	204,844	2,162,998	2,639,107	5,638,929	444,730	308,183	6,391,842	6,175,116
Operating expenses:									
Advertising	-	-	120	-	120	999	618	1,737	948
Appreciation	324	68	-	1,077	1,469	12,689	16,558	30,716	28,961
Bad debt expense	1,607	-	-	7,973	9,580	-	-	9,580	10,093
Individual assistance	21,244	10,000	-	64,762	96,006	6,244	2,400	104,650	65,399
Insurance	30,178	5,782	77,652	128,227	241,839	29,083	7,004	277,926	289,580
Other expenses	2,321	302	2,720	11,175	16,518	3,959	1,999	22,476	23,997
Professional fees	30,864	16,146	50,883	131,316	229,209	42,346	46,049	317,604	338,909
Recruiting and retention	394	85	4,568	165	5,212	14,771	160	20,143	23,462
Rent	767	184	70,905	3,166	75,022	851	410	76,283	72,221
Repairs and maintenance	31,467	5,327	19,727	83,004	139,525	35,594	4,844	179,963	168,157
Service charges	857	283	2,977	4,419	8,536	2,703	7,402	18,641	15,025
Supplies	43,240	4,382	39,041	123,570	210,233	13,704	64,641	288,578	286,289
Travel and entertainment	6,017	2,769	53,325	29,139	91,250	6,655	69,377	167,282	152,458
Utilities	47,987	8,789	106,916	141,861	305,553	41,731	9,857	357,141	337,629
Depreciation	91,790	3,578	32,222	175,830	303,420	44,151	4,961	352,532	348,493
Total expenses	\$ 941,037	\$ 262,539	\$ 2,624,054	\$ 3,544,791	\$ 7,372,421	\$ 700,210	\$ 544,463	\$ 8,617,094	\$ 8,336,737

See accompanying notes to financial statements.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

1. Organization and Summary of Significant Accounting Policies

Organization and Nature of Activities: Since 1979, The Children's Place at Home Safe, Inc. (d/b/a "HomeSafe") has been serving Palm Beach County and South Florida's most vulnerable citizens – victims of child abuse and domestic violence. HomeSafe offers comprehensive prevention and intervention programs to prepare children and families for safer, more productive lives. It is nationally accredited by the Council on Accreditation (COA) and certified by Nonprofits First, signifying compliance with standards of excellence in operations and management. Annually, HomeSafe serves more than 16,000 children and families. HomeSafe is the only agency in Palm Beach County offering a complete array of mental health services for victims of childhood trauma through Enhanced Group Care and Specialized Therapeutic Group Care via Residential programs. HomeSafe is the exclusive entry agency (for newborns to age 5) for Healthy Beginnings, a program of the Children's Services Council of Palm Beach County.

Financial Statement Presentation: In accordance with FASB ASC 958-605, *Revenue Recognition*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Under the standard, contributions that are initially restricted as to time or use are required to be reported as temporarily restricted support and are later reclassified to unrestricted net assets upon expiration of the time or use restriction.

Under FASB ASC 958-205, *Presentation of Financial Statements*, HomeSafe reports information regarding its financial position and activities according to three classes of net assets described as follows:

Unrestricted Net Assets: includes those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Changes in net assets arising from exchange transaction (except income and gains on assets that are restricted by donors or by law) are included in the unrestricted net assets.

Temporarily Restricted Net Assets: includes those net assets whose use by HomeSafe has been limited by donors to either a later period of time, or after specified dates, or for a specified purpose.

Permanently Restricted Net Assets: includes those net assets that must be maintained by HomeSafe in perpetuity. Permanently restricted net assets increase when HomeSafe receives contributions for which donor-imposed restrictions limiting HomeSafe's use of an asset or its economic benefits neither expire with the passage of time nor can be removed by HomeSafe meeting certain requirements.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

1. Organization and Summary of Significant Accounting Policies, continued

Basis of Accounting: The financial statements of HomeSafe have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

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

Cash and Cash Equivalents: Cash and cash equivalents consist of cash held in checking and money market accounts, other than those held as a part of HomeSafe's investment portfolio.

Accounts Receivable: Accounts receivable consists of amounts due to HomeSafe under Medicaid, various state and local grants, promises to give from United Way, and other agencies. As of June 30, 2016, provisions for doubtful accounts were deemed unnecessary because the amounts are considered to be fully collectible.

Unconditional Promises to Give: Pledges receivable in the accompanying Statement of Financial Position consist of donors' unconditional promises to give which are recognized at their net realizable value at the time the promises are received.

