

**CHILDHELP, INC. AND AFFILIATES
PHOENIX, ARIZONA**

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

**CHILDHELP, INC. AND AFFILIATES
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2015**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIENCY)	4
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES	5
CONSOLIDATED STATEMENT OF CASH FLOWS	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8

INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements Childhelp, Inc. and Affiliates (Childhelp) as of June 30, 2015, which comprise the consolidated statement of financial position and the related consolidated statements of activities and changes in net assets (deficiency), 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, 2015, 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 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 29, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
December 8, 2015

CHILDHELP, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015
(With Comparative Totals at June 30, 2014)

ASSETS	2015	2014
ASSETS		
Cash and Cash Equivalents	\$ 1,574,839	\$ 1,130,172
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$79,020	3,583,747	3,548,380
Contributions Receivable	288,451	461,500
Bequests Receivable	3,100,000	544,272
Donated Use of Facility	-	168,044
Property, Plant and Equipment, net	4,922,227	4,959,179
Land Available for Sale	611,411	611,411
Other Assets	581,576	901,078
Unamortized Loan Fees, net	118,992	142,614
Cash Surrender Value of Life Insurance	21,771	8,784
Assets Held in Trusts	1,744,114	1,704,693
	\$ 16,547,128	\$ 14,180,127
Total Assets	\$ 16,547,128	\$ 14,180,127
LIABILITIES AND NET ASSETS (DEFICIENCY)		
LIABILITIES		
Accounts Payable	\$ 2,278,186	\$ 2,057,376
Accrued Expenses	2,349,201	2,064,969
Line of Credit	1,962,060	2,255,163
Notes Payable	11,296,159	12,225,428
Deferred Revenues	188,294	1,322
	18,073,900	18,604,258
Total Liabilities	18,073,900	18,604,258
NET ASSETS (DEFICIENCY)		
Unrestricted	(4,729,331)	(7,448,115)
Temporarily Restricted	2,163,808	1,985,233
Permanently Restricted	1,038,751	1,038,751
	(1,526,772)	(4,424,131)
Total Net Assets (Deficiency)	(1,526,772)	(4,424,131)
Total Liabilities and Net Assets (Deficiency)	\$ 16,547,128	\$ 14,180,127

See accompanying Notes to Consolidated Financial Statements.

CHILDHELP, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS (DEFICIENCY)
YEAR ENDED JUNE 30, 2015
(With Comparative Totals at June 30, 2014)

	2015			2014	
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total	Total
SUPPORT AND REVENUES					
Program Income – Government Assistance	\$ 27,294,489	\$ -	\$ -	\$ 27,294,489	\$ 27,426,180
Special Events and Chapter Fundraising	4,610,227	100,000	-	4,710,227	3,914,328
Foundations, Corporations, Individuals and Organizations	6,532,288	943,376	-	7,475,664	4,075,112
Contributed Goods and Services	1,878,583	-	-	1,878,583	1,842,148
Change in Value of Assets Held in Trust	-	70,521	-	70,521	130,516
Earnings in Partnership Interest	-	-	-	-	527,183
Other	48,826	-	-	48,826	72,880
Total Support and Revenues	40,364,413	1,113,897	-	41,478,310	37,988,347
NET ASSETS RELEASED FROM RESTRICTION	935,322	(935,322)	-	-	-
Total Support and Revenues and Net Assets Released from Restrictions	41,299,735	178,575	-	41,478,310	37,988,347
FUNCTIONAL EXPENSES AND LOSSES					
Program Services					
Residential Treatment	21,714,366	-	-	21,714,366	21,444,834
Hotline	613,949	-	-	613,949	616,991
Educational Programs	4,108,425	-	-	4,108,425	4,272,490
Foster Care	2,959,539	-	-	2,959,539	2,824,416
Advocacy/Diagnostic Services	5,049,250	-	-	5,049,250	4,850,485
Total Program Services	34,445,529	-	-	34,445,529	34,009,216
Support Services					
Management and General	1,424,050	-	-	1,424,050	1,791,188
Fund-Raising	2,250,094	-	-	2,250,094	2,114,203
Total Support Services	3,674,144	-	-	3,674,144	3,905,391
Total Functional Expenses	38,119,673	-	-	38,119,673	37,914,607
Gains and Losses					
(Gain) Loss on Sale of Assets	288,684	-	-	288,684	(2,100)
Provision (Recovery) for Doubtful Accounts	172,594	-	-	172,594	54,357
Total Functional Expenses and Net Losses	38,580,951	-	-	38,580,951	37,966,864
CHANGES IN NET ASSETS	2,718,784	178,575	-	2,897,359	21,483
Net Assets (Deficiency) - Beginning of year	(7,448,115)	1,985,233	1,038,751	(4,424,131)	(4,445,614)
NET ASSETS (DEFICIENCY) - END OF YEAR	\$ (4,729,331)	\$ 2,163,808	\$ 1,038,751	\$ (1,526,772)	\$ (4,424,131)

See accompanying Notes to Consolidated Financial Statements.

