

CHILDHELP, INC. AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020



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**CHILDHELP, INC. AND AFFILIATES
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YEAR ENDED JUNE 30, 2020**

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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, 2020, 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. 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, 2020, 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.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, management adopted Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The accounting change has not been retrospectively applied to prior periods presented but applied prospectively. Our opinion is not modified with respect to that matter.

Emphasis of Matter Regarding a Correction of Error

As discussed in Note 17 to the consolidated financial statements, management identified that previously reported promises to give were overstated causing previously reported net assets with donor restrictions and ending total net assets to be overstated. Accordingly, amounts reported as net assets with donor restrictions and total net assets have been restated as of June 30, 2019. Our opinion is not modified with respect to that matter.



CliftonLarsonAllen LLP

Phoenix, Arizona
May 17, 2021

CHILDHELP, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Cash and Cash Equivalents	\$	1,610,679
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$738,056		4,561,604
Prepaid Expenses		562,873
Bequests Receivable, Net		3,030,943
Deposits and Other Assets		815,679
Assets Held in Trusts		1,698,534
Donated Use of Facility, Utilities, and Curriculum		3,604,192
Property, Plant, and Equipment, Net		7,644,385
Land Available for Sale		<u>2,611,411</u>
 Total Assets	 \$	 <u><u>26,140,300</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable	\$	843,174
Accrued Expenses		4,865,212
Line of Credit, Net of Deferred Financing Costs		3,117,317
Deferred Revenues		1,550,451
Notes Payable, Net of Deferred Financing Costs		<u>8,531,914</u>
Total Liabilities		18,908,068

NET ASSETS (DEFICIENCY)

Without Donor Restrictions		(2,389,044)
With Donor Restrictions		<u>9,621,276</u>
Total Net Assets		<u><u>7,232,232</u></u>
 Total Liabilities and Net Assets	 \$	 <u><u>26,140,300</u></u>

See accompanying Notes to Consolidated Financial Statements.

CHILDHELP, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Program Income – Federal, State, and Local Contracts	\$ 36,004,950	\$ -	\$ 36,004,950
Special Events and Chapter Fundraising (Net of Direct Donor Expenses of \$1,671,787 for 2020)	4,090,721	-	4,090,721
Foundations, Corporations, Individuals, and Organizations	2,197,405	5,967,772	8,165,177
Contributed Goods and Services	4,304,899	-	4,304,899
Change in Value of Assets Held in Trust	(120,341)	-	(120,341)
Other	(19,263)	-	(19,263)
Total Support and Revenues	<u>46,458,371</u>	<u>5,967,772</u>	<u>52,426,143</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Total Support and Revenues and Net Assets Released from Restrictions	<u>1,826,518</u>	<u>(1,826,518)</u>	<u>-</u>
	48,284,889	4,141,254	52,426,143
FUNCTIONAL EXPENSES AND GAINS			
Program Services:			
Residential Treatment	24,361,951	-	24,361,951
Hotline	1,533,104	-	1,533,104
Public Awareness and Educational Programs	6,043,423	-	6,043,423
Foster Care	3,652,834	-	3,652,834
Advocacy/Diagnostic Services	4,636,112	-	4,636,112
Total Program Services	<u>40,227,424</u>	<u>-</u>	<u>40,227,424</u>
Support Services:			
Management and General	3,523,707	-	3,523,707
Fundraising	4,042,686	-	4,042,686
Total Support Services	<u>7,566,393</u>	<u>-</u>	<u>7,566,393</u>
Total Functional Expenses	<u>47,793,817</u>	<u>-</u>	<u>47,793,817</u>
Gains and Losses:			
Loss on Sale of Assets	1,081	-	1,081
Provision for Doubtful Accounts	807,287	-	807,287
Settlement and Other Non Operating Losses	1,116,604	-	1,116,604
Total Functional Expenses and Net (Gains) Losses	<u>49,718,789</u>	<u>-</u>	<u>49,718,789</u>
CHANGES IN NET ASSETS			
	<u>(1,433,900)</u>	<u>4,141,254</u>	<u>2,707,354</u>
Net Assets (Deficiency) - Beginning of Year, as Previously Reported	(955,144)	7,735,122	6,779,978
Prior Period Adjustment (Note 17)	-	(2,255,100)	(2,255,100)
Net Assets (Deficiency) - Beginning of Year, as Restated	<u>(955,144)</u>	<u>5,480,022</u>	<u>4,524,878</u>
NET ASSETS - END OF YEAR	<u><u>\$ (2,389,044)</u></u>	<u><u>\$ 9,621,276</u></u>	<u><u>\$ 7,232,232</u></u>