Property and Equipment and Depreciation: Property and equipment are recorded at cost for financial reporting purposes and depreciated using the straight-line method over the following useful lives:

Buildings and leasehold improvements	25-30 years
Furniture and equipment	5-15 years
Vehicles	5 years
Donated property	5-39 years

Generally, all expenditures for land, buildings and equipment in excess of \$2,500 are capitalized. Exceptions to this policy result from requirements under grant agreements to capitalize property and equipment expenditures below the \$2,500 threshold. Expenditures for maintenance, repairs and minor renewals are charged to operations as incurred. Donated assets are recorded at their fair market value as unrestricted contributions, in the absence of donor-imposed restrictions, at the date of donation.

Impairment of Long-Lived Assets: In accordance with the provision of FASB ASC 360-10, *Property, Plant and Equipment*, HomeSafe reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

1. Organization and Summary of Significant Accounting Policies, continued

Investments: Investments are comprised of publicly-traded mutual funds, common stocks, corporate bonds, and money market funds. The funds are invested for long-term investment return. Under FASB ASC 958-320, *Investments - Debt and Equity Securities*, investments in marketable securities with readily-determinable fair values are reported at their fair values in the Statement of Financial Position, with the amount of unrealized gains or losses on investments not previously recognized shown in the Statement of Activities. Investment income includes interest and dividends of \$44,526 and investment fees of \$15,781.

Contributions: All contributions are considered available for the general programs of HomeSafe, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support and increase the respective class of net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

In-kind Contributions and Contributed Services: In-kind contributions are reflected as contributions at their estimated fair value at date of donation. Non-monetary contributions are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. HomeSafe recognizes the fair value of contributed services received if such services (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. In addition, HomeSafe receives services from a large number of volunteers who give significant amounts of their time to HomeSafe's programs, fundraising campaigns, and management; however, such services do not meet the criteria for financial statement recognition and are therefore not included herein.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and activities benefited.

Advertising Costs: Advertising costs are expensed as incurred. Total expense for the year ended June 30, 2016 was \$1,737, and consisted of advertising expenses for recruiting.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

1. Organization and Summary of Significant Accounting Policies, continued

Income Taxes: HomeSafe is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as publicly-supported organizations that is not private foundations under Section 509(a) of the Code. Income determined to be unrelated business taxable income (UBTI) would be taxable. There was no UBTI for the year ended June 30, 2016.

HomeSafe follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. This pronouncement seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. It prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. An entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold. HomeSafe assesses its income tax positions based on management's evaluation of the facts, circumstances and information available at the reporting date. HomeSafe uses the prescribed more likely than not threshold when making its assessment. HomeSafe has not accrued any interest expense or penalties related to tax positions. There are currently no open Federal or State tax years under audit.

Prior Year Summarized Information: The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with HomeSafe's financial statements for the year ended June 30, 2015, from which the summarized information was derived. Certain 2015 amounts have been reclassified to conform to 2016 classifications. Such reclassifications had no effect on the change in net assets as previously reported.

2. Program Services

The following is a description of current HomeSafe programs:

<i>Enhanced Group Home</i>	Provides an intensive, community-based, licensed residential group home setting for children and adolescent boys, ages 12 through 17, who have a combination of emotional and behavioral problems and/or delinquency involvement. The program provides mental health and supportive services designed to meet the behavioral health treatment needs of victims of childhood trauma. Also integrated into programming is a comprehensive life skills component.
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<i>SafetyNet</i>	Offers a full spectrum of services for victims of domestic violence, including year-round adult, teen and child support groups, individual therapy, crisis intervention, preventive education and court advocacy.
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THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

2. Program Services, continued

<i>Healthy Beginnings</i>	Program screens, assesses and provides early intervention services to at-risk children from birth to age five throughout Palm Beach County. It ensures identified needs are addressed through referrals to appropriate providers in the county.
<i>Specialized Therapeutic Group Homes</i>	Provides an intensive, community-based, licensed residential group home setting for children and adolescents, ages 9 through 17, who have a moderate to severe emotional trauma. The program includes an array of mental health services that provide trauma-sensitive, innovative treatment to effectively respond to the complex and acute psychiatric and behavior issues brought about by the physical, sexual and emotional childhood trauma. Also integrated into programming is a comprehensive life skills component.

3. Concentration of Credit Risk

HomeSafe uses several financial institutions to maintain its cash, which at times may exceed FDIC insured limits. HomeSafe has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on such cash. As of June 30, 2016, HomeSafe had approximately \$620,000 uninsured deposits held in banks.

