

ChildSavers – Memorial Child Guidance Clinic

Financial Statements

June 30, 2017

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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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 November 29, 2017, 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
November 29, 2017

ChildSavers - Memorial Child Guidance Clinic

Statement of Financial Position June 30, 2017, with Comparative Totals as of June 30, 2016

Assets	2017	2016
Cash	\$ 730,206	\$ 523,617
Cash, restricted to capital campaign	100,321	-
	830,527	523,617
Investments	213,291	190,940
Accounts receivable		
Clinic fees and program contracts, less allowance for doubtful accounts 2017 \$118,400; 2016 \$66,000	264,571	254,072
Other	3,906	3,304
Grants receivable	638,048	157,871
Contributions receivable, due within one year	57,169	33,513
United Way Services funding commitment for the next fiscal year, 2017 and 2016	56,250	56,250
Prepaid expenses	9,688	31,770
Property and equipment, net	171,989	213,695
Total assets	\$2,245,439	\$ 1,465,032
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 206,817	\$ 154,555
Accrued vacation	99,888	100,699
Due to providers	62,399	70,646
Deferred revenue	1,000	-
Total liabilities	370,104	325,900
Net Assets		
Unrestricted	459,502	403,327
Board designated	363,291	340,940
Total unrestricted net assets	822,793	744,267
Temporarily restricted	1,052,542	394,865
Total net assets	1,875,335	1,139,132
Total liabilities and net assets	\$2,245,439	\$ 1,465,032

See Notes to Financial Statements

ChildSavers - Memorial Child Guidance Clinic

Statement of Activities

Year Ended June 30, 2017, with Comparative Totals for the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Totals	
			2017	2016
Revenue and Support				
Contributions	\$ 655,697	\$ -	\$ 655,697	\$ 728,384
Program contracts	630,704	-	630,704	605,765
Grants	35,000	1,424,630	1,459,630	751,795
Endowment Fund of Memorial Child Guidance Clinic, Inc.	179,559	-	179,559	178,039
United States Department of Agriculture program revenue	889,233	-	889,233	957,746
United Way services	-	225,000	225,000	168,750
Clinic fees, net of adjustments 2017 \$23,659; 2016 \$215,632	827,124	-	827,124	801,004
Preventive services, training, and consulting fees	84,605	-	84,605	26,068
Other income	15,190	-	15,190	13,320
Capital campaign	-	100,321	100,321	-
Gain on disposition of assets	225	-	225	-
Gain on sale of investments	22,958	-	22,958	3,850
Unrealized loss on investments	(4,840)	-	(4,840)	(24,335)
Investment income	6,482	-	6,482	20,604
	3,341,937	1,749,951	5,091,888	4,230,990
Net Assets Released from Restrictions				
Satisfaction of program restrictions	867,274	(867,274)	-	-
Satisfaction of time restrictions	225,000	(225,000)	-	-
Total revenue and support	4,434,211	657,677	5,091,888	4,230,990
Expenses				
Mental health services	1,680,460	-	1,680,460	1,640,166
Child development services	1,739,904	-	1,739,904	1,703,797
Management and general	621,152	-	621,152	577,045
Fundraising	314,169	-	314,169	318,348
Total expenses	4,355,685	-	4,355,685	4,239,356
Change in net assets	78,526	657,677	736,203	(8,366)
Net assets, beginning	744,267	394,865	1,139,132	1,147,498
Net assets, ending	\$ 822,793	\$ 1,052,542	\$ 1,875,335	\$ 1,139,132

See Notes to Financial Statements

ChildSavers - Memorial Child Guidance Clinic

Statement of Functional Expenses

Year Ended June 30, 2017, with Comparative Totals for the Year Ended June 30, 2016

