

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

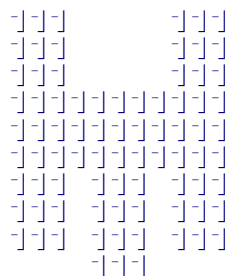
**REPORT ON AUDIT OF  
FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2020  
(with comparable totals for 2019)**

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# Holyfield & Thomas, LLC

## Certified Public Accountants & Advisors

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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, 2020, 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, 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.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020, 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, 2019 financial statements, and our report dated December 12, 2019, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Holyfield & Thomas, LLC*

West Palm Beach, Florida  
December 7, 2020

**THE CHILDREN'S PLACE AT HOME SAFE, INC.**  
**d/b/a HOMESAFE**  
**STATEMENT OF FINANCIAL POSITION**  
**As of June 30, 2020**  
**(with comparable totals for 2019)**

	Without Donor Restrictions	With Donor Restrictions	2020 Totals	2019 Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,702,588	\$ 222,531	\$ 1,925,119	\$ 1,125,194
Accounts receivable	654,656	-	654,656	631,699
Pledges receivable, current portion	5,713	148,700	154,413	210,722
Mortgage receivable, current portion	-	1,750,000	1,750,000	1,660,309
Prepaid expenses	422,091	-	422,091	394,961
Total current assets	2,785,048	2,121,231	4,906,279	4,022,885
Pledges receivable	-	-	-	50,000
Mortgage receivable	-	-	-	1,730,856
Deposits	21,415	-	21,415	46,417
Investments	90,075	8,853,284	8,943,359	8,794,912
Investment in deferred compensation plan	39,214	-	39,214	39,594
Beneficial interest in trusts	-	153,475	153,475	160,981
Property and equipment, net	5,200,290	-	5,200,290	3,284,917
Total assets	<u>\$ 8,136,042</u>	<u>\$ 11,127,990</u>	<u>\$ 19,264,032</u>	<u>\$ 18,130,562</u>
<b>LIABILITIES AND NET ASSETS</b>				
Accounts payable	\$ 97,894	\$ -	\$ 97,894	\$ 105,642
Accrued expenses	530,235	-	530,235	467,591
Line of credit	-	-	-	-
Other liabilities	46,345	-	46,345	44,599
Total current liabilities	674,474	-	674,474	617,832
Note payable	348,750	-	348,750	-
Obligation under deferred compensation plan	39,214	-	39,214	39,594
Total liabilities	<u>1,062,438</u>	<u>-</u>	<u>1,062,438</u>	<u>657,426</u>
Net assets	<u>7,073,604</u>	<u>11,127,990</u>	<u>18,201,594</u>	<u>17,473,136</u>
Total liabilities and net assets	<u>\$ 8,136,042</u>	<u>\$ 11,127,990</u>	<u>\$ 19,264,032</u>	<u>\$ 18,130,562</u>

*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, 2020**  
**(with comparable totals for 2019)**

	Without Donor Restrictions	With Donor Restrictions	2020 Totals	2019 Totals
Revenues and support:				
Program service	\$ 8,063,016	\$ -	\$ 8,063,016	\$ 7,724,839
Grants	714,308	-	714,308	788,586
Contributions	586,910	148,700	735,610	500,230
Special event revenue	550,265	-	550,265	613,722
Investment income, net	8,448	274,334	282,782	338,254
Realized and change in unrealized gain (loss)	8,869	(19,631)	(10,762)	145,640
Change in value of beneficial interest in trusts	-	(7,506)	(7,506)	6,205
Other income	14,901	-	14,901	112
Total revenues and support	9,946,717	395,897	10,342,614	10,117,588
Net assets released from restrictions	1,704,678	(1,704,678)	-	-
	11,651,395	(1,308,781)	10,342,614	10,117,588
Expenses:				
Program services	8,316,013	-	8,316,013	8,012,585
Supporting services:				
Management and general	614,286	-	614,286	695,508
Fundraising	687,816	-	687,816	561,548
Total expenses	9,618,115	-	9,618,115	9,269,641
Gain (loss) on sale of assets	3,959	-	3,959	(1,020)
Change in net assets	2,037,239	(1,308,781)	728,458	846,927
Net assets, beginning	5,036,365	12,436,771	17,473,136	16,626,209
Net assets, end	\$ 7,073,604	\$ 11,127,990	\$ 18,201,594	\$ 17,473,136

