

**CHILDHHELP, INC. AND AFFILIATES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

**CHILDHELP, INC. AND AFFILIATES  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Childhelp, Inc. and Affiliates  
Phoenix, Arizona

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements Childhelp, Inc. and Affiliates (Childhelp) as of June 30, 2016, which comprise the consolidated statement of financial position and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Childhelp, Inc. and Affiliates as of June 30, 2016, and the change in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

**Report on Summarized Comparative Information**

We have previously audited Childhelp's 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 8, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
November 30, 2016

**CHILDHELP, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2016**  
**(WITH COMPARATIVE TOTALS AT JUNE 30, 2015)**

| <b>ASSETS</b>  | 2016          | 2015          |
|--|---------------|---------------|
| Cash and Cash Equivalents  | \$ 1,695,008  | \$ 1,574,839  |
| Accounts Receivable, Net of Allowance for Doubtful Accounts of \$358,278 | 3,511,151     | 3,583,747     |
| Contributions Receivable   | 239,850       | 288,451       |
| Prepaid Expenses   | 503,478       | 466,784       |
| Bequests Receivable  | 1,762,719     | 3,100,000     |
| Property, Plant and Equipment, Net                                       | 5,518,016     | 4,922,227     |
| Land Available for Sale  | 611,411       | 611,411       |
| Donated Use of Facility  | 3,011,649     | -             |
| Deposits and Other Assets  | 541,798       | 82,473        |
| Unamortized Loan Fees, Net   | 272,785       | 151,311       |
| Cash Surrender Value of Life Insurance                                   | 29,957        | 21,771        |
| Assets Held in Trusts  | 1,761,697     | 1,744,114     |
|  | \$ 19,459,519 | \$ 16,547,128 |
| <b>Total Assets</b>  |               |               |
| <b>LIABILITIES AND NET ASSETS</b>  |               |               |
| <b>LIABILITIES</b>   |               |               |
| Accounts Payable   | \$ 909,548    | \$ 2,278,186  |
| Accrued Expenses   | 2,330,624     | 2,349,201     |
| Line of Credit   | 1,097,952     | 1,962,060     |
| Notes Payable  | 13,577,329    | 11,296,159    |
| Deferred Revenues  | 613,837       | 188,294       |
| Total Liabilities  | 18,529,290    | 18,073,900    |
| <b>NET ASSETS (DEFICIENCY)</b>   |               |               |
| Unrestricted   | (5,765,189)   | (4,729,331)   |
| Temporarily Restricted   | 5,692,195     | 2,163,808     |
| Permanently Restricted   | 1,003,223     | 1,038,751     |
| Total Net Assets (Deficiency)  | 930,229       | (1,526,772)   |
| Total Liabilities and Net Assets   | \$ 19,459,519 | \$ 16,547,128 |

See accompanying Notes to Consolidated Financial Statements.

**CHILDHELP, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2016**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)**

|   | 2016                       |   |   | 2015              |                       |
|---|----------------------------|---|---|-------------------|-----------------------|
|   | Unrestricted<br>Net Assets | Temporarily<br>Restricted<br>Net Assets | Permanently<br>Restricted<br>Net Assets | Total             | Total                 |
| <b>SUPPORT AND REVENUES</b>   |                            |   |   |                   |                       |
| Program Income – Federal,<br>State & Local Contracts  | \$ 26,785,531              | \$ -                                    | \$ -                                    | \$ 26,785,531     | \$ 27,294,489         |
| Special Events and Chapter<br>Fundraising (net of special event<br>expenses of \$5,494,395) | 1,350,961                  | 375,417                                 | -                                       | 1,726,378         | 3,461,861             |
| Foundations, Corporations,<br>Individuals and Organizations                                 | 4,503,767                  | 2,876,592                               | -                                       | 7,380,359         | 7,475,664             |
| Contributed Goods and Services  | 2,009,918                  | 3,013,316                               | -                                       | 5,023,234         | 1,878,583             |
| Change in Value of Assets   |                            |   |   |                   |                       |
| Held in Trust   | (243,923)                  | -                                       | -                                       | (243,923)         | 70,521                |
| Other   | 863,996                    | -                                       | -                                       | 863,996           | 48,826                |
| Total Support and<br>Revenues   | 35,270,250                 | 6,265,325                               | -                                       | 41,535,575        | 40,229,944            |
| <b>NET ASSETS RELEASED FROM<br/>RESTRICTION</b>   | 2,772,466                  | (2,736,938)                             | (35,528)                                | -                 | -                     |
| Total Support and Revenues<br>and Net Assets Released<br>from Restrictions                  | 38,042,716                 | 3,528,387                               | (35,528)                                | 41,535,575        | 40,229,944            |
| <b>FUNCTIONAL EXPENSES AND<br/>LOSSES</b>   |                            |   |   |                   |                       |
| Program Services:   |                            |   |   |                   |                       |
| Residential Treatment   | 22,153,389                 | -                                       | -                                       | 22,153,389        | 21,714,366            |
| Hotline   | 831,767                    | -                                       | -                                       | 831,767           | 613,949               |
| Educational Programs  | 4,764,977                  | -                                       | -                                       | 4,764,977         | 4,108,425             |
| Foster Care   | 2,856,194                  | -                                       | -                                       | 2,856,194         | 2,959,539             |
| Advocacy/Diagnostic<br>Services   | 5,166,048                  | -                                       | -                                       | 5,166,048         | 5,049,250             |
| Total Program Services  | 35,772,375                 | -                                       | -                                       | 35,772,375        | 34,445,529            |
| Support Services:   |                            |   |   |                   |                       |
| Management and General  | 1,564,505                  | -                                       | -                                       | 1,564,505         | 1,424,050             |
| Fundraising   | 1,156,319                  | -                                       | -                                       | 1,156,319         | 1,001,728             |
| Total Support Services  | 2,720,824                  | -                                       | -                                       | 2,720,824         | 2,425,778             |
| Total Functional Expenses   | 38,493,199                 | -                                       | -                                       | 38,493,199        | 36,871,307            |
| Gains and Losses:   |                            |   |   |                   |                       |
| (Gain) Loss on Sale of Assets   | (88,099)                   | -                                       | -                                       | (88,099)          | 288,684               |
| Provision for Doubtful<br>Accounts  | 673,474                    | -                                       | -                                       | 673,474           | 172,594               |
| Total Functional Expenses<br>and Net Losses   | 39,078,574                 | -                                       | -                                       | 39,078,574        | 37,332,585            |
| <b>CHANGES IN NET ASSETS</b>  | (1,035,858)                | 3,528,387                               | (35,528)                                | 2,457,001         | 2,897,359             |
| Net Assets (Deficiency) -<br>Beginning of Year  | (4,729,331)                | 2,163,808                               | 1,038,751                               | (1,526,772)       | (4,424,131)           |
| <b>NET ASSETS (DEFICIENCY) -<br/>END OF YEAR</b>  | <u>\$ (5,765,189)</u>      | <u>\$ 5,692,195</u>                     | <u>\$ 1,003,223</u>                     | <u>\$ 930,229</u> | <u>\$ (1,526,772)</u> |