See accompanying Notes to Consolidated Financial Statements.

CHILDHELP, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services					Support Services			2020 Total Functional Expenses	
	Residential Treatment	Hotline	Public Awareness & Educational Programs	Foster Care	Advocacy/ Diagnostic Services	Total Program Services	Management and General	Fund- Raising		Total Support Services
Salaries and Benefits	\$ 18,774,378	\$ 1,056,368	\$ 4,552,508	\$ 1,420,426	\$ 1,930,330	\$ 27,734,010	\$ 2,528,152	\$ 1,642,916	\$ 4,171,068	\$ 31,905,078
Clothing/personal Needs	329,434	-	9,086	22,846	8,741	370,107	207	-	207	370,314
Conferences/Meetings	69,663	4,546	9,263	4,342	20,201	108,015	28,365	112,895	141,260	249,275
Dues/Subscriptions	180,861	65,084	53,885	14,604	48,640	363,074	96,128	133,722	229,850	592,924
Food Service	732,829	-	201,157	-	353	934,339	-	403,135	403,135	1,337,474
Foster Care	-	-	-	1,597,454	-	1,597,454	-	-	-	1,597,454
Gift In-Kind Expense	30,172	-	177,441	-	2,045,201	2,252,814	-	4,023	4,023	2,256,837
Insurance/Taxes	417,207	13,894	91,195	30,152	89,357	641,805	56,037	71,795	127,832	769,637
Interest and Bank Fees	782,392	-	77,860	52,417	29,837	942,506	3,336	62,686	66,022	1,008,528
Licensing	17,478	-	8,827	12,142	695	39,142	5,325	117	5,442	44,584
Maintenance/Repairs	654,957	2,365	49,941	53,973	44,370	805,606	34,746	14,380	49,126	854,732
Medical	121,939	-	292	-	1,608	123,839	-	-	-	123,839
Miscellaneous and Other Expenses	-	-	-	-	-	-	-	727,116	727,116	727,116
Postage	11,127	661	10,940	677	1,867	25,272	28,897	5,917	34,814	60,086
Printing/Publishing	6,968	2,353	26,053	88	2,459	37,921	4,835	99,309	104,144	142,065
Professional Services	377,864	273,401	246,848	79,438	105,598	1,083,149	413,621	1,926,038	2,339,659	3,422,808
Promotions	22,425	27,142	757	5,913	(1,543)	54,694	1,713	35,388	37,101	91,795
Recruiting	2,546	-	-	-	-	2,546	17,855	-	17,855	20,401
Recreation/Special Education	213,073	-	23,751	13,714	-	250,538	-	-	-	250,538
Rent	255,846	49,784	246,621	157,090	50,137	759,478	81,291	228,516	309,807	1,069,285
Scholarships	-	-	-	5,745	-	5,745	-	-	-	5,745
Supplies	268,875	16,838	93,084	27,940	33,112	439,849	68,032	22,687	90,719	530,568
Telephone/Telecommunications	127,120	4,496	33,307	64,595	42,907	272,425	49,494	19,948	69,442	341,867
Travel/Automobile	174,206	8,867	58,288	38,841	45,468	325,670	39,896	164,980	204,876	530,546
Utilities	330,354	-	42,736	38,671	26,760	438,521	4,211	8,563	12,774	451,295
Depreciation and Amortization	460,237	7,305	29,583	11,766	110,014	618,905	61,566	30,342	91,908	710,813
Provision for Doubtful Accounts	-	-	-	-	-	-	807,287	-	807,287	807,287
Total Functional Expenses	24,361,951	1,533,104	6,043,423	3,652,834	4,636,112	40,227,424	4,330,994	5,714,473	10,045,467	50,272,891
Less: Direct Donor Expenses	-	-	-	-	-	-	-	(1,671,787)	(1,671,787)	(1,671,787)
Total Functional Expenses Net of Direct Donor Benefits	24,361,951	1,533,104	6,043,423	3,652,834	4,636,112	40,227,424	4,330,994	4,042,686	8,373,680	48,601,104
Less: Provision for Doubtful Accounts	-	-	-	-	-	-	(807,287)	-	(807,287)	(807,287)
Total Functional Expenses as Shown on The Statement of Activities and Changes in Net Assets - 2020	\$ 24,361,951	\$ 1,533,104	\$ 6,043,423	\$ 3,652,834	\$ 4,636,112	\$ 40,227,424	\$ 3,523,707	\$ 4,042,686	\$ 7,566,393	\$ 47,793,817

