



ChildSavers – Memorial Child Guidance Clinic

Financial Statements

June 30, 2018

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ChildSavers - Memorial Child Guidance Clinic

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Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards

Board of Directors
ChildSavers - Memorial Child Guidance Clinic
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of ChildSavers - Memorial Child Guidance Clinic, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 ChildSavers - Memorial Child Guidance Clinic as of June 30, 2018, 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.

Report on Summarized Comparative Information

We have previously audited ChildSavers - Memorial Child Guidance Clinic's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 29, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the 2017 financial statements have been restated to correct a misstatement. The opinion is not modified with respect to this matter.

Other Matters - Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 May 14, 2019, on our consideration of ChildSavers - Memorial Child Guidance Clinic'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 the effectiveness of the ChildSavers - Memorial Child Guidance Clinic's 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 ChildSavers - Memorial Child Guidance Clinic's internal control over financial reporting and compliance.

Mitchell Wiggins

Richmond, Virginia
May 14, 2019

ChildSavers - Memorial Child Guidance Clinic

Statement of Financial Position

June 30, 2018, with Comparative Totals as of June 30, 2017

		(Restated)
Assets	2018	2017
Cash	\$ 329,074	\$ 730,206
Cash, restricted to capital campaign	80,321	100,321
	409,395	830,527
Investments	229,864	213,291
Accounts receivable		
Clinic fees and program contracts, less allowance for doubtful accounts 2018 \$50,465; 2017 \$118,400	274,308	264,571
Other	1,893	3,906
Grants receivable	648,810	563,048
Contributions receivable, due within one year	40,534	57,169
United Way Services funding commitment for the next fiscal year, 2018 and 2017	54,281	56,250
Prepaid expenses	8,299	9,688
Property and equipment, net	107,902	171,989
Total assets	\$1,775,286	\$ 2,170,439
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 195,337	\$ 206,817
Line of credit	99,662	-
Accrued vacation	119,447	99,888
Due to providers	59,538	62,399
Deferred revenue	1,000	1,000
Total liabilities	474,984	370,104
Net Assets		
Unrestricted	207,405	459,502
Board designated	379,864	363,291
Total unrestricted net assets	587,269	822,793
Temporarily restricted	713,033	977,542
Total net assets	1,300,302	1,800,335
Total liabilities and net assets	\$1,775,286	\$ 2,170,439

See Notes to Financial Statements

ChildSavers - Memorial Child Guidance Clinic

Statement of Activities

Year Ended June 30, 2018, with Comparative Totals for the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Totals	
			2018	(Restated) 2017
Revenue and Support				
Contributions	\$ 607,200	\$ -	\$ 607,200	\$ 655,697
Program contracts	702,836	-	702,836	630,704
Grants	19,000	797,397	816,397	1,384,630
Endowment Fund of Memorial Child Guidance Clinic, Inc.	200,607	-	200,607	179,559
United States Department of Agriculture program revenue	810,851	-	810,851	889,233
United Way services	-	217,125	217,125	225,000
Clinic fees, net of adjustments 2018 \$34,757; 2017 \$23,659	1,002,992	-	1,002,992	827,124
Preventive services, training, and consulting fees	192,793	-	192,793	84,605
Other income	19,959	-	19,959	15,190
Capital campaign	-	-	-	100,321
Gain on disposition of assets	-	-	-	225
Gain on sale of investments	1,275	-	1,275	22,958
Unrealized gain (loss) on investments	10,793	-	10,793	(4,840)
Investment income	6,779	-	6,779	6,482
	3,575,085	1,014,522	4,589,607	5,016,888
Net Assets Released from Restrictions				
Satisfaction of program restrictions	1,061,906	(1,061,906)	-	-
Satisfaction of time restrictions	217,125	(217,125)	-	-
Total revenue and support	4,854,116	(264,509)	4,589,607	5,016,888
Expenses				
Mental health services	2,122,534	-	2,122,534	1,680,460
Child development services	1,891,353	-	1,891,353	1,739,904
Management and general	697,597	-	697,597	621,152
Fundraising	378,156	-	378,156	314,169
Total expenses	5,089,640	-	5,089,640	4,355,685
Change in net assets	(235,524)	(264,509)	(500,033)	661,203
Net assets, beginning	822,793	977,542	1,800,335	1,139,132
Net assets, ending	\$ 587,269	\$ 713,033	\$ 1,300,302	\$ 1,800,335