*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, 2020**  
**(with comparable totals for 2019)**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from program services	\$ 8,040,055	\$ 7,821,180
Cash received from government grants and contracts	714,308	788,586
Cash received from contributions and support	1,200,384	619,980
Cash paid to suppliers and employees	(9,218,271)	(8,873,831)
Other income	14,901	112
Interest and dividends received	189,790	192,530
Interest paid	-	(1,571)
Net cash provided by operating activities	<u>941,167</u>	<u>546,986</u>
Cash flows from investing activities:		
Proceeds from sale of property and equipment	6,000	8,800
Purchase of property and equipment	(2,086,783)	(201,327)
Collection of mortgage receivable	1,750,000	2,000,000
Proceeds from sale of investments	392,764	106,463
Purchase of investments	(551,973)	(2,121,581)
Net cash used in investing activities	<u>(489,992)</u>	<u>(207,645)</u>
Cash flows from financing activities:		
Proceeds from note payable	<u>348,750</u>	<u>-</u>
Net cash provided by financing activities	<u>348,750</u>	<u>-</u>
Net change in cash and cash equivalents	799,925	339,341
Cash and cash equivalents, beginning	<u>1,125,194</u>	<u>785,853</u>
Cash and cash equivalents, end	<u><u>\$ 1,925,119</u></u>	<u><u>\$ 1,125,194</u></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, 2020**  
**(with comparable totals for 2019)**

	<u>2020</u>	<u>2019</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 728,458	\$ 846,927
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Donated assets	-	(84,238)
Interest from mortgage receivable	(108,835)	(160,152)
Realized and change in unrealized loss (gain)	10,762	(145,640)
Change in value of beneficial interest in trusts	7,506	(6,205)
Bad debt	-	1,002
Depreciation	169,369	197,763
Loss (gain) on sale of assets	(3,959)	1,020
Decrease (increase) in certain assets:		
Accounts receivable	(22,957)	96,341
Pledges receivable	106,309	(179,879)
Prepaid expenses	(27,130)	21,447
Deposits	25,002	(39,432)
Increase (decrease) in certain liabilities:		
Accounts payable	(7,748)	(30,269)
Accrued expenses	62,644	21,282
Other liabilities	1,746	7,019
Net cash provided by operating activities	<u>\$ 941,167</u>	<u>\$ 546,986</u>

*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, 2020**  
**(with comparable totals for 2019)**