See accompanying Notes to Consolidated Financial Statements.

CHILDHELP, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in Net Assets	\$ 2,707,354
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities	
Provision for Doubtful Accounts	807,287
Loss on Sale of Assets	1,081
Depreciation and Amortization	710,813
Interest Expense - Amortization of Loan Fees	53,603
Change in Value of Assets Held in Trust	120,341
Bequests Receivable	(2,967,643)
Contribution of Use Facility	(2,862,050)
Amortization of Facility Rent Receivable	696,000
Amortization of Curriculum Use	(59,354)
Increase (Decrease) in Cash Resulting from Changes in:	
Accounts Receivable	(493,067)
Contributions Receivable	146,000
Prepays	(34,476)
Bequests Receivable	57,770
Deposits and Other Assets	(111,773)
Accounts Payable	(65,975)
Accrued Expenses	2,223,238
Deferred Revenues	1,059,702
Net Cash Provided by Operating Activities	<u>2,166,292</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Property and Equipment	<u>(3,051,264)</u>
Net Cash Used by Investing Activities	<u>(3,051,264)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Net Increase in Line of Credit	3,117,317
Principal Payments of Notes Payable	<u>(3,756,008)</u>
Net Cash Used by Financing Activities	<u>(638,691)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS

(1,523,663)

Cash and Cash Equivalents - Beginning of Year

3,134,342

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 1,610,679

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During the Year for Interest	<u><u>\$ 852,758</u></u>
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Noncash Donations

\$ 5,829,693

See accompanying Notes to Consolidated Financial Statements.

CHILDHHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 ORGANIZATION

Childhelp, Inc. (Childhelp, a registered name used throughout, or the Organization) is a California nonprofit corporation. During fiscal year 2020, Childhelp administers programs and services 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.

Outreach initiatives offer low-income, at-risk families abuse prevention support to enhance family resiliency. 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. Newly launched text and chat services offer an even greater chance for connectivity and support.

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 come to the Childhelp Residential Treatment Villages to heal. Onsite nonpublic schools ensure that even the most neglected child gets 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, 2020

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.

Affiliated organizations (the affiliates) include, Childhelp Foundation, Childhelp Lifeline Empowerment Trust, 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. There was no financial activity for any of the affiliates during the year ended June 30, 2020. If there had been activity, then all inter-company transactions and balances would have been eliminated in consolidation.

Program Service Accomplishments

With over 10 million children helped since its inception, during the fiscal year ended 2020 Childhelp helped around 289,000 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 84 cents is invested into serving the children in need of our program services using approximately 7 cents for administration and approximately 9 cents for fundraising.