See Notes to Financial Statements

ChildSavers - Memorial Child Guidance Clinic

Statement of Functional Expenses

Year Ended June 30, 2018, with Comparative Totals for the Year Ended June 30, 2017

	Program Services				Totals	
	Mental Health Services	Child Development Services	Management & General	Fundraising	2018	2017
Salaries and Wages	\$ 1,435,703	\$ 690,951	\$ 458,217	\$ 245,781	\$ 2,830,652	\$ 2,178,925
USDA Program Expenses	-	685,450	-	-	685,450	759,574
Supplies	13,900	226,580	16,002	791	257,273	146,391
Benefits	97,648	62,496	71,317	12,781	244,242	223,043
Payroll taxes	81,561	36,906	34,052	18,121	170,640	140,360
Rent	74,397	45,138	19,622	15,190	154,347	155,391
Bad debts	154,491	-	-	-	154,491	66,494
Depreciation	64,095	7,395	3,280	2,135	76,905	90,330
Repairs, maintenance, and equipment rentals	37,844	21,491	9,270	6,341	74,946	80,576
Insurance	28,291	15,296	17,319	4,614	65,520	82,819
Travel	21,958	29,313	1,980	437	53,688	33,395
Utilities	22,805	14,210	8,816	4,303	50,134	58,845
Training and professional development	15,362	15,788	8,969	4,660	44,779	23,963
Professional fees	8,044	5,333	26,854	1,312	41,543	152,089
Software	28,176	2,022	-	9,843	40,041	41,804
Telephone and internet	19,822	7,046	387	1,911	29,166	22,161
Comprehensive Campaign Expense	-	-	-	20,000	20,000	-
Printing	630	12,297	2,824	3,600	19,351	16,646
Special event expense	3,653	897	4,613	7,389	16,552	27,464
Public relations	-	-	124	11,303	11,427	9,788
Food and beverage	975	2,195	4,609	1,994	9,773	9,538
Dues and subscriptions	3,068	2,029	3,012	1,451	9,560	7,541
Other	4,285	1,675	2,707	362	9,029	8,668
Postage	865	3,617	1,341	2,936	8,759	9,748
Payroll processing	1,859	1,002	1,306	303	4,470	4,110
Recruiting	1,820	1,427	298	356	3,901	2,495
Taxes, property	1,282	799	339	242	2,662	3,527
Interest	-	-	339	-	339	-
Total expenses	\$ 2,122,534	\$ 1,891,353	\$ 697,597	\$ 378,156	\$ 5,089,640	\$ 4,355,685

See Notes to Financial Statements

ChildSavers - Memorial Child Guidance Clinic

Statements of Cash Flows

Years Ended June 30, 2018, with Comparative Totals for the Year Ended June 30, 2017

	2018	(Restated) 2017
Cash Flows from Operating Activities		
Change in net assets	\$ (500,033)	\$ 661,203
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	76,905	90,330
Contributions restricted for long-term purposes	-	(100,321)
Gain on disposition of assets	-	(225)
Gain on sale of investments	(1,275)	(22,958)
Unrealized (gain) loss on investments	(10,793)	4,840
Changes in operating assets		
Accounts receivable	(7,724)	(11,101)
Grants receivable	(85,762)	(405,177)
Contributions receivable	16,635	(23,656)
United Way Services funding commitment	1,969	-
Prepaid expenses	1,389	22,082
Changes in operating liabilities		
Accounts payable and accrued expenses	(11,480)	52,262
Accrued vacation	19,559	(811)
Due to providers	(2,861)	(8,247)
Deferred revenue	-	1,000
Net cash provided by (used in) operating activities	(503,471)	259,221
Cash Flows from Investing Activities		
Proceeds from sale of investments	47,576	218,874
Purchase of investments	(52,081)	(223,107)
Purchase of property and equipment	(12,818)	(48,624)
Proceeds from sale of property and equipment	-	225
Net cash (used in) investing activities	(17,323)	(52,632)
Cash Flows from Financing Activities		
Cash contributions for long-term purposes	-	100,321
Advances on line of credit	99,662	-
Net cash provided by financing activities	99,662	100,321
Net change in cash	(421,132)	306,910
Cash, beginning	830,527	523,617
Cash, ending	\$ 409,395	\$ 830,527