See accompanying Notes to Consolidated Financial Statements.

**CHILDHELP, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2016**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)**

|  | Program Services      |                   |                      |                     |                              | Support Services       |                        |                     | 2016                   | 2015                      |                           |
|--|-----------------------|-------------------|----------------------|---------------------|------------------------------|------------------------|------------------------|---------------------|------------------------|---------------------------|---------------------------|
|  | Residential Treatment | Hotline           | Educational Programs | Foster Care         | Advocacy/Diagnostic Services | Total Program Services | Management and General | Fund-Raising        | Total Support Services | Total Functional Expenses | Total Functional Expenses |
| Salaries and Related Expenses:                                 |                       |                   |                      |                     |                              |                        |                        |                     |                        |                           |                           |
| Salaries   | \$ 13,851,675         | \$ 621,319        | \$ 3,165,725         | \$ 1,043,349        | \$ 2,485,292                 | \$ 21,167,360          | \$ 817,527             | \$ 213,398          | \$ 1,030,925           | \$ 22,198,285             | \$ 21,116,748             |
| Payroll Taxes and Employee Benefits                            | 3,210,939             | 76,364            | 486,815              | 182,347             | 347,696                      | 4,304,161              | 116,709                | 30,465              | 147,174                | 4,451,335                 | 4,382,187                 |
| Total Salaries and Related Expenses                            | 17,062,614            | 697,683           | 3,652,540            | 1,225,696           | 2,832,988                    | 25,471,521             | 934,236                | 243,863             | 1,178,099              | 26,649,620                | 25,498,935                |
| Automobile and Travel  | 193,447               | 6                 | 55,795               | 42,288              | 37,136                       | 328,672                | 48,894                 | 70,694              | 119,588                | 448,260                   | 429,013                   |
| Children's Clothing and Related Needs                          | 210,535               | -                 | -                    | 21,496              | 4,464                        | 236,495                | -                      | -                   | -                      | 236,495                   | 212,075                   |
| Conferences and Meetings                                       | 43,629                | -                 | 9,105                | 2,422               | 17,216                       | 72,372                 | 45,843                 | 9,213               | 55,056                 | 127,428                   | 113,470                   |
| Dues and Subscriptions   | 115,151               | 10,368            | 17,967               | 8,642               | 24,875                       | 177,003                | 22,031                 | 28,073              | 50,104                 | 227,107                   | 45,812                    |
| Food   | 759,452               | -                 | 257,645              | -                   | 14,799                       | 1,031,896              | 1,811                  | -                   | 1,811                  | 1,033,707                 | 1,051,061                 |
| Foster Care  | -                     | -                 | -                    | 1,199,114           | -                            | 1,199,114              | -                      | -                   | -                      | 1,199,114                 | 1,274,642                 |
| Gift In Kind   | 53,149                | -                 | -                    | 500                 | 1,796,283                    | 1,849,932              | 54,935                 | 74,636              | 129,571                | 1,979,503                 | 2,046,627                 |
| Insurance and Taxes  | 343,213               | 730               | 69,792               | 42,984              | 28,376                       | 485,095                | 68,922                 | 1,107               | 70,029                 | 555,124                   | 544,344                   |
| Interest   | 862,518               | -                 | 175,502              | 42,739              | 4,753                        | 1,085,512              | 100,193                | 471                 | 100,664                | 1,186,176                 | 1,481,380                 |
| Licensing  | 17,281                | -                 | 8,561                | 8,035               | 3,605                        | 37,482                 | 15,732                 | 1,846               | 17,578                 | 55,060                    | 28,186                    |
| Maintenance and Repairs  | 517,976               | 2,128             | 41,350               | 57,507              | 46,135                       | 665,096                | 37,135                 | 31,489              | 68,624                 | 733,720                   | 731,983                   |
| Medical  | 241,570               | -                 | 48,038               | 1,174               | 42,010                       | 332,792                | -                      | -                   | -                      | 332,792                   | 303,790                   |
| Miscellaneous  | 11,345                | -                 | -                    | -                   | 5,260                        | 16,605                 | 4,329                  | 196,740             | 201,069                | 217,674                   | 207,995                   |
| Postage  | 9,019                 | -                 | 1,274                | 1,336               | 3,844                        | 15,473                 | 14,485                 | 15,213              | 29,698                 | 45,171                    | 28,221                    |
| Printing and Publishing  | 5,446                 | -                 | 9,487                | -                   | 780                          | 15,713                 | 2,874                  | 42,678              | 45,552                 | 61,265                    | 73,139                    |