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to nonprofit organizations. The Organization is required to report information regarding its net assets and activities according to two classes of net assets based upon the existence or absence of restrictions on use that are placed by donors: net assets without donor restrictions and net assets with donor restrictions.

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net Assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restriction when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Nonoperating activities include gains on the sale of assets, provisions for doubtful accounts, settlements, and other losses.

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Unrestricted contributions and contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as Net Assets Released from Restrictions.

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. As of June 30, 2020, management believes all contributions receivable are collectible within 12 months of year-end.

Conditional promises to give and grants are not included as support until the conditions are substantially met. The amount of conditional promises outstanding and not recorded at June 30, 2020, was \$3,233,462.

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 and valuation allowance is established for all invoices over 150 days. 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 net assets with donor restrictions or without donor restrictions, depending on donor-imposed purpose and time restrictions, if any.

CHILDHHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land Available for Sale

Childhelp has approximately 70 acres of undeveloped land in Beaumont, California and 100 acres of undeveloped land in Carefree, Arizona that is not used in operations and is available for sale.

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.

Deferred Financing Costs

The debt issuance costs as of June 30, 2020 are as follows:

	Line of Credit	Notes Payable	Total
Deferred Financing Costs	\$ 80,393	\$ 257,797	\$ 338,190
Accumulated Amortization	(54,305)	(45,424)	(99,729)
Deferred Financing Costs, Net	<u>\$ 26,088</u>	<u>\$ 212,373</u>	<u>\$ 238,461</u>

Financing costs are amortized over the life of the related credit facilities to interest expense. Amortization of loan fees included in interest expense was \$53,603 for the year ended June 30, 2020.

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, primarily salaries and benefits, which 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, square footage, and other rational allocation methodologies. Other expenses that are subject to allocations are professional services, allocated using time studies, and rent, allocated using square footage and time studies.

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Change in Accounting Principle – Adoption of ASU 2018-08

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities* (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in the update assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Our financial statements reflect the application of ASU 2018-08 beginning July 1, 2019. The new guidance does not require prior period results to be restated. The adoption of ASU 2018-08 did not impact the Organization's reported revenue.

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NOTE 3 LIQUIDITY AND AVAILABILITY

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenses over a 12-month period, the Organization considers all expenses related to its ongoing activities to be general expenses. The following table reflects the Organization's financial assets of June 30, 2020, available to meet general expenses within one year of the consolidated statement of financial position date.

Financial Assets:	
Cash and Cash Equivalents	\$ 1,610,679
Accounts Receivable, Net	4,561,604
Bequests Receivable, Net	3,030,943
Assets Held in Trusts	1,698,534
Donated Use of Facility, Utilities, and Curriculum	<u>3,604,192</u>
Total Financial Assets	14,505,952
Less: Net Assets With Donor Restrictions	(9,621,276)
Add: Donated Use of Facility, Utilities, and Curriculum	764,035
Add: With Donor Restricted Net Assets Available for Promotions and Education	20,000
Add: With Donor Restricted Net Assets Available for Residential Treatment	<u>370,572</u>
Financial Assets Available to Meet Cash Needs for General Expenses Within One Year	<u><u>\$ 6,039,283</u></u>

Childhelp receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenses. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. Childhelp has a liquidity approach to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. The Organization has a target for year-end balance of reserves of unrestricted, undesignated net assets to meet 15 to 30 days of expected expenses. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity monthly and monitors its reserves annually. During the year ended June 30, 2020, the level of liquidity and reserves was managed within the liquidity targets. Childhelp also maintains a \$7,500,000 line of credit, see Note 8.

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4 BEQUESTS RECEIVABLE

Bequests receivable consist of 3 bequests totaling \$3,030,943 at June 30, 2020 and are recorded at net present value. During the year ended June 30, 2020 Childhelp received \$57,700 in cash flow from bequests. An allowance for doubtful accounts has been established based on management's assessment of the collectability and aging of the bequests of \$336,771 as of June 30, 2020.