	Program Services							2020	2019
	SafetyNet	Healthy Beginnings	Specialized Therapeutic Group Homes	Independent Living Program	Total Program Services	Management and General	Fundraising	Totals	Totals
Personnel expenses:									
Salaries and wages	\$ 175,216	\$ 2,123,261	\$ 2,922,318	\$ 49,000	\$ 5,269,795	\$ 267,711	\$ 359,529	\$ 5,897,035	\$ 5,604,595
Payroll taxes	12,546	155,066	212,289	3,465	383,366	18,607	24,482	426,455	406,713
Employee benefits	29,426	286,339	428,410	9,327	753,502	68,146	19,778	841,426	873,384
Total personnel expenses	217,188	2,564,666	3,563,017	61,792	6,406,663	354,464	403,789	7,164,916	6,884,692
Advertising	-	-	-	-	-	2,473	2,441	4,914	2,823
Appreciation	189	28	1,567	-	1,784	12,254	5,325	19,363	29,565
Bad debt expense	-	-	-	-	-	-	-	-	1,002
Individual assistance	457	33,192	92,838	531	127,018	3,302	-	130,320	153,217
Insurance	4,416	81,387	153,384	1,619	240,806	31,292	6,034	278,132	267,493
Other expenses	469	2,461	24,076	2,938	29,944	19,914	1,841	51,699	45,788
Professional fees	16,900	59,667	180,164	2,666	259,397	77,260	102,875	439,532	359,789
Recruiting and retention	310	4,344	2,268	-	6,922	18,870	40	25,832	23,754
Rent	191	167,635	139,632	70	307,528	1,062	262	308,852	277,036
Repairs and maintenance	6,074	27,848	110,562	20,248	164,732	28,287	5,436	198,455	206,119
Service charges	11	-	-	-	11	7,037	4,280	11,328	13,927
Supplies	4,793	60,123	198,448	373	263,737	19,752	68,014	351,503	317,935
Travel and entertainment	3,499	60,536	24,703	760	89,498	2,607	79,813	171,918	170,326
Utilities	5,629	102,751	140,077	9,281	257,738	28,236	6,008	291,982	318,412
Depreciation	1,439	27,197	108,222	23,377	160,235	7,476	1,658	169,369	197,763
Total expenses	\$ 261,565	\$ 3,191,835	\$ 4,738,958	\$ 123,655	\$ 8,316,013	\$ 614,286	\$ 687,816	\$ 9,618,115	\$ 9,269,641

*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, 2020**

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**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 protection, 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 14,000 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 with or without donor 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 support with donor restrictions and are later reclassified to net assets without donor restrictions 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 two classes of net assets described as follows:

Net Assets Without Donor Restrictions: 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.

Net Assets With Donor Restrictions: are those subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other event specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**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.

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

For the Year Ended June 30, 2020

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1. **Organization and Summary of Significant Accounting Policies, continued**

**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, 2020, 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.

**Prepaid Expenses:** Prepaid expenses represent costs incurred that benefit future periods. These costs include the following:

Prepaid insurance	\$ 413,008
Prepaid contracts and licenses	<u>9,083</u>
	<u><u>\$ 422,091</u></u>

**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, 2020

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**1. Organization and Summary of Significant Accounting Policies, continued**

**Investments:** Investments are comprised of money market accounts, certificates of deposit, publicly-traded mutual funds, commodities, common stocks, and corporate bonds. 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 \$298,625, including \$108,835 related to mortgage receivable, and investment fees of \$15,843.

**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 an increase in net assets with donor restrictions. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions 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 support without donor restrictions 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. The total amount of in-kind contributions received during the year ended June 30, 2020, amounted to \$191,800. This amount is recognized as both revenue, under the caption of contributions, and as various expenses in the Statement of Functional Expenses.

**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, 2020 was \$4,914, and consisted of advertising and marketing expenses.

**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, 2020.

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

For the Year Ended June 30, 2020

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**1. Organization and Summary of Significant Accounting Policies, continued**

**Income Taxes, continued:** 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, 2019, from which the summarized information was derived. Certain 2019 amounts may have been reclassified to conform to 2020 classifications. Such reclassifications would have no effect on the change in net assets as previously reported.

**Recent Accounting Pronouncements:** In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenues from Contracts with Customers* (Topic 606) and has modified the standard thereafter. This standard replaces existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. ASU No. 2014-09 is effective for annual reporting periods in fiscal years that begin after December 15, 2019. Management is currently evaluating the standard and does not anticipate it will have a material impact on HomeSafe's financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). ASU 2016-02 replaces existing leasing rules with a comprehensive lease measurement and recognition standard and expanded disclosure requirements. ASU 2016-02 will require lessees to recognize most leases on their statement of financial position as liabilities, with corresponding "right-of-use" assets. The standard is effective for annual reporting periods in fiscal years that begin after December 15, 2021. Management is currently evaluating the magnitude on HomeSafe's financial statements.