CHILDHELP, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015
(With Comparative Totals at June 30, 2014)

	Program Services					Support Services				2014	
	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	\$ 13,278,655	\$ 475,643	\$ 2,911,137	\$ 1,006,348	\$ 2,307,785	\$ 19,979,568	\$ 898,360	\$ 238,820	\$ 1,137,180	\$ 21,116,748	\$ 20,770,178
Payroll Taxes and Employee Benefits	3,256,497	35,959	554,341	210,249	277,898	4,334,944	10,962	36,281	47,243	4,382,187	4,367,158
Total Salaries and Related Expenses	16,535,152	511,602	3,465,478	1,216,597	2,585,683	24,314,512	909,322	275,101	1,184,423	25,498,935	25,137,336
Automobile and Travel	141,521	722	58,441	38,341	43,215	282,240	28,676	271,090	299,766	582,006	567,031
Children's Clothing and Related Needs	175,723	-	-	25,152	11,200	212,075	-	-	-	212,075	260,104
Conferences and Meetings	18,254	327	676	2,791	58,478	80,526	3,100	434,677	437,777	518,303	454,056
Dues and Subscriptions	14,808	5,141	60	3,901	13,753	37,663	(819)	10,178	9,359	47,022	50,681
Food	771,593	33	259,122	-	19,755	1,050,503	-	101,209	101,209	1,151,712	1,204,801
Foster Care	-	-	-	1,274,642	-	1,274,642	-	-	-	1,274,642	1,126,356
Gift In Kind	92,419	-	278	-	1,952,670	2,045,367	-	1,260	1,260	2,046,627	1,667,892
Insurance and Taxes	306,687	188	54,624	37,253	36,725	435,477	106,962	24,228	131,190	566,667	568,614
Interest	1,344,023	-	132	50,964	2,944	1,398,063	79,617	66,015	145,632	1,543,695	1,646,869
Licensing	11,186	-	5,621	7,573	1,100	25,480	2,706	-	2,706	28,186	47,018
Maintenance and Repairs	543,833	5,988	29,143	47,922	42,538	669,424	27,712	34,847	62,559	731,983	775,049
Medical	203,246	-	44,774	2,184	53,586	303,790	-	-	-	303,790	344,838
Miscellaneous	58,035	-	-	26,951	-	84,986	33,515	149,355	182,870	267,856	235,318
Postage	6,857	-	50	1,928	2,302	11,137	10,367	14,524	24,891	36,028	51,636
Printing and Publishing	2,219	-	53,699	-	4,043	59,961	6,102	110,749	116,851	176,812	117,970
Professional Services	267,249	-	-	53,832	68,692	389,773	25,355	237,093	262,448	652,221	602,546
Promotion and Recruitment	9,435	2,210	-	7,920	4,237	23,802	1,002	209,963	210,965	234,767	335,436
Recreation and Special Education	152,197	-	32,400	661	191	185,449	-	-	-	185,449	207,545
Rent	111,259	33,501	24,238	62,426	38,985	270,409	23,496	218,833	242,329	512,738	554,265
Scholarships	-	-	-	-	6,732	6,732	-	-	-	6,732	20,842
Special Event	-	-	-	-	-	-	-	19,363	19,363	19,363	21,015
Supplies	90,729	130	1,527	22,327	35,915	150,628	61,009	10,738	71,747	222,375	225,472
Telephone	79,058	51,531	11,661	27,493	30,591	200,334	76,026	11,627	87,653	287,987	288,599
Utilities	342,762	-	66,501	28,710	6,536	444,509	15,930	-	15,930	460,439	481,544
Total Functional Expenses before Depreciation and Amortization	21,278,245	611,373	4,108,425	2,939,568	5,019,871	33,957,482	1,410,078	2,200,850	3,610,928	37,568,410	37,009,438
Depreciation and Amortization	436,121	2,576	-	19,971	29,379	488,047	13,972	49,244	63,216	551,263	905,169
TOTAL FUNCTIONAL EXPENSES	\$ 21,714,366	\$ 613,949	\$ 4,108,425	\$ 2,959,539	\$ 5,049,250	\$ 34,445,529	\$ 1,424,050	\$ 2,250,094	\$ 3,674,144	\$ 38,119,673	\$ 37,914,607

See accompanying Notes to Consolidated Financial Statements.