NOTE 5 ASSETS HELD IN TRUSTS

Childhelp has been named a remainder beneficiary of two trusts held by a third-party. Under the term of this trusts, Childhelp has the irrevocable right to receive all assets remaining in the trusts 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.

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, 2020 as follows:

Remainder Trust Held by a Third Party	\$ 855,299
Perpetual Trust	<u>843,235</u>
Total	<u><u>\$ 1,698,534</u></u>

CHILDHELP, INC. AND AFFILIATES
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NOTE 6 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 Perpetual and Remainder Trusts

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 the Level 2 and Level 3 of the valuation hierarchy.

The following table presents assets measured at fair value on a recurring basis by classification within the fair value hierarchy as of June 30, 2020:

	Fair Value Measurements Using:			
	Level 1	Level 2	Level 3	Total
Beneficial Interest in Remainder Trusts	\$ -	\$ 855,299	\$ -	\$ 855,299
Beneficial Interests in Assets Held in Perpetual Trust	\$ -	\$ -	\$ 843,235	\$ 843,235

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NOTE 6 FAIR VALUE OF FINANCIAL INSTRUMENTS (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, 2020:

	Assets Held in Perpetual Trust
Beginning Balance	\$ 889,273
Dividend and Interest Income	12,718
Distributions	(29,615)
Net Depreciation	(29,141)
Ending Balance	<u>\$ 843,235</u>

NOTE 7 PROPERTY, PLANT, AND EQUIPMENT

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

Land	\$ 1,144,090
Building and Improvements	18,089,499
Furniture, Fixtures, and Equipment	3,884,865
Vehicles	832,801
Construction in Progress	378,109
Copyrights/Trademark	449,364
Total	<u>24,778,728</u>
Less: Accumulated Depreciation and Amortization	<u>(17,134,343)</u>
Property, Plant, and Equipment, Net of Accumulated Depreciation and Amortization	<u>\$ 7,644,385</u>

Total depreciation and amortization expense was \$710,813 for the year ended June 30, 2020. Childhelp has not capitalized interest expense on the construction in progress due to its immateriality.

NOTE 8 LINE OF CREDIT

Effective July 24, 2018, Childhelp entered into a \$7,500,000 revolving line of credit with a bank that accrues interest on any outstanding advances at a variable rate of prime plus .025% maturing July 24, 2021. The new line of credit will automatically renew for an additional three years maturing July 24, 2024 and is secured by deeds of trust on real property, assignment of rents, and assignment of depository accounts. As of June 30, 2020, the interest rate was 3.50% and the outstanding balance on the Line of Credit was \$3,117,317.

Childhelp is required to comply with restrictive debt covenants with respect to the revolving line of credit agreements. Management believes that Childhelp had complied with the restrictive debt covenants as of June 30, 2020.

CHILDHELP, INC. AND AFFILIATES
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NOTE 9 NOTES PAYABLE

Notes payable consist of the following:

Note payable to a bank; secured by three group homes; original amount of \$1,342,250; interest rate is variable comprised of a 2.500% margin rate plus a published index rate of 1.410% (one year LIBOR) rounded to the nearest .125% (as of June 30, 2020 was 2.6%). Principal and interest is payable monthly through November 2035.	\$ 1,115,821
Note payable to a lender; secured by deed of trust on properties in California and Tennessee; fixed interest at 6.5%; original amount of \$8,239,000; payable monthly at \$54,514 through October 2042. Childhelp is subject to certain loan covenants requiring audited financial statements to be submitted by December 31.	7,637,887
Note payable to a lender; unsecured, noninterest bearing, paid at \$556 monthly through December 2022.	<u>16,667</u>
Total	<u>8,770,375</u>
Less: Unamortized Deferred Financing Costs	<u>(238,461)</u>
Notes Payable, Net	<u><u>\$ 8,531,914</u></u>

Future maturities of notes payable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 256,737
2022	243,271
2023	251,649
2024	263,735
2025	279,469
Thereafter	<u>7,475,514</u>
Total	<u><u>\$ 8,770,375</u></u>

Subsequent to the year ended, Childhelp entered into four new notes payable to the same bank to refinance the outstanding line of credit balance and note payable to a bank for group homes outstanding as of June 30, 2020. The new notes payable are as follows:

In September 2020, Childhelp entered into a \$3,117,316 note payable that requires monthly principal and interest payments of \$19,405 and then one payment of \$1,908,316 at the final maturity date of September 2030. Interest accrues monthly at 4.25%.