| Professional Services  | 422,717               | 6,740             | 211,646              | 34,948              | 88,758                       | 764,809                | 18,972                 | 295,483             | 314,455                | 1,079,264                 | 645,101                   |
| Promotion and Recruitment                                      | 14,451                | 2,420             | 2,814                | 8,937               | 7,678                        | 36,300                 | 8,745                  | 9,876               | 18,621                 | 54,921                    | 60,991                    |
| Recreation and Special Education                               | 186,658               | -                 | 18,000               | -                   | 1,776                        | 206,434                | -                      | -                   | -                      | 206,434                   | 185,449                   |
| Rent   | 165,292               | 43,128            | 56,664               | 67,837              | 56,573                       | 389,494                | 31,644                 | 9,065               | 40,709                 | 430,203                   | 366,112                   |
| Scholarships   | -                     | -                 | -                    | -                   | 883                          | 883                    | -                      | -                   | -                      | 883                       | 6,732                     |
| Special Event  | -                     | -                 | -                    | -                   | 41,530                       | 41,530                 | -                      | -                   | -                      | 41,530                    | 16,316                    |
| Supplies   | 117,353               | 315               | 12,655               | 16,172              | 39,279                       | 185,774                | 29,911                 | 8,367               | 38,278                 | 224,052                   | 220,244                   |
| Telephone  | 91,734                | 64,803            | 13,873               | 27,535              | 28,014                       | 225,959                | 78,553                 | 13,664              | 92,217                 | 318,176                   | 287,987                   |
| Utilities  | 311,753               | -                 | 65,829               | 24,991              | 6,810                        | 409,383                | 16,655                 | 1,143               | 17,798                 | 427,181                   | 460,439                   |
| Total Functional Expenses before Depreciation and Amortization | 21,756,303            | 828,321           | 4,728,537            | 2,834,353           | 5,133,825                    | 35,281,339             | 1,535,900              | 1,053,621           | 2,589,521              | 37,870,860                | 36,320,044                |
| Depreciation and Amortization                                  | 397,086               | 3,446             | 36,440               | 21,841              | 32,223                       | 491,036                | 28,605                 | 102,698             | 131,303                | 622,339                   | 551,263                   |
| Total Functional Expenses                                      | <u>\$ 22,153,389</u>  | <u>\$ 831,767</u> | <u>\$ 4,764,977</u>  | <u>\$ 2,856,194</u> | <u>\$ 5,166,048</u>          | <u>\$ 35,772,375</u>   | <u>\$ 1,564,505</u>    | <u>\$ 1,156,319</u> | <u>\$ 2,720,824</u>    | <u>\$ 38,493,199</u>      | <u>\$ 36,871,307</u>      |

See accompanying Notes to Consolidated Financial Statements.

**CHILDHELP, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2016**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)**

|   | <u>2016</u>         | <u>2015</u>         |
|---|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                     |                     |
| Changes in Net Assets   | \$ 2,457,001        | \$ 2,897,359        |
| Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities: |                     |                     |
| Change in Provision (Recovery) for Doubtful Receivables   | 673,474             | (45,323)            |
| (Gain) Loss on Sale of Asset  | (88,099)            | -                   |
| Depreciation and Amortization   | 622,339             | 551,263             |
| Interest Expense - Amortization of Loan Fees  | 99,281              | 88,622              |
| Notes Payable Converted into Contributions  | -                   | (250,000)           |
| Change in Value of Assets Held in Trust   | (243,923)           | (70,521)            |
| Contribution of Use of Facility   | (3,013,316)         | 168,044             |
| Amortization of Facility Rent Receivable  | 1,667               | -                   |
| Increase (Decrease) in Cash Resulting from Changes in:  |                     |                     |
| Accounts Receivable   | (600,878)           | 9,956               |
| Contributions Receivable  | 48,601              | 173,049             |
| Prepays   | 63,645              | 25,785              |
| Bequests Receivable   | 1,337,281           | (2,555,728)         |
| Deposits and Other Assets   | (459,325)           | 326,036             |
| Cash Surrender Value of Life Insurance  | (8,186)             | (12,987)            |
| Assets Held in Trust  | 226,340             | 31,100              |
| Accounts Payable  | (1,380,878)         | 220,810             |
| Accrued Expenses  | (18,577)            | 448,896             |
| Deferred Revenues   | 425,543             | 186,972             |
| Net Cash Provided (Used) by Operating Activities  | <u>141,990</u>      | <u>2,193,333</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                     |                     |
| Purchases of Property and Equipment   | (1,218,128)         | (514,311)           |
| Net Cash Provided (Used) by Investing Activities  | <u>(1,218,128)</u>  | <u>(514,311)</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                     |                     |
| Net Decrease in Line of Credit  | (864,108)           | (293,103)           |
| Proceeds from Issuance of Notes Payable   | 2,978,713           | 17,590              |
| Principal Payments of Notes Payable   | (697,543)           | (861,523)           |
| Loan Fees Paid  | (220,755)           | (97,319)            |
| Net Cash Provided (Used) by Financing Activities  | <u>1,196,307</u>    | <u>(1,234,355)</u>  |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>  | 120,169             | 444,667             |
| Cash and Cash Equivalents - Beginning of Year   | <u>1,574,839</u>    | <u>1,130,172</u>    |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>  | <u>\$ 1,695,008</u> | <u>\$ 1,574,839</u> |