	Program Services				Totals	
	Mental Health Services	Child Development Services	Management & General	Fundraising	2017	2016
Salaries and wages	\$ 1,051,804	\$ 599,316	\$ 326,196	\$ 201,609	\$ 2,178,925	\$ 2,109,395
USDA program expenses	-	759,574	-	-	759,574	820,668
Benefits	104,119	70,032	35,900	12,992	223,043	209,948
Rent	83,777	41,504	18,224	11,886	155,391	154,176
Professional fees	15,864	7,975	125,965	2,285	152,089	169,070
Supplies	11,465	113,368	20,690	868	146,391	94,601
Payroll taxes	69,191	32,358	23,345	15,466	140,360	136,390
Depreciation	78,676	9,048	19	2,587	90,330	85,887
Insurance	43,834	22,035	10,639	6,311	82,819	66,052
Repairs, maintenance, and equipment rentals	34,482	18,039	22,701	5,354	80,576	72,049
Bad debts	65,944	550	-	-	66,494	73,699
Utilities	31,512	15,841	6,955	4,537	58,845	56,667
Software	39,197	-	972	1,635	41,804	31,028
Travel	7,625	24,342	1,158	270	33,395	28,557
Special event expense	6,404	2,095	2,424	16,541	27,464	25,865
Training and professional development	9,663	3,782	8,830	1,688	23,963	12,408
Telephone and internet	14,133	4,848	1,481	1,699	22,161	23,961
Printing	348	5,877	767	9,654	16,646	10,175
Public relations	-	414	1,854	7,520	9,788	13,811
Postage	544	2,445	1,899	4,860	9,748	9,702
Food and beverage	164	1,215	6,525	1,634	9,538	7,322
Other	2,256	624	2,860	2,928	8,668	13,951
Dues and subscriptions	4,304	2,157	313	767	7,541	5,376
Payroll processing	2,201	1,107	486	316	4,110	4,022
Taxes, property	1,641	825	826	235	3,527	3,333
Recruiting	1,312	533	123	527	2,495	1,243
Total expenses	\$ 1,680,460	\$ 1,739,904	\$ 621,152	\$ 314,169	\$ 4,355,685	\$ 4,239,356

See Notes to Financial Statements

ChildSavers - Memorial Child Guidance Clinic

Statement of Cash Flows
Year Ended June 30, 2017

Cash Flows from Operating Activities

Change in net assets	\$ 736,203
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**Adjustments to reconcile change in net assets to net cash provided by
 (used in) operating activities**

Depreciation	90,330
Contributions restricted for long-term purposes	(100,321)
Gain on disposition of assets	(225)
Gain on sale of investments	(22,958)
Unrealized loss on investments	4,840

Changes in operating assets

Accounts receivable	(11,101)
Grants receivable	(480,177)
Contributions receivable	(23,656)
Prepaid expenses	22,082

Changes in operating liabilities

Accounts payable and accrued expenses	52,262
Accrued vacation	(811)
Due to providers	(8,247)
Deferred revenue	1,000
Net cash provided by operating activities	259,221

Cash Flows from Investing Activities

Proceeds from sale of investments	218,874
Purchase of investments	(223,107)
Purchase of property and equipment	(48,624)
Proceeds from sale of property and equipment	225
Net cash (used in) investing activities	(52,632)

Cash Flows from Financing Activities

Cash contributions for long-term purposes	100,321
Net cash provided by financing activities	100,321

Net change in cash	306,910
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Cash, beginning	523,617
Cash, ending	\$ 830,527

See Notes to Financial Statements

ChildSavers - Memorial Child Guidance Clinic

Notes to Financial Statements

June 30, 2017

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.

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.

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.

ChildSavers – Memorial Child Guidance Clinic

Notes to Financial Statements

June 30, 2017

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

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, 2017, 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 collectability of individual accounts receivable.

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.

ChildSavers – Memorial Child Guidance Clinic

Notes to Financial Statements

June 30, 2017

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

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.

Advertising costs

Advertising costs are expensed in the period they are incurred.

ChildSavers – Memorial Child Guidance Clinic

Notes to Financial Statements

June 30, 2017

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

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, 2017.

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 \$179,559 in support from the Endowment Fund during the year ended June 30, 2017.

ChildSavers operates in a building owned by the Endowment Fund. ChildSavers has included in expense \$155,391 for rent to the Endowment Fund for the year ended June 30, 2017.

Note 3. Investments

Investments as of June 30, 2017, are as follows:

	Estimated Fair Value	Cost
Cash	\$ 1,769	\$ 1,769
Exchange-traded funds	211,522	211,522
	<hr/> <u>\$ 213,291</u>	<hr/> <u>\$ 213,291</u>

ChildSavers - Memorial Child Guidance Clinic

Notes to Financial Statements

June 30, 2017

Note 4. Property and Equipment

Property and equipment consists of the following at June 30, 2017:

Furniture and equipment	\$ 379,453
Leasehold improvements	228,664
	<hr/>
	608,117
Less accumulated depreciation	(436,128)
	<hr/>
	\$ 171,989

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
2018	\$ 154,176	\$ 6,996	\$ 161,172
2019	154,176	5,316	159,492
2020	154,176	2,658	156,834
2021	154,176	-	154,176
2022	154,176	-	154,176
Thereafter	462,528	-	462,528
	<hr/>	<hr/>	<hr/>
	\$ 1,233,408	\$ 14,970	\$ 1,248,378

Total rent expense for the year ended June 30, 2017 was \$173,513.