In September 2020, Childhelp entered into a \$365,000 note payable that requires monthly principal and interest payments of \$1,571 and then one payment of \$280,440 at the final maturity date of August 2030. Interest accrues monthly at 3.125%.

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NOTE 9 NOTES PAYABLE (CONTINUED)

In September 2020, Childhelp entered into a \$380,000 note payable that requires monthly principal and interest payments of \$1,639 and then one payment of \$292,749 at the final maturity date of August 2030. Interest accrues monthly at 3.125%.

In September 2020, Childhelp entered into a \$388,000 note payable that requires monthly principal and interest payments of \$1,670 and then one payment of \$298,123 at the final maturity date of August 2030. Interest accrues monthly at 3.125%.

The four notes payable are secured by deed of trust and assignment of rents agreements. Childhelp is also subject to certain financial and non-financial covenants such as minimum required debt service coverage ratio and filing the annual audit and tax returns by December 31.

Future maturities of notes payable after the September 2020 refinancing activities:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 289,490
2022	313,855
2023	326,628
2024	342,930
2025	362,467
Thereafter	10,269,501
Total	<u>\$ 11,904,871</u>

The annual audit and tax return filing requirements imposed by loan covenants for the year ended June 30, 2020 were subsequently extended through March 31, 2021.

NOTE 10 OPERATING LEASES

Childhelp rents certain facilities and equipment under various operating lease agreements maturing November 2038. The following is a schedule of the future minimum lease payments for leases that have a remaining noncancelable term in excess of one year:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 609,001
2022	575,302
2023	563,893
2024	444,986
2025	388,640
Thereafter	207,900
Total	<u>\$ 2,789,722</u>

Lease expense for all operating leases was approximately \$965,864 for the year ended June 30, 2020. 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 2021.

CHILDHELP, INC. AND AFFILIATES
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NOTE 11 NET ASSETS

Net Assets With Donor Restrictions

Net assets with donor restriction are available for the following purposes or periods at June 30, 2020:

Subject to Expenses for Specified Purpose:	
Capital Expenditures	\$ 747,035
Residential Treatment Program	370,572
Education and Prevention Programs	<u>20,000</u>
Total	1,137,607
Subject to the Passage of Time:	
Assets Held in External Remainder Trust Not Held by Childhelp	855,299
Time Restricted Including Donated Office Space and Curriculum	3,604,192
Bequest Receivables	<u>3,030,943</u>
	7,490,434
Donor-Restricted Endowment Funds:	
Perpetual Trust Corpus Not Held by Childhelp	877,752
Hotline Endowment	<u>150,000</u>
Total Donor-Restricted Endowment Funds Corpus	1,027,752
Accumulated Investment Gains	<u>(34,517)</u>
Total	<u>993,235</u>
 Total Net Assets With Donor Restriction	 <u><u>\$ 9,621,276</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30:

Capital Expenditures	\$ 126,326
Residential Treatment Program	485,108
Assets Held in External Remainder Trust Not Held by Childhelp	74,303
Hotline	15,565
Education and Prevention Programs	60,556
Time Restricted Including Donated Office Space	1,003,469
Bequest Receivable	57,770
Advocacy/Diagnostic Services	<u>3,421</u>
Total	<u><u>\$ 1,826,518</u></u>

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NOTE 11 NET ASSETS (CONTINUED)

Endowments

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 net assets with donor restrictions. 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 retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts including promises to give at fair value) donated to the endowments and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by SPMIFA. Childhelp 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

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). Childhelp has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2020, funds with original gift values of \$877,752, fair values of \$843,235, and deficiencies of \$34,517 were reported in net assets with donor restrictions. The recovery of these amounts is dependent on market fluctuations.