CHILDHELP, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015
(With Comparative Totals at June 30, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 2,897,359	\$ 21,483
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (used in) Operating Activities:		
Change in Provision (Recovery) for Doubtful Receivables	(45,323)	24,464
(Gain) Loss on Sale of Asset	-	(2,100)
Depreciation and Amortization	551,263	905,169
Interest Expense - Amortization of Loan Fees	88,622	77,790
Notes Payable Converted into Contributions	(250,000)	(192,082)
Equity in Earnings in Partnership	-	(527,183)
Change in Value of Assets Held in Trust	(70,521)	(130,516)
Contribution for the Use of Facility	168,044	(168,044)
Increase (Decrease) in Cash Resulting from Changes in:		
Accounts Receivable	9,956	(766,891)
Contributions Receivable	173,049	(461,500)
Bequests Receivable	(2,555,728)	(455,778)
Other Assets	319,502	117,558
Cash Surrender Value of Life Insurance	(12,987)	80,670
Assets Held in Trust	31,100	7,433
Accounts Payable	220,810	(716,089)
Accrued Expenses	448,896	312,652
Deferred Revenues	186,972	(88,478)
	2,161,014	(1,961,442)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Property and Equipment	-	2,100
Distributions from Partnership	-	309,042
Purchases of Property and Equipment	(514,311)	(282,060)
	(514,311)	29,082

(Continued)

CHILDHELP, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
YEAR ENDED JUNE 30, 2015
(With Comparative Totals at June 30, 2014)

	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Line of Credit	\$ (293,103)	\$ 728,380
Proceeds from Issuance of Notes Payable	17,590	956,290
Principal Payments of Notes Payable	(861,523)	(521,027)
Loan Fees Paid	(65,000)	-
	(1,202,036)	1,163,643
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	444,667	(768,717)
Cash and Cash Equivalents - Beginning of Year	1,130,172	1,898,889
	\$ 1,574,839	\$ 1,130,172
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 1,207,592	\$ 1,570,345
	\$ 1,207,592	\$ 1,570,345
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Accrued Interest Added to Notes Payable	\$ 164,664	\$ 139,827
	\$ 164,664	\$ 139,827
Accrued Expenses Classified as Notes Payable	\$ -	\$ 562,500
	\$ -	\$ 562,500
Nonrevolving Credit Line Classified as Notes Payable	\$ -	\$ 683,000
	\$ -	\$ 683,000

See accompanying Notes to Consolidated Financial Statements.

CHILDHHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 ORGANIZATION

Childhelp, Inc. (Childhelp, a registered name used throughout, or the Organization) is a California not-for-profit corporation. During fiscal 2015, 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. The organization 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, 2015

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 2015 Childhelp helped over 230,000 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 90 Cents is invested into serving the children in need of our program services using 3.7 Cents for administration and 5.9 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, 2015

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, 2015

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, 2015

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 \$88,622 for the year ended June 30, 2015. Accumulated amortization totaled \$179,376 as of June 30, 2015.

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.

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, 2015

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, 2014, from which the summarized information was derived.

NOTE 3 BEQUESTS RECEIVABLE

Bequests receivable totaled \$3,100,000 at June 30, 2015. As of June 30, 2015, 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.

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, 2015 as follows:

	2015
Trust Held by a Third Party	\$ 813,550
Perpetual Trust	895,161
Annuity	35,403
	\$ 1,744,114

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015:

	Fair Value Measurements Using:			Total
	Level 1	Level 2	Level 3	
Beneficial Interest in Remainder Trust	\$ -	\$ 813,550	\$ -	\$ 813,550
Beneficial Interests in Assets Held in Trusts	\$ -	\$ 895,161	\$ -	\$ 895,161
Annuity Interest	\$ -	\$ -	\$ 35,403	\$ 35,403

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015:

Beginning balance	\$ 43,212
Dividend and Interest Income	2,191
Distributions	(10,000)
Net Realized/Unrealized Investment Gains/(Losses)	-
Ending balance	<u>\$ 35,403</u>

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at June 30, 2015:

	<u>2015</u>
Land	\$ 1,937,405
Building and Improvements	13,969,724
Furniture, Fixtures and Equipment	3,337,484
Vehicles	1,400,040
Construction in Progress	181,295
Copyrights/Trademark	<u>199,364</u>
Total	21,025,312
Less Accumulated Depreciation and Amortization	<u>(16,103,085)</u>
Property, Plant and Equipment, Net of Accumulated Depreciation and Amortization	<u>\$ 4,922,227</u>

Amortization expense totaled \$88,622 for the year ended June 30, 2015. Total depreciation and amortization expense was \$551,263 for the year ended June 30, 2015.