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

**For the Year Ended June 30, 2020**

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**2. Program Services**

The following is a description of current HomeSafe programs:

<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.
<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 8 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.
<i>Independent Living Housing Program (Pond Place)</i>	Provides safe, affordable housing for clients, ages 18-23, who have "aged out" of foster care. In return for an apartment, clients make a low monthly contribution. Clients must maintain their Post-secondary Education Services & Support (PESS) eligibility and follow the rules set by HomeSafe to stay in the program. A licensed clinical therapist works with clients on an individualized treatment plan.

**3. Concentration of Credit Risk and Uncertainties**

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, 2020, HomeSafe had approximately \$1,712,400 uninsured deposits held in banks.

HomeSafe also holds investments in various accounts with financial and brokerage institutions. As of June 30, 2020, approximately 96% 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.

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

**For the Year Ended June 30, 2020**

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**3. Concentration of Credit Risk and Uncertainties, continued**

On March 11, 2020, the World Health Organization characterized Coronavirus (COVID-19) as a pandemic, and on March 13, 2020, the President of the United States declared a national emergency relating to the disease. This unprecedented situation has resulted in the temporary contraction of activities and operating hours for many individuals and organizations, including HomeSafe and those that interact with and support HomeSafe. The COVID-19 pandemic and resulting global disruptions have also caused economic uncertainty and volatility in financial markets. As a result, HomeSafe's 2020-21 operations and financial results may be adversely affected by Governmental restrictions on in-person visitors, additional cleaning and compliance costs, decline in investment performance, and the potential loss or reduction of certain support. Management believes HomeSafe is taking appropriate actions to mitigate these negative effects; however, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

In response to COVID-19, HomeSafe received a loan on May 1, 2020 in the amount of \$348,750 to fund payroll and related expenses through the Paycheck Protection Program (the "PPP Loan"), one of the many stimulus provisions of the Coronavirus, Aid, Recovery and Economic Security Act (the "CARES Act"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. On June 5, 2020, the PPP Flexibility Act extended the covered period during which forgivable costs must be accumulated from eight weeks to 24 weeks from the date when funds were received. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if HomeSafe fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the PPP program. To the extent that all or part of the PPP Loan is not forgiven, HomeSafe will be required to make principal and interest payments, at a rate of 1.0% per annum. Management anticipates the loan will be 100% forgiven based on qualified costs already incurred during the covered period that exceed the loan amount.

**4. Liquidity and Availability of Resources**

Financial assets available for general expenditure within one year, that is, without donor or other restrictions limited their use within one year of the Statement of Financial Position comprise the following:

Cash and cash equivalents	\$ 1,925,119
Accounts receivable	654,656
Pledges receivable	154,413
Investments	<u>8,943,359</u>
Total financial assets available within one year	10,762,527

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

**For the Year Ended June 30, 2020**

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**4. Liquidity and Availability of Resources, continued**

Total financial assets available within one year	\$ 10,762,527
Amounts unavailable for general expenditures within one year due to:	
Restricted by donor for the Sylvester Family Campus	(6,466,435)
Endowed amounts unavailable for expenditures within one year	<u>(2,386,849)</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 2,824,263</u>

In addition to financial assets currently available to meet general expenditures over the next 12 months, HomeSafe anticipates collecting sufficient support and revenue from its contracts with various state and local agencies and from its historically consistent stream of contributions to cover general expenditures not covered by donor-restricted resources.

Some of HomeSafe's net assets with donor restrictions are available for general expenditure within one year of June 30, 2020 because the restrictions on the net assets are expected to be met by conducting the normal program activities of HomeSafe in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

HomeSafe's endowment funds consist of donor-restricted contributions to be maintained in perpetuity and contributions restricted for the purpose of providing support to HomeSafe. The endowment is subject to annual appropriations determined at the discretion of the Board of Directors as described in Note 15. Although HomeSafe does not intend to spend from this endowment (other than amounts appropriated for general expenditures as part of the Board's annual approval and appropriation), these amounts could be made available if necessary.