See accompanying Notes to Consolidated Financial Statements.



**CHILDHELP, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2016**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)**

|  | <u>2016</u>         | <u>2015</u>         |
|--|---------------------|---------------------|
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                      |                     |                     |
| Cash Paid During the Year for Interest                                       | <u>\$ 974,348</u>   | <u>\$ 1,207,592</u> |
| <b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b> |                     |                     |
| Accrued Interest Added to Notes Payable                                      | <u>\$ -</u>         | <u>\$ 164,664</u>   |
| Noncash Proceeds to Refinance Notes Payable                                  | <u>\$ 5,321,362</u> | <u>\$ -</u>         |

**CHILDHELP, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 ORGANIZATION**

Childhelp, Inc. (Childhelp, a registered name used throughout, or the Organization) is a California nonprofit corporation. During fiscal 2016, Childhelp's programs and services were conducted in all 50 states, and its facilities were strategically located in Arizona, California, Tennessee, and Virginia.

Childhelp is the largest, longest-running national nonprofit dedicated to the intervention, treatment and prevention of child abuse. Childhelp exists to meet the physical, emotional, educational and spiritual needs of abused, neglected and at risk children. Through a multidisciplinary network of child-centered programs and services, a child who has survived abuse is medically supervised to heal physically, encouraged to regain trust, taught to develop self-esteem through a gentle therapeutic process, tutored to progress educationally, nurtured to recover psychologically and supported to reach his/her limitless potential.

Advocacy begins at the public policy level where Childhelp promotes legislation that protects children from predators. Outreach initiatives, such as the Childhelp Community Center, offer low-income at-risk families childcare support, parenting classes and academic enrichment programs to build better neighborhoods. Through Childhelp Speak Up Be Safe for Students and Athletes, the organization is blanketing the nation with research-based prevention education programs that reach children in schools and on the sports field. These lifesaving tools not only prevent students from being victimized, but empower families to create safer communities for their children.

A child in crisis, survivor in need of services or anyone concerned about abuse in their region has access to the Childhelp National Child Abuse Hotline, a 24 hour, 7 day a week service staffed exclusively with degreed crisis counselors. 1-800-4-A-CHILD offers translation in over 170 languages because Childhelp believes every child deserves to have his/her voice heard. The hotline expands to Guam, Canada and US Virgin Islands.

A child that has been rescued from an abusive situation is offered a host of healing options through Childhelp's treatment centers. A Childhelp Children's Advocacy Center is a one-stop shop for the prosecution of child abuse staffed with medical personnel, law enforcement, prosecution, social service agencies and counselors all working in unison to prosecute predators and restore health and happiness to survivors.

Childhelp offers safe haven through group homes, therapeutic foster care and adoption. Some of the most severely abused children in the country are brought to the Childhelp Residential Treatment Villages to heal. Onsite nonpublic schools ensure that even the most neglected child is brought back to an appropriate grade level. These 24 hour care facilities located in idyllic country settings employ art and equine therapy along with traditional talk therapy to break through the walls of abuse and offer a bright view of the future.

**CHILDHHELP, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 ORGANIZATION (CONTINUED)**

Bricks and mortar programs are strategically located in California, Tennessee, Arizona, and Virginia while the Childhelp National Child Abuse Hotline, legislative work and prevention education initiatives impact all 50 states. Childhelp Chapters and the Childhelp Wings parent/child collectively mobilize volunteers throughout the country who support the Childhelp philosophy that every child deserves a childhood free from abuse and a future filled with hope.

**Program Service Accomplishments**

With over 9 million children helped since its inception, during the fiscal year ended 2016 Childhelp helped over 153,000 children, including those who were the victims of severe emotional, physical, and sexual abuse, parental neglect, bullying, and countless other crimes against children. Through advocacy centers, residential treatment facilities, foster care and adoption programs, community outreach and the national hotline, Childhelp offered multidisciplinary advocacy for at-risk populations. The school and athletic-based prevention curricula, Childhelp Speak Up Be Safe and Childhelp Speak Up Be Safe for Athletes, continue to empower youth nationwide through prevention education. For each dollar expended, over 92 cents is invested into serving the children in need of our program services using approximately 5 cents for administration and approximately 3 cents for fundraising.