HomeSafe also holds investments in various accounts with financial and brokerage institutions. As of June 30, 2016, approximately 76% of HomeSafe's investments were held by one institution. Investment securities are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

4. Fair Value Measurements

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, requires assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that HomeSafe has the ability to access.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Inputs that are unobservable for the asset or liability.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

4. Fair Value Measurements, continued

Under FASB ASC 820-10, there are three general valuation techniques that may be used to measure fair value. There have been no changes in the methodology used as of June 30, 2016. The three approaches are as follows:

Market – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sales transactions, market trades, or other sources.

Cost – Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and

Income – Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

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

The following table sets forth by level, within the fair value hierarchy, HomeSafe's assets measured at fair value on a recurring basis as of June 30, 2016:

	Assets at Fair Value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash equivalents	\$ 61,753	\$ -	\$ -	\$ 61,753
Mutual funds	161,158	-	-	161,158
Commodities	22,134	-	-	22,134
Equity securities	1,247,214	-	-	1,247,214
Fixed income securities	1,128,632	-	-	1,128,632
	2,620,891	-	-	2,620,891
Split interest agreements	-	-	468,253	468,253
	\$ 2,620,891	\$ -	\$ 468,253	\$ 3,089,144

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

4. Fair Value Measurements, continued

The table below sets forth a summary of changes in the fair value of HomeSafe's Level 3 assets, split interest agreements, for the year ended June 30, 2016.

Balance, beginning of year	\$ 337,923
Change in value	130,330
Contributions (settlements)	<u>-</u>
Balance, end of year	<u>\$ 468,253</u>

FASB ASC 820-10 requires disclosure of quantitative information about the unobservable inputs used to measure Level 3 assets and liabilities. The following table provides information about the split interest agreements:

<u>Valuation Techniques</u>	<u>Fair Value</u>	<u>Unobservable Inputs</u>
Discounted cash flows	\$ 468,253	Discount rate; life expectancy of income beneficiary

HomeSafe had no other financial instruments with recurring fair value measurements.

5. Accounts Receivable

Accounts receivable are deemed to be fully collectible by management and consist of the following as of June 30, 2016:

Medicaid/Managed Care	\$ 176,202
State of Florida, Office of Attorney General	4,712
Palm Beach County	6,214
City of West Palm Beach	688
Children's Services Council	223,260
ChildNet, Inc.	148,527
Other Community Based Care Agencies	<u>97,580</u>
Total accounts receivable	<u>\$ 657,183</u>

6. Pledges Receivable

Pledges receivable consist of the following as of June 30, 2016:

Unrestricted pledges receivable	\$ 21,288
Restricted pledges receivable	<u>224,276</u>
Total pledges receivable	<u>\$ 245,564</u>

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

6. Pledges Receivable, continued

Pledges receivable are collectible as follows:

In one year	\$ 175,564
In one to five years	<u>70,000</u>
	<u>\$ 245,564</u>

Management believes that contributions receivable are fully collectible and, therefore, no allowance for uncollectible receivables was considered necessary. No discount is recorded for receivables due in more than one year as the amount of such discount is considered immaterial.

7. Property and Equipment

Property and equipment consist of the following as of June 30, 2016:

Land	\$ 1,363,780
Buildings and leasehold improvements	9,125,097
Furniture and equipment	1,149,775
Vehicles	191,552
Donated property	<u>98,060</u>
	11,928,264
Less accumulated depreciation	<u>(4,443,984)</u>
	7,484,280
Construction in progress	<u>196,155</u>
Property and equipment, net	<u>\$ 7,680,435</u>

HomeSafe leases land in Lake Worth from Palm Beach County for \$1 a year under a lease that expires in 2025. Buildings were constructed on this land in prior years. Upon termination of the lease, HomeSafe must remove all personal property, removable fixtures, and equipment from the premises and surrender the premises to the County. Buildings and improvements for this property total \$1,546,362. Accumulated depreciation on these buildings and improvements was \$874,215 as of June 30, 2016.

Property and equipment as of June 30, 2016, included construction in progress that consisted of costs incurred in the Pond Place (Independent Living Campus) project.