Furthermore, management believes HomeSafe has sufficient financial assets, plus a \$700,000 line of credit, of which may be drawn upon in the event of unanticipated financial distress or an immediate liquidity need (see Note 11).

**5. 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.



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**For the Year Ended June 30, 2020**

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**5. Fair Value Measurements, continued**

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.

*Fair Value of Financial Instruments:* The following methods and assumptions were used by HomeSafe in estimating fair value of financial instruments that are not disclosed under ASC 820.

*Cash equivalents and liabilities* – The carrying amount reported approximates fair value due to the short-term duration of the instrument.

*Accounts and Pledges receivable* – The carrying amount approximates fair value due to the short-term of the receivables.

*Mortgage receivable* – Valued at the present value of estimated future cash flows, which approximate fair value due to an imputed interest rate used that approximates market rates.

*Items Measured at Fair Value on a Recurring Basis:* The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2020.

*Investments:*

*Money market accounts* – Valued the reported brokerage amounts.

*Certificates of deposit* – Valued at the quoted market prices by the custodian as of the close of business at year ended June 30, 2020.

*Mutual funds* – Valued at the quoted market prices or net asset value (NAV) by the custodian as of the close of business at year ended June 30, 2020.

*Commodities* – Valued at the quoted market prices by the custodian as of the close of business at year ended June 30, 2020.

*Equity, Real Estate, and Fixed income securities* – Valued at the quoted market prices by the custodian as of the close of business at year ended June 30, 2020.

*Beneficial Interest in Trusts* – Valued at the present value of estimated future cash flows, using the life expectancy of the income beneficiary and discounted at a rate approximating current market rates.

**THE CHILDREN'S PLACE AT HOME SAFE, INC.**  
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**For the Year Ended June 30, 2020**

**5. Fair Value Measurements, continued**

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, 2020:

	Assets at Fair Value as of June 30, 2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market accounts	\$ 2,386,761	\$ -	\$ -	\$ 2,386,761
Certificates of deposit	4,172,695	-	-	4,172,695
Fixed income securities	949,153	-	-	949,153
Mutual funds	90,075	-	-	90,075
Equity securities	1,309,172	-	-	1,309,172
Real estate securities	<u>35,503</u>	<u>-</u>	<u>-</u>	<u>35,503</u>
	8,943,359	-	-	8,943,359
Beneficial interest in trusts	<u>-</u>	<u>-</u>	<u>153,475</u>	<u>160,981</u>
	<u>\$ 8,943,359</u>	<u>\$ -</u>	<u>\$ 153,475</u>	<u>\$ 9,096,834</u>

The table below sets forth a summary of changes in the fair value of HomeSafe's Level 3 assets, beneficial interest in trusts, for the year ended June 30, 2020.

Balance, beginning of year	\$ 160,981
Change in value	(7,506)
Contributions (settlements)	<u>-</u>
Balance, end of year	<u>\$ 153,475</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 beneficial interest in trusts:

<u>Valuation Techniques</u>	<u>Fair Value</u>	<u>Unobservable Inputs</u>
Discounted cash flows	\$ 153,475	Discount rate; life expectancy of income beneficiary

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

**THE CHILDREN'S PLACE AT HOME SAFE, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2020**

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**6. Accounts Receivable**

Accounts receivable are deemed to be fully collectible by management and consist of the following as of June 30, 2020:

Medicaid/Managed Care	\$ 89,014
State of Florida, Office of Attorney General	14,906
Palm Beach County	1,601
City of West Palm Beach	3,375
Children's Services Council	284,815
ChildNet, Inc.	122,445
Other Community Based Care Agencies	<u>138,500</u>
Total accounts receivable	<u>\$ 654,656</u>

**7. Pledges Receivable**

Contributions are recognized in the period an unconditional promise to give is received. Pledges receivable are recorded at face value if due in less than one year, or at net realizable value, discounted as appropriate to reflect the estimated timing of receipt for contributions, if due more than one year after the date of receipt. As of June 30, 2020, all pledges receivable are expected to be collected in less than one year and, therefore, no discount or allowance for uncollectible receivables was considered necessary.