Affiliated organizations (the affiliates) include, Childhelp Lifeline Empowerment Trust, Childhelp International (dormant entity), and Childhelp Arizona, LLC to carry out programs that complement the activities of Childhelp. The activities of these affiliated organizations have been consolidated with those of Childhelp. All inter-company transactions and balances have been eliminated in consolidation.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The Organization's financial statements are presented in accordance with the American Institute of Certified Public Accountants (AICPA) Not-for-Profit Industry Guidance within the Financial Accounting Standards Board (FASB) Codification (Guidance). Under the Guidance, the Organization 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.

Revenues, gains, expenses and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Childhelp and changes therein are classified and reported as follows:

**Unrestricted Net Assets**

Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of Childhelp.

**CHILDHELP, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

**Temporarily Restricted Net Assets**

Net assets subject to donor-imposed stipulations that may or will be met either by actions of Childhelp and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated financial statements as net assets released from restriction. Donor-restricted contributions received and expended in the same reporting period are recorded as unrestricted support. Contributions of land, building, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of unrestricted net assets. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with donor stipulations are reported as revenues of temporarily restricted net assets. The restrictions are considered to be released at the time such long-lived assets are placed in service.

**Permanently Restricted Net Assets**

Net assets subject to donor-imposed stipulations that require the amounts be invested in perpetuity. Income and gains relating to such contributions are available for the general operations of Childhelp.

**Use of Estimates in the Preparation of Consolidated Financial Statements**

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

**Cash and Cash Equivalents**

Childhelp considers money market funds and short-term investments purchased with an original maturity less than ninety days to be cash equivalents. The Organization maintains all of its cash and temporary investments in several commercial banks.

**Contributions**

Contributions, including unconditional promises to give, that are expected to be collected within one year are recorded as support at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded as a contribution receivable at the present value of their estimated future cash flow. The discounts on those amounts are computed using interest rates commensurate with the risks involved applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met.

**Contributed Goods and Services**

The value of significant contributed goods and services is reflected as contributions in the accompanying consolidated financial statements and are recorded at the fair value of such goods and services at the date of the donations.

**CHILDHELP, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributed Goods and Services (Continued)**

Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. In addition to contributed goods and services meeting the aforementioned criteria and that have been recorded in the accompanying consolidated financial statements, Childhelp receives significant amounts of contributed time from volunteers that do not meet the recognition criteria described above. As such, the value of this contributed time has not been determined and is not reflected in the accompanying consolidated financial statements.

**Program Income**

Program service revenues consist of governmental reimbursements at contracted rates for residential treatment based programs. Program service fees are recognized when earned. Monies received in advance of being earned are recognized as deferred revenue.

**Accounts Receivable**

Accounts receivable are uncollateralized receivables generated from providing program services based on contractual arrangements with state and local agencies and are stated at the invoice amount and are due upon presentation. Generally, account balances, with invoices over ninety days old are considered delinquent. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectability of specific accounts and the aging of the accounts receivable. If there is a deterioration of the credit worthiness or actual defaults are higher than the historical experience, management's estimates of the recoverability of amounts due Childhelp could be adversely affected. All accounts or portions thereof deemed to be uncollectible or require an excessive collection effort are written off to the allowance for doubtful accounts.

**Beneficial Interests in Assets Held in Trusts**

Childhelp receives contributions of investment assets in which Childhelp retains an interest. The assets are invested and administered by unrelated trustees and community foundations, and distributions are made to Childhelp. These funds are primarily invested in debt and equity securities, and Childhelp records its interest at the fair value of the assets which are actively traded on exchanges. Initial recognition and subsequent adjustments to the assets' carrying value are recognized as bequest and trust contributions and change in value of beneficial interest in assets held in trust, respectively. The beneficial interest trusts are classified as permanently restricted, temporarily restricted, or unrestricted support, depending on donor-imposed purpose and time restrictions, if any.

**CHILDHELP, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property, Plant and Equipment**

Property, plant and equipment acquisitions in excess of \$2,000 are initially recorded at cost and donated property and equipment are recorded at fair value at the date of gift. Depreciation is provided using the straight-line method over their respective estimated useful lives, which range from 3 to 40 years.

Copyrights and trademarks are amortized using the straight-line method over their estimated useful lives of 7 years.

**Impairment of Long-Lived Assets**

Childhelp reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

**Loan Fees**

Loan fees incurred for bank financing have been capitalized and will be amortized over the life of the loan to interest expense. Amortization of loan fees included in interest expense was \$99,281 for the year ended June 30, 2016. Accumulated amortization totaled \$278,657 as of June 30, 2016.

**Expense Allocation**

Expenses that can be specifically identified with a particular program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by Childhelp's management which is based on time studies and other rational allocation methodologies.

**Advertising**

Advertising costs are expensed as incurred.

**Income Taxes**

Childhelp has received a tax determination letter indicating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a).

Income determined to be unrelated business taxable income (UBTI) would be taxable.

**CHILDHELP, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Prior Year Summarized Information**

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Childhelp's consolidated financial statements as of and for the year ended June 30, 2015, from which the summarized information was derived.

Certain items in the prior year financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on total assets, total change in net assets or net assets of Childhelp.

**NOTE 3 BEQUESTS RECEIVABLE**

Bequests receivable totaled \$1,762,719 at June 30, 2016. As of June 30, 2016, there was no allowance for doubtful receivables as management believes the bequests receivable to be fully collectible.