See Notes to Financial Statements

ChildSavers – Memorial Child Guidance Clinic

Notes to Financial Statements

June 30, 2018

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

Nature of activities

ChildSavers - Memorial Child Guidance Clinic (ChildSavers) is a nonprofit, trauma-informed organization dedicated to guiding Central Virginia's children through life's critical moments with trauma-informed mental health and child development services. Located in Richmond, Virginia, ChildSavers provides comprehensive outpatient and immediate response mental health services to the children and their guardians in the Greater Richmond Area. Additionally, ChildSavers helps parents locate quality child care services as well as trains and provides resources to child care providers throughout Central Virginia, including 40 localities. The agency's vision of children who are safe, happy, healthy, and ready to learn drives ChildSavers to address the whole child and the environments in which they learn.

ChildSavers generates earned revenue and philanthropy from grants, federal programs, contributions, and program service fees.

The accompanying financial statements do not include the resources and financial activities of the Endowment Fund of Memorial Child Guidance Clinic, Incorporated (the Endowment Fund) which is a separate legal entity. The Endowment Fund's sole purpose is to support the charitable and educational activities carried out by ChildSavers. The Endowment Fund is governed by a separate Board of Trustees, the majority of which do not serve on ChildSavers' Board.

A summary of ChildSavers' significant accounting policies follows:

Financial statement presentation

Under current accounting standards, ChildSavers is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The net asset classes are summarized as follows:

Unrestricted net assets include unrestricted and board designated funds. The unrestricted and board designated net assets include revenue and expenses used currently for the general operations and programs of ChildSavers.

Temporarily restricted net assets include contributions restricted by donor designation and are reported as increases in temporarily restricted net assets. When a restriction expires either with the passage of time or by actions of ChildSavers, temporarily restricted net assets are released and reclassified to unrestricted net assets.

Permanently restricted net assets include contributions restricted by donor imposed stipulations that they be maintained permanently by ChildSavers. ChildSavers currently has no permanently restricted net assets.

ChildSavers – Memorial Child Guidance Clinic

Notes to Financial Statements

June 30, 2018

Note 1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Use of estimates in the preparation of financial statements

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

Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among program and supporting services.

Allocation of joint costs

ChildSavers achieves some of its programmatic and management and general goals through various media campaigns that include requests for contributions. The costs of conducting those campaigns are included in the public relations line item in the statement of functional expenses and have been allocated to the various programs, management and general, and fundraising based on ChildSavers' customary method for allocating costs.

Cash and cash equivalents

For purposes of reporting the statement of cash flows, ChildSavers includes all cash accounts, except funds held by investment managers, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents on the accompanying statement of financial position. ChildSavers, at times, may have cash in excess of insured limits. ChildSavers' cash is in institutions whose credit ratings are monitored by management to minimize the concentration of credit risk. At June 30, 2018, ChildSavers had balances that were in excess of insurance limits.

Accounts receivable, clinic fees, and allowance for uncollectible accounts

ChildSavers extends credit to its clinical clients (and their insurers) who are located principally in and around the cities of Richmond and Petersburg, Virginia. Accounts receivable on program service contracts are due principally from state and local government jurisdictions. ChildSavers' ability to collect on these receivables is directly influenced by economic conditions. ChildSavers mitigates the associated credit risk by performing credit checks when appropriate and actively pursuing past due accounts. Accounts receivable are generally extended on a short-term basis and do not bear interest until they are more than thirty days old. An account is considered past due when it is more than ninety days old.