Note 6. Revolving 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 3.81%) and expires on February 28, 2018. There was no amount outstanding under the line of credit as of June 30, 2017.

Interest expense for the year ended June 30, 2017 was \$0.

ChildSavers – Memorial Child Guidance Clinic

Notes to Financial Statements

June 30, 2017

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 \$34,695 for the year ended June 30, 2017.

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>333,291</u>
	<u>\$ 363,291</u>

Temporarily restricted net assets are available for the following purposes:

Mental health treatment	\$ 748,316
Immediate response	77,500
Child development	126,405
Capital campaign	<u>100,321</u>
	<u>\$ 1,052,542</u>

Net assets were released from donor restrictions for the year ended June 30, 2017, by incurring expenses satisfying the restricted purposes as follows:

Mental health treatment	\$ 512,080
Immediate response	247,580
Child development	322,614
Other	<u>10,000</u>
	<u>\$ 1,092,274</u>

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

ChildSavers – Memorial Child Guidance Clinic

Notes to Financial Statements

June 30, 2017

Note 9. Fair Value Measurements (continued)

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

ChildSavers – Memorial Child Guidance Clinic

Notes to Financial Statements

June 30, 2017

Note 9. Fair Value Measurements (continued)

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, 2017:

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, 2017:

ChildSavers – Memorial Child Guidance Clinic***Notes to Financial Statements******June 30, 2017******Note 9. Fair Value Measurements (continued)***

	Level 1	Level 2	Level 3	Total
	\$ 1,769	\$ -	\$ -	\$ 1,769
Cash	\$ 1,769	\$ -	\$ -	\$ 1,769
Exchange-traded funds				
Corporate bond	5,910	-	-	5,910
Diversified emerging markets	17,661	-	-	17,661
Emerging markets local currency bond	5,833	-	-	5,833
Foreign large blend	45,185	-	-	45,185
Foreign small/mid blend	6,443			6,443
High-yield bond	6,898	-	-	6,898
Inflation-protected bond	3,977	-	-	3,977
Intermediate government bond	5,941	-	-	5,941
Intermediate-term bond	8,766	-	-	8,766
Large blend	11,436	-	-	11,436
Large growth	31,208	-	-	31,208
Large value	27,820	-	-	27,820
Medium blend	5,774	-	-	5,774
Mid-cap growth	5,093	-	-	5,093
Mid-cap value	6,975	-	-	6,975
Preferred stock	7,506	-	-	7,506
Short-term bond	2,481	-	-	2,481
Small growth	4,662	-	-	4,662
Small value	1,953	-	-	1,953
	<hr/> 211,522	<hr/> -	<hr/> -	<hr/> 211,522
	<hr/> \$ 213,291	<hr/> \$ -	<hr/> \$ -	<hr/> \$ 213,291

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, 2017

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, 2017, is as follows:

Endowment net assets, beginning	\$ 340,940
Investment income, net	27,191
Net depreciation	(4,840)
Endowment net assets, ending	<u>\$ 363,291</u>

Note 11. Subsequent Events

Management has evaluated subsequent events through November 29, 2017, the date which the financial statements were available for issue.

Note 12. 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, 2016, 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, 2017, 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 November 29, 2017.

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. Given these 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 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
November 29, 2017

***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, 2017. 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, 2017.

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
November 29, 2017

ChildSavers - Memorial Child Guidance Clinic

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<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	\$ -	\$ 889,233
<u>United States Department of Health and Human Services/</u>			
<u>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>37,440</u>	<u>272,866</u>
<i>Total Expenditures of Federal Awards</i>		<u>\$ 37,440</u>	<u>\$ 1,162,099</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, 2017**

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, 2017. 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, 2017

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? Yes No

Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes 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 No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
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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? Yes No

ChildSavers – Memorial Child Guidance Clinic

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2017

SECTION II: FINANCIAL STATEMENT FINDINGS

No matters were reported.

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, 2017

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*.