**8. Mortgage Receivable**

In 2018, HomeSafe received a mortgage receivable as a result of the sale of its Sylvester Family Campus. The mortgage is due in October 2020 and has no stated interest rate. However, in order to reflect the time value of money, the receivable recorded in the financial statements reflects future cash flows discounted at an imputed interest rate of 4.25%, which was HomeSafe's incremental borrowing rate at the time of the sale. The amount of imputed interest income for the year ended June 30, 2020 was \$108,835 as is included with investment income in the Statement of Activities.

**9. Property and Equipment**

Property and equipment consist of the following as of June 30, 2020:

Land	\$ 2,516,555
Buildings and leasehold improvements	3,556,506
Furniture and equipment	1,395,401
Vehicles	176,295
Donated property	98,060
Construction in progress	<u>687,899</u>
	8,430,716
Less accumulated depreciation	<u>3,230,426</u>
Property and equipment, net	<u>\$ 5,200,290</u>

**THE CHILDREN'S PLACE AT HOME SAFE, INC.**  
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**For the Year Ended June 30, 2020**

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**9. Property and Equipment, continued**

Construction in progress consisted of costs related to the Sylvester Campus project, which encompasses the development of a new Sylvester Campus Building located at Lyons Road, in West Palm Beach. Construction in progress also includes permitting and zoning expenses related to the 47<sup>th</sup> Place Project.

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 \$1,017,064 as of June 30, 2020.

**10. Beneficial Interest in Trusts**

HomeSafe has been named the remainder beneficiary of various 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.

HomeSafe is also the income beneficiary of a perpetual trust, whose assets are held by the Community Foundation for Palm Beach and Martin Counties (the "Foundation") as an endowed component fund ("Fund"). Under the terms of the Fund, the Foundation's Board of Directors has a variance power to modify any restriction or condition on the distribution of funds for any specific charitable purpose or to specified organizations, if in their sole judgement (without the approval of any trustee, custodian, or agent), such restriction or conditions becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community or the area served by the Foundation. The Fund is subject to the Foundation's investment and spending policies. During the year ended June 30, 2020, HomeSafe did not receive any distributions from the Fund.

HomeSafe reports the fair value of the beneficial interest in charitable remainder trusts in the Statement of Financial Position at the expected future cash flows discounted at rates ranging from 7.50% to 9%. The expected future cash flow is based on the fair market value of the trusts' principal as of June 30, 2020, along with the life expectancies of the income beneficiaries. HomeSafe reports the fair value of the beneficial interest in Fund in the Statement of Financial Position at the amount reported to HomeSafe by the Foundation. Changes in the value of beneficial interest in trusts have been reported in the Statement of Activities as increases (decreases) in net assets with donor restrictions.

**11. 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, 2024. The line of credit carried interest on the unpaid principal balance at the bank's prime rate, or 3.25% as of June 30, 2020. There was no outstanding balance on the line of credit as of June 30, 2020.

**THE CHILDREN'S PLACE AT HOME SAFE, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2020**

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**12. Note Payable**

On May 1, 2020, the Organization received a loan in the amount of \$348,750 under the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP") with its bank as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). See Note 3 for terms and conditions, including the provisions to have this loan forgiven.

**13. Commitments and Contingencies**

**Leases:** HomeSafe conducts its operations from facilities that are leased under operating leases expiring at various dates through 2022. Additionally, HomeSafe leases office equipment under operating leases expiring in 2020. Future minimum lease payments under operating leases are as follows:

2021	\$ 81,788
2022	40,534
2023	<u>6,829</u>
Total	<u>\$ 129,151</u>

Rent expense under operating leases amounted to \$308,852, which includes \$135,193 of in-kind rent, for the year ended June 30, 2020.