An allowance for uncollectible accounts is provided when necessary and is based on management's evaluation of the collectibility of individual accounts receivable.

ChildSavers – Memorial Child Guidance Clinic

Notes to Financial Statements

June 30, 2018

Note 1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Contributions receivable

Contributions are recognized when the donor makes a promise to give ChildSavers that is, in substance, unconditional. If the unconditional promise to give is to occur over several fiscal periods, the asset will be measured at its present value.

Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are recorded at their estimated fair market values on the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Realized gains and losses are accounted for using the specific identification method.

Property and equipment

Property and equipment are recorded at cost. Depreciation of property is computed on the straight-line method over the estimated useful lives of 10 to 39 years for leasehold improvements and 3 to 10 years for furniture and equipment. The costs of major improvements are capitalized, while the costs of maintenance and repairs, which do not improve or extend the life of the respective properties, are expensed currently.

Deferred revenue

Deferred revenue includes amounts related to contracts where the services had not been performed as of year-end. The revenue is recognized as the services are performed.

Revenue recognition

Program service revenues are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered and are recognized in the period in which these services were performed.

ChildSavers has agreements with third-party payers that provide for payment to ChildSavers. Under these agreements, the difference between ChildSavers' standard billing rates and the third-party payments for services results in contractual adjustments. Contractual adjustments are recorded as deductions from program service revenue in the period in which the related services are rendered.

In-kind contributions

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not provided by donation, are recorded at their fair market values in the period received. A number of unpaid volunteers who serve in the capacity of board members and clerical and administrative assistants have made significant contributions of their time in the furtherance of ChildSavers' programs. The value of this contributed time is not reflected in these statements because the criteria for recognition under current accounting standards have not been satisfied.

ChildSavers – Memorial Child Guidance Clinic

Notes to Financial Statements

June 30, 2018

Note 1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Advertising costs

Advertising costs are expensed in the period they are incurred.

Income taxes

ChildSavers is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a Private Foundation. ChildSavers is subject to tax on any unrelated business income that it may generate.

The Financial Accounting Standards Board issued guidance on accounting for uncertainty in income taxes. Management evaluated ChildSavers' tax positions and concluded that ChildSavers had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, ChildSavers is no longer subject to income tax examinations by the taxing authorities for years ending before June 30, 2014.

ChildSavers includes penalties and interest assessed by income taxing authorities in management and general expenses. ChildSavers did not have penalties and interest relating to income taxes for the year ended June 30, 2018.

Reclassifications

Certain accounts relating to the prior year have been reclassified to conform to the current year's presentation.

Note 2. Endowment Fund Support

Endowment Fund of Memorial Child Guidance Clinic, Incorporated (the Endowment Fund) is a separate legal entity that was formed to provide support for ChildSavers. The Endowment Fund is governed by a separate Board of Trustees, the majority of which do not serve on ChildSavers' Board. ChildSavers is the sole beneficiary of the Endowment Fund. ChildSavers has recorded \$200,607 in support from the Endowment Fund during the year ended June 30, 2018.

ChildSavers operates in a building owned by the Endowment Fund. ChildSavers has included in expense \$154,348 for rent to the Endowment Fund for the year ended June 30, 2018.

ChildSavers – Memorial Child Guidance Clinic

Notes to Financial Statements

June 30, 2018

Note 3. Investments

Investments as of June 30, 2018, are as follows:

	Cost	Estimated Fair Value
Cash	\$ 2,347	\$ 2,347
Exchange-traded funds	216,724	227,517
	<u>\$ 219,071</u>	<u>\$ 229,864</u>

Note 4. Property and Equipment

Property and equipment consists of the following at June 30, 2018:

Furniture and equipment	\$ 392,270
Leasehold improvements	228,664
	<u>620,934</u>
Less accumulated depreciation	<u>(513,032)</u>
	<u>\$ 107,902</u>