8. Split Interest Agreements

HomeSafe has been named the remainder beneficiary of four charitable remainder trusts. Each of the charitable remainder trusts provides for the periodic payment of distributions of trust assets to the grantor's beneficiaries during their lifetime. Upon the death of the beneficiaries, a percentage of the remaining principal in the trusts will be distributed to HomeSafe.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

8. Split Interest Agreements, continued

An asset for the charitable remainder trusts has been recognized at the present value of the expected future cash flows discounted at rates ranging from 6% to 9%. The expected future cash flow of \$468,253 is based on the fair market value of the trusts' principal as of June 30, 2016, along with the life expectancies of the income beneficiaries. Changes in the value of the trust have been reported in the Statement of Activities as increases (decreases) in temporarily restricted net assets.

9. Line of Credit

HomeSafe has a \$700,000 secured line of credit extended by a local bank. The line of credit is secured by a mortgage on HomeSafe's property located in Palm Beach County, Florida and is due and payable on June 17, 2019. The line of credit carried interest on the unpaid principal balance at the bank's prime rate, or 3.25% as of June 30, 2016. There was no outstanding balance on the line of credit as of June 30, 2016.

10. Commitments and Contingencies

Leases: HomeSafe conducts its operations from facilities that are leased under operating leases expiring at various dates through 2020. Additionally, HomeSafe leases office equipment under operating leases expiring in 2017. Future minimum lease payments under operating leases are as follows:

2017	\$ 75,210
2018	47,896
2019	49,333
2020	50,813
2021	<u>12,704</u>
Total	<u>\$ 235,959</u>

Rent expense under operating leases amounted to \$76,283 for the year ended June 30, 2016.

Contingencies: HomeSafe is currently receiving, and has received in the past, grants, Medicaid, and other third party reimbursement funds, which are subject to special compliance audits by the grantor and other agencies that provided these reimbursements. These audits may result in disallowed expense amounts.

Disallowed amounts, if any, constitute a contingent liability of HomeSafe. HomeSafe believes any contingent liabilities that may exist are not material, and, therefore, are not reflected in the financial statements.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

11. Retirement Plan

Eligible employees of HomeSafe may participate in an Internal Revenue Code 403(b) retirement savings plan. In addition to employee deferrals, the plan also allows for HomeSafe to make discretionary matching contributions to eligible participants. HomeSafe contributed \$63,457 to this plan during the year ended June 30, 2016.

12. Temporarily Restricted Net Assets

As of June 30, 2016, temporarily restricted net assets consisted of:

Use restrictions:		
HomeSafe programs	\$	410,461
Time restrictions:		
Pledges receivable		224,276
Split interest agreements		<u>468,253</u>
Total temporarily restricted net assets	\$	<u>1,102,990</u>

13. Permanently Restricted Net Assets

As of June 30, 2016, permanently restricted net assets consisted of:

Endowment for program operations	\$	1,200,295
Endowment for property and plant renewal, renovation and maintenance of the Sylvester and Pond Place campuses		<u>1,259,958</u>
Total permanently restricted net assets	\$	<u>2,460,253</u>

14. Endowments

HomeSafe's endowments consist of several individual funds established for a variety of purposes. The endowments are donor-restricted to be held for a specific purpose or in perpetuity and earnings on the endowments are temporarily restricted based on the donors' intent. FASB ASC 958, *Not-for-Profit Entities*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and Board-designated endowment funds), whether or not the organization is subject to UPMIFA.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

14. Endowments, continued

The State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA), which became effective July 1, 2012, and provides a) consistent investment and spending standards to all forms of charitable funds, b) strengthens the concept of prudent investing, c) abandons historic dollar value as a floor for expenditures and provides more flexibility to the organization in making decisions about whether to expend any portion of an endowment fund, and d) provides a process for the release or modification of restrictions on a gift instrument. The adoption by HomeSafe of the provisions of the new law did not have a significant change in its management and investment policies of endowments.

As a result of this standard, HomeSafe classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

HomeSafe has adopted conservative 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 the endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, HomeSafe relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). HomeSafe utilizes the services of a financial advisor who provides input into the investment strategy policy.

HomeSafe's annual appropriations are determined at the discretion of the Board of Directors unless specific instructions are provided by the endowment donors.

The changes in endowment net assets for the year ended June 30, 2016 are as follows:

Endowment net assets, beginning	\$ 2,231,694
Contributions	250,000
Investment return:	
Investment income	44,012
Investment expenses	(15,781)
Realized and change in unrealized gains/(losses)	(9,672)
Appropriation for expenditure	<u>(40,000)</u>
Endowment net assets, ending	<u>\$ 2,460,253</u>

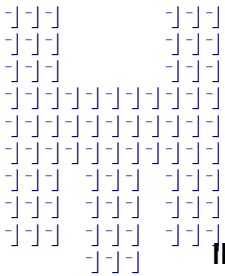
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires HomeSafe to retain as a fund of perpetual duration. There were no such funds as of June 30, 2016 below the level required by donors.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

15. Subsequent Events

HomeSafe has evaluated subsequent events through November 16, 2016, which is the date the financial statements were available to be issued. Management is not aware of any events that have occurred subsequent to the Statement of Financial Position date that would require adjustment to, or disclosure in, the financial statements.