**NOTE 4 ASSETS HELD IN TRUSTS**

Childhelp has been named a remainder beneficiary of one trust held by a third-party. Under the term of this trust, Childhelp has the irrevocable right to receive all assets remaining in the trust after the death of the life income beneficiaries.

Childhelp also has been named in a trust held in perpetuity for which Childhelp has a one-sixth interest in the income received from the trust's assets. The trust is held by an unrelated third party trustee and Childhelp is entitled to its proportionate share of the annual income distribution.

Childhelp also has a 20 year annuity which began in 1998 and pays out at an interest rate of 5.069%.

The beneficial interests in the trusts are recorded at the fair value of the assets expected to be received by the trusts as of June 30, 2016 as follows:

|                             |                            |
|-----------------------------|----------------------------|
| Trust Held by a Third Party | \$ 901,321                 |
| Perpetual Trust             | 833,179                    |
| Annuity                     | <u>27,197</u>              |
| Total                       | <u><u>\$ 1,761,697</u></u> |

**CHILDHELP, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS**

In determining fair value, Childhelp uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The fair value measurement framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The framework defines levels within the hierarchy based on the reliability of inputs as follows:

*Level 1* – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

*Level 2* – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

*Level 3* – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

A description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation framework follows:

**Assets Held in Trust and Remainder Trust**

The value of the beneficial interest agreements are recorded at the fair value of the investments which are held by third-party trustees and then adjusted for Childhelp's interest in the assets. These trusts are classified within Level 2 of the valuation hierarchy, within the fair value measurement framework and the annuity is Level 3, within the fair value fair value measurement framework.

The following table presents assets measured at fair value on a recurring basis by classification within the fair value hierarchy as of June 30, 2016:

|  | Fair Value Measurements Using: |            |            | Total      |
|--|--------------------------------|------------|------------|------------|
|  | Level 1                        | Level 2    | Level 3    |            |
| Beneficial Interest in<br>Remainder Trust        | \$ -                           | \$ 901,321 | \$ -       | \$ 901,321 |
| Beneficial Interests in<br>Assets Held in Trusts | \$ -                           | \$ -       | \$ 833,179 | \$ 833,179 |
| Annuity Interest                                 | \$ -                           | \$ -       | \$ 27,197  | \$ 27,197  |



**CHILDHELP, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**Assets Held in Trust and Remainder Trust (Continued)**

The following table presents a rollforward of activity for investments measured at fair value using significant unobservable inputs (Level 3) for the year ended June 30, 2016:

|                              |                  |
|------------------------------|------------------|
| Beginning Balance            | \$ 35,403        |
| Dividend and Interest Income | 1,794            |
| Distributions                | <u>(10,000)</u>  |
| Ending Balance               | <u>\$ 27,197</u> |

**NOTE 6 PROPERTY, PLANT AND EQUIPMENT**

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

|  |                     |
|--|---------------------|
| Land   | \$ 1,937,405        |
| Building and Improvements  | 14,752,031          |
| Furniture, Fixtures and Equipment  | 3,733,282           |
| Vehicles   | 1,402,540           |
| Construction in Progress   | 195,835             |
| Copyrights/Trademark   | <u>199,364</u>      |
| Total  | 22,220,457          |
| Less: Accumulated Depreciation and Amortization                                    | <u>(16,702,441)</u> |
| Property, Plant and Equipment, Net of<br>Accumulated Depreciation and Amortization | <u>\$ 5,518,016</u> |

Total depreciation and amortization expense was \$622,339 for the year ended June 30, 2016.

**NOTE 7 LINE OF CREDIT**

Childhelp entered into a revolving line of credit and security agreement with a lender on October 21, 2014, with a maximum principal availability of \$3,000,000. The line of credit is due in full on March 18, 2017, bears interest of LIBOR plus 4.50% which drops to 3.50% after one year of covenant and loan compliance, with a LIBOR floor of 1.25%. The outstanding balance as of June 30, 2016 was \$1,097,952.

Childhelp is required to comply with restrictive debt covenants with respect to the revolving line of credit agreement. Management believes that Childhelp has complied with the restrictive debt covenants as of June 30, 2016.

**CHILDHELP, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 8 NOTES PAYABLE**

Notes payable consist of the following:

|   |                                    |
|---|------------------------------------|
| <p>Note payable to a bank; original amount of \$1,342,250; payable in monthly interest only installments of \$6,655, at 2.875% for the first ten years through November 2015, then principal and interest payments through November 2035; secured by property. As of November 1, 2015 the rate changed to 2.88% and becomes fully amortizing.</p>   | <p>\$ 1,308,884</p>                |
| <p>Various notes payable and capital leases to various establishments; payable in monthly installments ranging from approximately \$360 to \$1,618, including interest ranging from 4.9% to 7.9%; through February 2019; secured by vehicles or equipment.</p>  | <p>14,814</p>                      |
| <p>Note payable to a leasing agency, unsecured, amount of \$7,169, payable in monthly installments of \$205 with no interest through May 29, 2018.</p>  | <p>4,711</p>                       |
| <p>Note payable to a funding company; unsecured, original amount of \$3,000,000, with secondary funding in 2014 of \$770,785, and entire obligation incurs 12% interest annually. Interest is payable commencing May 15, 2013. Outstanding debt totaling \$210,000 was paid during 2016 and \$3,553,478 was refinanced. Interest of 7.5% is payable commencing August 20, 2015 through the due date and final balloon payment of all principal and accrued interest on June 30, 2025.</p> | <p>3,553,478</p>                   |
| <p>Note payable to a lender; unsecured, amount of \$562,500 paid at \$9,375 monthly installment through February 2019.</p>  | <p>290,625</p>                     |
| <p>Note payable to a lender; original amount of \$328,339 paid at \$4,000 monthly installment through February 2018, secured by subordinated deed on the Tennessee Property and if needed the Virginia Property (Culpeper Campus). Agreement states that the lender can not pursue collection actions against Childhelp of any kind until after June 1, 2016, and only in the event of default.</p>   | <p>226,472</p>                     |
| <p>Note payable to a lender; original amount of \$8,239,000; payable in monthly installments of \$54,514, including interest at 6.5%, through October 2042; secured by deed of trust on properties in California and Tennessee.</p>   | <p><u>8,178,345</u></p>            |
| <p>Total Notes Payable</p>  | <p><u><u>\$ 13,577,329</u></u></p> |