Note 5. Lease Commitments

ChildSavers leases a building and office equipment under various operating leases. As described in Note 2, the building is leased from the Endowment Fund under a twenty-year lease which ends June 30, 2025. There are two additional five-year renewal terms available. The lease was amended effective November 1, 2013 and the current monthly rental is \$12,848. Future minimum lease payments under these leases are as follows:

Year	Building	Equipment	Total
2019	\$ 154,176	\$ 6,996	\$ 161,172
2020	154,176	4,338	158,514
2021	154,176	1,680	155,856
2022	154,176	-	154,176
2023	154,176	-	154,176
Thereafter	308,352	-	308,352
	<u>\$ 1,079,232</u>	<u>\$ 13,014</u>	<u>\$ 1,092,246</u>

Total rent expense for the year ended June 30, 2018 was \$173,179.

ChildSavers – Memorial Child Guidance Clinic

Notes to Financial Statements

June 30, 2018

Note 6. Line of Credit

ChildSavers has a revolving line of credit with a maximum borrowing limit of \$300,000 and is secured by the ChildSavers' deposits and investments. Interest accrues on the outstanding balance at an interest rate equal to the one month LIBOR plus 2.75% (currently 4.73246%) and expires on February 27, 2019. As of June 30, 2018, there was \$99,661 outstanding under the line of credit.

Interest expense for the year ended June 30, 2018 was \$339.

Note 7. Defined Contribution Pension Plan

ChildSavers has a contributory retirement annuity plan covering substantially all of its employees. ChildSavers currently contributes up to 5% of gross salary based on length of time employed, and employees contribute within a limit based on age and salary. Expenses include ChildSavers' contributions of \$42,477 for the year ended June 30, 2018.

Note 8. Board Designated and Temporarily Restricted Net Assets

ChildSavers' Board of Directors has designated unrestricted net assets for the following purposes:

Capital expenditures	\$ 30,000
Working capital reserve	<u>349,864</u>
	<u>\$ 379,864</u>

Temporarily restricted net assets are available for the following purposes:

Mental health treatment	\$ 610,181
Immediate response	1,500
Child development	21,031
Capital campaign	<u>80,321</u>
	<u>\$ 713,033</u>

Net assets were released from donor restrictions for the year ended June 30, 2018, by incurring expenses satisfying the restricted purposes as follows:

Mental health treatment	\$ 855,533
Immediate response	134,000
Child development	269,498
Capital campaign	<u>20,000</u>
	<u>\$ 1,279,031</u>

ChildSavers – Memorial Child Guidance Clinic

Notes to Financial Statements

June 30, 2018

Note 9. Fair Value Measurements

Financial accounting standards for fair value measurements, define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Current accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under current accounting standards are described below:

Level 1. Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2. Valuations for assets and liabilities traded in less active dealer or broker markets, including those where the investee has the ability to redeem its investment at its net asset value per share at the measurement date. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. When quoted prices in active markets are not available, fair values are determined using pricing models and the inputs to those pricing models are based on observable market inputs in active markets. The inputs to the pricing models are typically reported trades and broker-dealer quotes. When quoted prices in active markets and observable market inputs in active markets are not available, fair values are determined using unobservable pricing inputs. Unobservable inputs require significant management judgment or estimation. Investments in this category generally include alternative investments, such as ownership interests in pass-through entities.

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

ChildSavers – Memorial Child Guidance Clinic

Notes to Financial Statements

June 30, 2018

Note 9. Fair Value Measurements (continued)

techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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 at June 30, 2018:

Cash

Valued at the deposit amount.