**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.

**14. Net Assets with Donor Restrictions**

Unexpended net assets with donor restrictions as of June 30, 2020 were as follows:

Subject to expenditures for a specific purpose:	
HomeSafe programs	\$ 222,531
Sylvester Family Campus	<u>6,466,435</u>
Total purpose restricted	<u>6,688,966</u>
Subject to the passage of time:	
Pledges receivable	148,700
Mortgage receivable	1,750,000
Beneficial interest in trusts	<u>103,475</u>
Total time restricted	<u>2,002,175</u>

**THE CHILDREN'S PLACE AT HOME SAFE, INC.**  
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**For the Year Ended June 30, 2020**

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**14. Net Assets with Donor Restrictions, continued**

Subject to endowment spending policy and appropriation:	
Expressive Arts Endowment	\$ 303,536
Jim Moran Endowment (Pond Place)	<u>240,500</u>
Total endowed restricted	<u>544,036</u>
Perpetual in nature:	
Sylvester Endowment (HomeSafe programs)	921,082
Sylvester Endowment (property and plant renewal)	921,730
Beneficial interest in trust	<u>50,000</u>
Total perpetual restricted	<u>1,892,812</u>
Total net assets with donor restrictions	<u>\$ 11,127,990</u>

In October 2017, HomeSafe sold its Sylvester Family Campus (the "Facility") for \$10,500,000. That Facility was originally developed with restricted funds that were deemed satisfied once the Facility was completed and placed in service. However, in order to sell the Facility, the donor was required to terminate a previously recorded Declaration of Restrictions, and agree to various terms that allow HomeSafe to acquire and develop one or two replacement campuses. The proceeds from this sale are reported as net assets with donor restrictions in the Statement of Financial Position, until such time as a new facility is placed in service and the related restrictions deemed satisfied.

**15. 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 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.

**THE CHILDREN'S PLACE AT HOME SAFE, INC.**  
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**For the Year Ended June 30, 2020**

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**15. Endowments, continued**

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, 2020 are as follows:

Endowment net assets, beginning	\$ 2,570,300
Investment return:	
Investment income	65,608
Investment expenses	(15,717)
Realized and change in unrealized gains	(34,342)
Appropriation for expenditure	<u>(199,000)</u>
Endowment net assets, ending	<u>\$ 2,386,849</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. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature were \$157,188 as of June 30, 2020. These conditions resulted from unfavorable market fluctuations.

**16. Retirement Plan**

*Defined Contribution 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 \$103,065 to this plan during the year ended June 30, 2020.

**THE CHILDREN'S PLACE AT HOME SAFE, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2020**

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**16. Retirement Plan, continued**

*Deferred Compensation Plan*

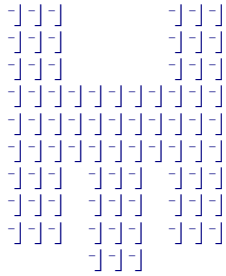
HomeSafe offers certain executive employees selected by the Board of Directors a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan permits the Board of Directors to approve discretionary contributions for selected executives and to defer such amounts on their behalf under the plan. For the year ended June 30, 2020 the Board of Directors did not approve any discretionary contributions.

In addition, covered employees may defer additional amounts through salary reduction agreements. Both HomeSafe contributions and covered employee contributions are subject to statutory limits. All deferred compensation under the plan is not available to covered employees until: a) reach the age of 60; b) termination; c) death; or d) an unforeseeable emergency. All amounts of compensation deferred under the plan, all property, and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the covered employee or other beneficiary) solely the property and rights of the HomeSafe, subject to the claims of the HomeSafe's creditors.

**17. Subsequent Events**

HomeSafe has evaluated subsequent events through December 7, 2020, which is the date the financial statements were available to be issued, and determined there were no further disclosures required to be presented in these financial statements.





# Holyfield & Thomas, LLC

## Certified Public Accountants & Advisors

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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, 2020, 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 December 7, 2020.

#### ***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  
December 7, 2020