**CHILDHELP, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 8 NOTES PAYABLE (CONTINUED)**

Future maturities of notes payable are as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u>        |
|-----------------------------|----------------------|
| 2017                        | \$ 339,483           |
| 2018                        | 349,349              |
| 2019                        | 309,845              |
| 2020                        | 249,028              |
| 2021                        | 250,074              |
| 2022                        | 226,274              |
| 2023                        | 238,500              |
| 2024                        | 239,932              |
| 2025                        | 3,820,375            |
| 2026                        | 283,549              |
| Thereafter                  | 7,270,920            |
| Total                       | <u>\$ 13,577,329</u> |

On August 28, 2015, Childhelp entered into a loan agreement of \$8,239,000, the proceeds of which were used to repay approximately \$5,000,000 of existing notes payable and to fund a payment reserve in the amount of \$215,809 and future development. Additionally, Childhelp received a grant award from Clearinghouse Community Development Financial Institution for \$340,000 in connection with the refinance.

**NOTE 9 OPERATING LEASES**

Childhelp rents certain facilities and equipment under various operating lease agreements. The following is a schedule of the future minimum lease payments for leases that have a remaining non-cancelable term in excess of one year:

| <u>Year Ending June 30,</u> | <u>Amount</u>       |
|-----------------------------|---------------------|
| 2017                        | \$ 529,544          |
| 2018                        | 437,900             |
| 2019                        | 432,067             |
| 2020                        | 366,502             |
| 2021                        | 75,258              |
| Total                       | <u>\$ 1,841,271</u> |

Lease expense for all operating leases was approximately \$430,000 for the year ended June 30, 2016. It is expected that in the normal course of business, leases that expire will be renewed; thus, it is anticipated that future rent expense will be greater than the future minimum lease payments shown for 2017.

**CHILDHELP, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 10 NET ASSETS**

**Temporarily Restricted Net Assets**

Temporarily restricted net assets were available for the following purposes:

|  |                     |
|--|---------------------|
| Capital Expenditures                                   | \$ 533,759          |
| Residential Treatment Program                          | 681,212             |
| Assets Held in an External Trust not Held by Childhelp | 928,518             |
| Hotline  | 274,672             |
| Education Programs                                     | 72,000              |
| Time Restricted including donated office space         | 3,021,686           |
| Advocacy/Diagnostic Services                           | 180,348             |
| Total  | <u>\$ 5,692,195</u> |

A summary of net assets released from restriction follows:

|                              |                     |
|------------------------------|---------------------|
| Capital Expenditures         | \$ 647,670          |
| Residential Treatment        | 1,088,634           |
| Asset Held in trust          | 134,552             |
| Hotline                      | 225,328             |
| Time Restricted              | 491,630             |
| Advocacy/Diagnostic Services | 149,124             |
| Total                        | <u>\$ 2,736,938</u> |

**Permanently Restricted Net Assets**

Childhelp's endowment funds consist of several individual funds established for general program purposes. The income earned on the endowment is available for general program purposes. Its endowment includes only donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions and are reported entirely as permanently restricted net assets. All realized investment income is expended in unrestricted net assets.

**CHILDHELP, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 10 NET ASSETS (CONTINUED)**

**Permanently Restricted Net Assets (Continued)**

The Board of Directors of Childhelp has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Childhelp classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) The possible effects of market volatility
- (4) The expected total return from income and the appreciation of investments
- (5) The investment policies of the organization

The permanently restricted net assets by type of fund as of June 30, 2016 are as follows:

|                                       |              |
|---------------------------------------|--------------|
| Perpetual Trust not Held by Childhelp | \$ 853,223   |
| Hotline Endowment                     | 150,000      |
| Total                                 | \$ 1,003,223 |

The endowment net asset composition by type of fund as of June 30, 2016, follows:

|  | Unrestricted | Temporarily<br>Restricted | Permanently<br>Restricted | Total      |
|--|--------------|---------------------------|---------------------------|------------|
| Donor Restricted Endowment               |              |                           |                           |            |
| Funds:                                   |              |                           |                           |            |
| Perpetual Trust not Held<br>by Childhelp | \$ (20,044)  | \$ -                      | \$ 853,223                | \$ 833,179 |
| Other Endowments                         | -            | -                         | 150,000                   | 150,000    |
| Total                                    | \$ (20,044)  | \$ -                      | \$ 1,003,223              | \$ 983,179 |

Childhelp has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments. Under this policy the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk.