Exchange-traded funds

Valued at the net asset value of shares held at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while ChildSavers believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, ChildSavers' assets at fair value as of June 30, 2018:

ChildSavers – Memorial Child Guidance Clinic

Notes to Financial Statements

June 30, 2018

Note 9. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
Cash	\$ 2,347	\$ -	\$ -	\$ 2,347
Exchange-traded funds				
Corporate bond	7,241	-	-	7,241
Diversified emerging markets	17,175	-	-	17,175
Emerging markets local currency bond	6,161	-	-	6,161
Energy limited partnership	1,557	-	-	1,557
Foreign large blend	42,966	-	-	42,966
High-yield bond	6,741	-	-	6,741
Intermediate government bond	5,760	-	-	5,760
Intermediate-term bond	4,480	-	-	4,480
Large blend	13,211	-	-	13,211
Large growth	39,604	-	-	39,604
Large value	31,127	-	-	31,127
Medium blend	6,650	-	-	6,650
Mid-cap growth	5,619	-	-	5,619
Mid-cap value	3,241	-	-	3,241
Natural resources	3,456	-	-	3,456
Short government	6,792	-	-	6,792
Short-term bond	4,688	-	-	4,688
Small blend	3,755	-	-	3,755
Small growth	5,669	-	-	5,669
Ultrashort bond	11,624	-	-	11,624
	<u>227,517</u>	<u>-</u>	<u>-</u>	<u>227,517</u>
	<u>\$ 229,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 229,864</u>

Note 10. Endowment Investing and Spending Policies

ChildSavers' endowment consists solely of amounts designated by the Board of Directors to be held for endowment. These funds are invested with the objective to ensure, over a long-term, a level of assets that will adequately supplement the capital and operating needs of ChildSavers.

ChildSavers has adopted investment and spending policies for endowment assets that attempt to maintain the purchasing power of the endowment assets while also providing a potential source of support for its current programs. Under this policy, the endowment assets are invested in a manner that is intended to provide long-term capital appreciation. Actual returns in any given year may vary.

ChildSavers – Memorial Child Guidance Clinic

Notes to Financial Statements

June 30, 2018

Note 10. Endowment Investing and Spending Policies (continued)

To satisfy its long-term objectives, ChildSavers 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). ChildSavers targets a diversified asset allocation to achieve its long-term objectives within prudent risk constraints.

Historically, ChildSavers has not applied a spending policy to its endowment in an effort to allow the endowment to grow. This is consistent with ChildSavers' objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

A summary of the activity in endowment funds for the year ended June 30, 2018, is as follows:

Endowment net assets, beginning	\$ 363,291
Investment income, net	5,780
Net appreciation	10,793
Endowment net assets, ending	<u>\$ 379,864</u>

Note 11. Correction of an Error

ChildSavers recognized in error a grant receivable in the amount of \$75,000 as of June 30, 2017. The financial statements have been restated for the correction of this error. The correction had the effect of decreasing grants revenue by \$75,000 for the year ended June 30, 2017 and decreasing grants receivable by \$75,000 as of June 30, 2017.

Note 12. Economic Dependency

For the years ended June 30, 2018 and 2017, approximately 31% and 23% of total revenues and support came from two funding sources, respectively. A significant reduction in the level of this support, if this were to occur, may have a significant effect on ChildSavers' programs and activities.

For the years ended June 30, 2018 and 2017, approximately 73% and 66% of total grants receivable, or \$470,559 and \$368,883, represents amounts due from three and two funding sources, respectively.

Note 13. Subsequent Events

Management has evaluated subsequent events through May 14, 2019, the date which the financial statements were available for issue.

ChildSavers – Memorial Child Guidance Clinic
Notes to Financial Statements
June 30, 2018

Note 14. Prior Year Summarized Comparative 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with ChildSavers' financial statements for the year ended June 30, 2017, from which the summarized information was derived.