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

To the Board of Directors
The Children's Place at Home Safe, Inc.
Lake Worth, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Children's Place at Home Safe, Inc. (d/b/a HomeSafe) which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

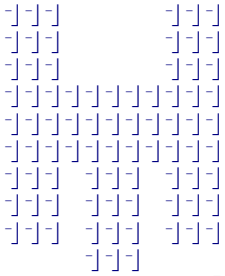
Purpose of this Report

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

This report is intended solely for the information and use of management, the audit committee, Board of Directors, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Holyfield & Thomas, LLC

West Palm Beach, Florida
November 16, 2016



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

To the Board of Directors of
The Children's Place at Home Safe, Inc. and
Lake Worth, Florida

Report on Compliance for Each Major Federal Program

We have audited The Children's Place at Home Safe, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Children's Place at Home Safe, Inc.'s major federal programs for the year ended June 30, 2016. The Children's Place at Home Safe, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Children's Place at Home Safe, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, The Children's Place at Home Safe, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Holyfield & Thomas, LLC

West Palm Beach, Florida
November 16, 2016

**THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2016

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal and State Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance on major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No
Major programs:	U.S. Department of Health and Human Services
CFDA Number	93.658
Name of Federal Program or Cluster:	Foster Care – Title IV
Dollar Threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as a low-risk auditee?	Yes

**THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS

There are no findings reported for the year ended June 30, 2016.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no findings or questioned costs for the year ended June 30, 2016.

CORRECTIVE ACTION PLAN

There is no corrective action plan required, as there are no findings or question costs reported for the year ended June 30, 2016.

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior audit findings or questioned costs for the year ended June 30, 2015, relative to federal awards requiring action on the part of the auditee for that fiscal year.

SUPPLEMENTARY INFORMATION

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

Federal/State Grantor Pass-through Grantor Program or Project Title	CFDA Number	Award Number	Total Expenditures
U.S. Department of Health and Human Services (DHHS)			
Pass-through ChildNet, Inc.:			
Foster Care Title IV-E	93.658	TCP15RGC; TCP15RGC2	\$ 152,249
Social Services Block Grant	93.667	TCP15RGC; TCP15RGC2	3
Pass-through ChildNet – Palm Beach County:			
Foster Care Title IV-E	93.658	TCP15RGC; TCP15RGC2	310,539
Social Services Block Grant	93.667	TCP15RGC; TCP15RGC2	125,515
Pass-through Devereux CBC of Okeechobee and Treasure Coast:			
Foster Care Title IV-E	93.658	DCBC221	20,608
Social Services Block Grant	93.667	DCBC221	7,221
Pass-through Brevard Family Partnership:			
Foster Care Title IV-E	93.658	OHC RA-1614	38,600
Social Services Block Grant	93.667	OHC RA-1614	27,314
Pass-through Children's Services Council:			
Maternal and Child Health Services Block Grant	93.994	609; 648	<u>89,286</u>
Total DHHS			771,335
U.S. Department of Justice (DOJ)			
Passed-through Florida Office of the Attorney General:			
Victims of Crime Act	16.575	V148-14135	<u>61,259</u>
Total expenditures of federal awards			<u><u>\$ 832,594</u></u>

See independent auditor's report.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

1. Basis of Presentation

The purpose of the accompanying schedule of expenditures of federal awards is to present, in summary form, total federal award expenditures of The Children's Place at Home Safe, Inc. for the year ended June 30, 2016. The schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. Scope of Audit Pursuant to the Uniform Guidance

All federal grant operations of The Children's Place at Home Safe, Inc. are included in the scope of the audit under the Uniform Guidance except for \$406,774 of Medicaid Federal Funding passed through Children's Service Council of Palm Beach County. Medicaid payments for providing patient care services to Medicaid-eligible individuals are not considered Federal awards expended under the Uniform Guidance.

Programs tested as major federal programs were predominantly passed through ChildNet, Inc. and ChildNet – Palm Beach County, and represent federal award programs with fiscal year 2016 expenditures totaling \$462,788. Programs tested ensure coverage of at least 20 percent of federally granted funds. Actual coverage is approximately 56 percent of total federal award program expenditures.