**CHILDHELP, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 10 NET ASSETS (CONTINUED)**

To satisfy its long-term rate-of-return objectives, Childhelp 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). Childhelp targets a diversified asset allocation that consists of equity-based investments and fixed-income funds.

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

|  |                            |
|--|----------------------------|
| Endowment Net Assets - June 30, 2015       | \$ 1,038,751               |
| Investment Return:                         |                            |
| Dividend and Interest Income               | 38,131                     |
| Distributions/Release of Restrictions      | (73,659)                   |
| Net Appreciation (Realized and Unrealized) | <u>-</u>                   |
| Endowment Net Assets - June 30, 2016       | <u><u>\$ 1,003,223</u></u> |

On December 2, 2015, a donor agreed to release their permanent restriction of \$35,528 and allow Childhelp to utilize the funds for student scholarships, a temporarily restricted activity.

**NOTE 11 CONTRIBUTED GOODS AND SERVICES**

In connection with its advocacy/diagnostic programs, Childhelp received contributions of various medical services including those of physicians, nurse practitioners, and therapeutic psychologists, totaling approximately \$1,772,000 for the year ended June 30, 2016. These contributions benefited Childhelp's advocacy/diagnostic service operations and are reflected in the accompanying consolidated statement of activities and changes in net assets (deficiency) as contributed goods and services and program expenses.

Contributions consisting of equipment, teaching services, food, toys, clothing and other program related donations are recorded in the accompanying consolidated statement of activities and changes in net assets as contributed goods and services and expensed according to the program or supporting service benefited of approximately \$237,000 for the year ended June 30, 2016.

**CHILDHELP, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 11 CONTRIBUTED GOODS AND SERVICES (CONTINUED)**

On June 30, 2016, Childhelp signed an agreement with the City of Phoenix to receive donated office space for the purposes of providing child victim advocacy services. The lease term is for 5 years, with an option to extend an addition 5 years. The City of Phoenix valued the donated office space at \$696,000 per year, including utilities and furnishings. Childhelp has recorded the initial 5 year term of the lease in its entirety of \$3,013,000 as a receivable and temporarily restricted revenue, which will be released at \$58,000 per month as the lease term expires. The outstanding balance as of June 30, 2016 was \$3,011,649.

|   | Donated<br>Facility Space<br>Receivable |
|---|---|
| Receivable Amount Before Unamortized Discount | \$ 3,478,333                            |
| Less Unamortized Discount                     | (466,684)                               |
| Total   | \$ 3,011,649                            |
|   |   |
| Amounts Due in:                               |   |
| Less than One Year                            | \$ 696,000                              |
| Over One Year                                 | 2,782,333                               |
| Total   | \$ 3,478,333                            |

**NOTE 12 DEFINED CONTRIBUTION PLANS**

Childhelp sponsors defined contribution plans that cover employees who meet each plan's eligibility requirements. Childhelp contributed \$326,000 to the plans in total during the year ended June 30, 2016.

**NOTE 13 CONTINGENCIES**

**Legal Matters**

In the ordinary course of business, Childhelp is subject to certain lawsuits and other potential legal actions. In the opinion of management and outside counsel, such matters will not have a material adverse effect on the financial position, changes in net assets (deficiency) and net assets of Childhelp.

**Grants**

Childhelp participates in a number of federal and state-assisted grant and contract programs which are subject to financial and compliance audits. Accordingly, Childhelp's compliance with applicable grant or contract requirements may be established at some future date. The amount, if any, of expenditures or fees for units of service which may be disallowed by the granting or contracting agencies are determined upon the completion of audits.

**CHILDHELP, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 14 RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2016, Childhelp had the following related party transactions:

- Childhelp reimbursed travel related expenses to a law firm that provided legal services on a pro bono basis and which is owned by a board member in the amount of \$7,219.
- Notes payable include \$3,553,478 payable to a finance company whose president is a Board of Directors member of Childhelp and who also provided \$141,150 in contributions.
- At June 30, 2015, Childhelp had \$3,579,690 in notes payable to various related parties. During the year ended June 30, 2016, these notes payable were paid off in their entirety.
- The Board of Director members provided \$634,856 in contributions to Childhelp.

In the opinion of management, the terms of these notes were similar to those of third parties.

Each of the above transactions is considered to approximate the fair value cost for the related services provided.

**NOTE 15 CONCENTRATION OF CREDIT RISKS**

Financial instruments that potentially subject Childhelp to concentrations of credit risk consist principally of cash and accounts receivable. Childhelp places its cash with high-credit quality financial institutions and generally limits the amount of credit exposure to the amount in excess of the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit. At various times throughout the year, the Organization's cash balances may exceed the federally insured limits. Management believes there are no unusual risks associated with the current depository institutions. Approximately 65% of total support and revenue was derived from agencies of several different states for the year ended June 30, 2016.

**NOTE 16 SUBSEQUENT EVENTS**

Management evaluated subsequent events through November 30, 2016, the date the consolidated financial statements were available to be issued. Events or transactions occurring after June 30, 2016, but prior to November 30, 2016, that provided additional evidence about conditions that existed at June 30, 2016, have been recognized in the consolidated financial statements for the year ended June 30, 2016. Events or transactions that provided evidence about conditions that did not exist at June 30, 2016, but arose before the consolidated financial statements were available to be issued have not been recognized in the consolidated financial statements for the year ended June 30, 2016.