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015

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 October 21, 2016, 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, 2015 was \$1,962,060.

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, 2015.

NOTE 8 NOTES PAYABLE

Notes payable consist of the following:

	2015
<p>Note payable to a bank; original amount of \$1,342,250; payable in monthly interest only installments of \$6,655, at 5.95% 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>	\$ 1,342,250
<p>Notes payable to individuals. Interest of 10% with 5% being paid and 5% being accrued and added to the principal amount outstanding. Beginning October, 2016, interest and principal will be paid on a monthly basis to fully amortize the obligations through 2017; secured by subordinated deeds on the Virginia property (Tyler Village). Outstanding debt was paid in full subsequent to June 30, 2015 (Note 16).</p>	2,982,167
<p>Notes payable to individuals. Interest of 10% with 5% being paid and 5% being accrued and added to the principal amount outstanding. Beginning April 1, 2015 interest and principal will be paid on a monthly basis to fully amortize obligation over 2 year period; secured by subordinated deeds on the Virginia property (Tyler Village). Outstanding debt was paid in full subsequent to June 30, 2015 (Note 16).</p>	1,378,128
<p>Note payable to a bank; original amount of \$1,000,000; payable in monthly installments of \$7,015, including interest at 7%, through April 2019; secured by deed of trust on the Virginia property (Tyler Village). Management is in the process of extending this note. Outstanding debt was paid in full subsequent to June 30, 2015 (Note 16).</p>	283,173
<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 December 2015; secured by vehicles or equipment. Outstanding debt was paid in full subsequent to June 30, 2015 (Note 16).</p>	51,084

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8 NOTES PAYABLE (CONTINUED)

Note payable to a leasing agency, unsecured, amount of \$7,169, payable in monthly installments of \$205 with no interest through May 29, 2018. 7,169

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. A balloon payment of all outstanding principle and accrued interest is due on April 30, 2016. Outstanding debt totaling \$210,000 was paid subsequent to June 30, 2015 and \$3,553,478 was refinanced (Note 16). Interest of 7.5% is payable commencing August 20, 2015 through the due date and final balloon payment of all outstanding principal and accrued interest on June 30, 2025. 3,763,478

Note payable to a lender; unsecured, modified amount of \$866,059 paid at originally \$24,469 monthly installment through April 2016. Interest at 6%. Modified on August, 2014 to monthly payment of \$28,140 through July 2016. Childhelp is adjudicating the Medicaid settlement assessment and note. Outstanding debt was paid in full subsequent to June 30, 2015 (Note 16). 379,575

Note payable to a lender; unsecured, amount of \$562,500 paid at \$9,375 monthly installment through February 2019. 403,125

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. 209,397

Note payable to a lender; original amount of \$736,192 incurs 6% interest annually. Interest is payable quarterly commencing December 31, 2014. A balloon payment of all outstanding principal and accrued interest is due July 1, 2016. Secured by assignment of rents and a deed of trust. Outstanding debt was paid in full subsequent to June 30, 2015 (Note 16). 496,613

Total Notes Payable \$ 11,296,159

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8 NOTES PAYABLE (CONTINUED)

Future maturities of notes payable are as follows:

<u>Year Ending June 30,</u>	
2016	\$ 674,448
2017	333,791
2018	343,225
2019	304,390
2020	217,509
2021	216,175
2022	225,278
2023	237,512
2024	249,622
2025	3,819,163
Thereafter	4,675,046
Total	<u>\$ 11,296,159</u>

Subsequent to June 30, 2015, Childhelp refinanced a significant portion of their outstanding notes payable and obtained additional amounts to fund future development and capital expenditures (Note 16). The future maturity schedule above reflects the revised maturities for the notes affected and the notes not affected. Upon completion of the debt refinancing, additional maturities payable after 2025 increases by \$2,865,955 for a revised notes payable total of \$14,162,114 after the subsequent financing arrangement. The new refinanced debt fully amortizes over 27 years and is paid off in 2042.

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>	
2016	\$ 311,565
2017	139,115
2018	9,843
2019	6,121
2020	1,992
Total	<u>\$ 468,636</u>

Lease expense for all operating leases was approximately \$370,000 for the year ended June 30, 2015. 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 2015.