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

Board of Directors
ChildSavers - Memorial Child Guidance Clinic
Richmond, Virginia

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 ChildSavers - Memorial Child Guidance Clinic, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 14, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ChildSavers - Memorial Child Guidance Clinic'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ChildSavers - Memorial Child Guidance Clinic's internal control. Accordingly, we do not express an opinion on the effectiveness of ChildSavers - Memorial Child Guidance Clinic's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that may not have been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ChildSavers - Memorial Child Guidance Clinic's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mitchell Wiggins

Richmond, Virginia
May 14, 2019

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by The Uniform Guidance

Board of Directors
ChildSavers - Memorial Child Guidance Clinic
Richmond, Virginia

Report on Compliance for Each Major Federal Program

We have audited ChildSavers - Memorial Child Guidance Clinic'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 ChildSavers - Memorial Child Guidance Clinic's major federal programs for the year ended June 30, 2018. ChildSavers - Memorial Child Guidance Clinic'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of ChildSavers - Memorial Child Guidance Clinic'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 ChildSavers - Memorial Child Guidance Clinic'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 ChildSavers - Memorial Child Guidance Clinic's compliance.

Opinion on Each Major Federal Program

In our opinion, ChildSavers - Memorial Child Guidance Clinic 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, 2018.

Report on Internal Control Over Compliance

Management of ChildSavers - Memorial Child Guidance Clinic 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 ChildSavers - Memorial Child Guidance Clinic'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 ChildSavers - Memorial Child Guidance Clinic'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.

Mitchell Wiggins

Richmond, Virginia
May 14, 2019

ChildSavers – Memorial Child Guidance Clinic

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>United States Department of Agriculture Direct Programs</u>			
Child and Adult Care Food Program, United States Department of Agriculture Agreement Number 02-51-58766-00 3	10.558	\$ -	\$ 810,851
<u>United States Department of Health and Human Services/ Virginia Department of Social Services</u>			
Child Care and Development Block Grant; Virginia Quality Rating and Improvement System (Contract # OECD-13-054-01)	93.575	-	<u>702,836</u>
Total Expenditures of Federal Awards		<u>\$ -</u>	<u>\$ 1,513,687</u>

See Notes to Schedule of Expenditures of Federal Awards

ChildSavers – Memorial Child Guidance Clinic

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2018

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of ChildSavers - Memorial Child Guidance Clinic under programs of the federal government for the year ended June 30, 2018. 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). Because the Schedule presents only a selected portion of the operations of ChildSavers – Memorial Child Guidance Clinic, it is not intended to and does not present the financial position, changes in net assets, or cash flows of ChildSavers – Memorial Child Guidance Clinic.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

ChildSavers - Memorial Child Guidance Clinic has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

ChildSavers – Memorial Child Guidance Clinic

Schedule of Findings and Questioned Costs Year Ended June 30, 2018

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? Yes X No

Identification of major programs:

CFDA Number(s)	<u>Name of Federal Program or Cluster</u>
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10.558	United States Department of Agriculture; Child and Adult Care Food Program
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Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

ChildSavers – Memorial Child Guidance Clinic

Schedule of Findings and Questioned Costs (continued) ***Year Ended June 30, 2018***

SECTION II: FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2018-001 Revenue

Criteria and Condition: A restatement of the June 30, 2017 financial statements was required as a result of grants receivable and related grant revenue being overstated by \$75,000 for the year ended June 30, 2017.

Context: Audit tests revealed that there was \$75,000 that was recorded as a grant receivable as of June 30, 2017 in error which has resulted in a restatement of the 2017 financial statements.

Cause: The error is the result of a promise to give payment that was received and recorded as a receivable and revenue in error instead of offsetting a previously recorded promise to give receivable. It is believed that the error was caused by significant turnover in the Finance and Development areas just prior to and after the end of the 2017 fiscal year.

Effect: Revenue recognized during fiscal year 2017 was overstated by \$75,000 and assets as of June 30, 2017 were overstated by \$75,000.

Recommendation: We recommend that procedures be developed to strengthen internal controls over revenue recognition.

Views of Responsible Officials and Planned Corrective Actions: We agree with the finding and have designed and are implementing procedures to strengthen internal controls over revenue recognition.

SECTION III: FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No matters were reported.

ChildSavers – Memorial Child Guidance Clinic

Summary Schedule of Prior Audit Findings Year Ended June 30, 2018

The prior year single audit disclosed no findings in the *Schedule of Findings and Questioned Costs* and no uncorrected or unresolved findings exist from the prior audit's *Summary of Prior Audit Findings*.