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes:

Capital Expenditures	\$ 462,067
Residential Treatment Program	230,149
Assets Held in an External Trust not Held by Childhelp	848,954
Time Restricted	500,000
Advocacy/Diagnostic Services	122,638
	<hr/>
Total	<u>\$ 2,163,808</u>

A summary of net assets released from restriction follows:

Capital Expenditures	\$ 235,319
Residential Treatment	625,686
Asset Held in trust	7,810
Education Programs	5,700
Hotline	9,000
Advocacy/Diagnostic Services	51,807
	<hr/>
Total	<u>\$ 935,322</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.

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:

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 NET ASSETS (CONTINUED)

Permanently Restricted Net Assets (Continued)

- (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, 2015 is as follows:

Perpetual Trust not Held by Childhelp	\$ 853,223
Hotline Endowment	150,000
Scholarship Fund for Foster Children	35,528
	<u>\$ 1,038,751</u>

The endowment net asset composition by type of fund as of June 30, 2015, follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds:				
Perpetual Trust not Held by Childhelp	\$ -	\$ -	\$ 853,223	\$ 853,223
Other Endowments	-	-	185,528	185,528
	\$ -	\$ -	\$ 1,038,751	\$ 1,038,751

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.

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, 2015 follows:

Endowment Net Assets, June 30, 2014	\$ 1,038,751
Investment Return:	
Dividend and Interest Income	21,664
Distributions	(21,664)
Net Appreciaton (Realized and Unrealized)	-
	<u>\$ 1,038,751</u>

CHILDHHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015

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 \$1,770,000 for the year ended June 30, 2015. 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.

Additional contributions of approximately \$109,000 for the year ended June 30, 2015, 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 (deficiency) as contributed goods and services and expensed according to the program or supporting service benefited.

NOTE 12 DEFINED CONTRIBUTION PLANS

Childhelp sponsors defined contribution plans that cover employees who meet each plan's eligibility requirements. There were no matching contributions made by Childhelp during the year ended June 30, 2015.

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.

During 2015, Childhelp submitted responses to the Department of Justice ("DOJ") related to the Office of Inspector General ("OIG") audit findings from the audit conducted in 2014 of grants funded in 2010 through 2012. As part of Childhelp's corrective action plan Childhelp agreed with certain findings of the audit and repaid \$44,922, new policies and procedures were implemented, and key personnel attended a continuing professional education program provided by the DOJ. The DOJ is reviewing Childhelp's corrective action plan; however, until this process is complete it is uncertain what if any final amount Childhelp potentially could be required to reimburse the DOJ. Since a reasonable estimate cannot be determined Childhelp has not recorded an accrual as of June 30, 2015. Management is of the opinion that the ultimate disposition will not have a material adverse effect on Childhelp's financial position.

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 14 RELATED PARTY TRANSACTIONS

During the year ended June 30, 2015, Childhelp had the following related party transactions:

- Childhelp reimbursed travel related expenses to a law firm owned by a board member in the amount of \$14,812.
- Notes payable include: 1) approximately \$2,905,948 payable to the Childhelp President, 2) \$76,218 payable to the Childhelp Chief Executive Officer, 3) \$571,890 payable to a relative of a member of the Board of Directors, 4) \$25,634 payable to a Vice President of the Board of Directors, and 5) \$3,763,478 payable to a finance company whose president is a Board of Directors member of 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, 2015.

NOTE 16 SUBSEQUENT EVENTS

On August 31, 2015, Childhelp received a grant award from Clearinghouse Community Development Financial Institution for \$340,000. The award is to be used for a commercial mortgage loan secured by real estate in Beaumont, CA.

On August 28, 2015, Childhelp entered into a loan agreement for \$8,239,000, the proceeds of which will be used to repay approximately \$5,000,000 of existing notes payable and to fund future development. Monthly principal and interest payments totaling \$54,514 are payable through October 2042.

On August 1, 2015, Childhelp repaid a promissory note payable by repaying \$210,000 and amended the remaining \$3,553,478. Interest only payments of 7.5% are payable commencing August 20, 2015 through June 30, 2025 at which time the remaining principal is due.

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 16 SUBSEQUENT EVENTS (CONTINUED)

On October 16, 2015, Childhelp executed a 10 year facility lease agreement with the City of Phoenix. The agreement may be canceled without cause by either party with 60 days notice.

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

Management evaluated subsequent events through December 8, 2015, the date the consolidated financial statements were available to be issued. Events or transactions occurring after June 30, 2015, but prior to December 8, 2015, that provided additional evidence about conditions that existed at June 30, 2015, have been recognized in the consolidated financial statements for the year ended June 30, 2015. Events or transactions that provided evidence about conditions that did not exist at June 30, 2015, 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, 2015.