As of June 30, Childhelp had the following endowment net asset composition by type of fund:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor Restricted Endowment Funds:			
Perpetual Trust not Held by Childhelp	\$ -	\$ 843,235	\$ 843,235
Hotline Endowment	-	150,000	150,000
Total	<u>\$ -</u>	<u>\$ 993,235</u>	<u>\$ 993,235</u>

CHILDHELP, INC. AND AFFILIATES
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NOTE 11 NET ASSETS (CONTINUED)

Endowments (Continued)

Investment and Spending Policies

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.

Changes in Endowment net assets for the year ended June 30, 2020 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment Net Assets - June 30, 2019	\$ 2,656	\$ 1,036,617	\$ 1,039,273
Investment Return:			
Dividends and Interest Income	-	12,718	12,718
Distributions	(2,656)	(26,959)	(29,615)
Net Appreciation (Realized and Unrealized)	-	(29,141)	(29,141)
Endowment Net Assets - June 30, 2020	<u>\$ -</u>	<u>\$ 993,235</u>	<u>\$ 993,235</u>

NOTE 12 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 \$1,289,845 for the year ended June 30, 2020. These contributions benefited Childhelp's advocacy/diagnostic service operations and are reflected in the accompanying consolidated statement of activities and changes in net assets as contributed goods and services and program expenses.

Contributions consisting of equipment, curriculum, 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 \$153,004 for the year ended June 30, 2020.

CHILDHELP, INC. AND AFFILIATES
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NOTE 12 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 initial lease term was for five 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 recorded the initial five-year term of the lease in its entirety of \$3,480,000 as a receivable, net of \$466,684 discount, and with donor restricted revenue, which will be released at \$58,000 per month as the lease term expires. In May 2020, Childhelp agreed to extend the lease term through June 30, 2026 at essentially the same terms and conditions. Accordingly, for the extended lease term, Childhelp recorded the extended five-year term of the lease in its entirety of \$3,482,244 as a receivable, net of \$620,194 discount, and temporarily restricted revenue, which will be released at \$58,000 per month as the lease term expires.

In March 2018, Childhelp contracted with The Southwest Interdisciplinary Research Center (SIRC) at Arizona State University, to provide expert services in the areas of curriculum design, development, pilot testing, and a randomized control trial of the Childhelp Speak Up Be Safe curriculum. Over the term of the agreement SIRC will conduct the randomized control trials, data analysis, and publication development.

The changes in the donated facility space receivable and associated discount for the year ended June 30, 2020 follows:

	Donated Facility Space and Curriculum Receivable	Unamortized Discount	Net Receivable
Beginning Balance	\$ 1,637,476	\$ (81,247)	\$ 1,556,229
Donated Curriculum	(177,441)	-	(177,441)
In-Kind Rent Expense	(696,000)	-	(696,000)
In-Kind Rent Contribution	2,862,050	-	2,862,050
Amortization of Discount - Contributed Goods and Services	-	59,354	59,354
Ending Balance	<u>\$ 3,626,085</u>	<u>\$ (21,893)</u>	<u>\$ 3,604,192</u>
Amounts Due in:			
Less than One Year	\$ 764,035		
Over One Year	2,862,050		
Total	<u>\$ 3,626,085</u>		

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NOTE 13 DEFINED CONTRIBUTION PLANS

Childhelp sponsors defined contribution plans that cover employees who meet each plan's eligibility requirements. Childhelp contributed \$362,000 to the plans in total during the year ended June 30, 2020.

NOTE 14 RELATED PARTY TRANSACTIONS

During the year ended June 30, 2020, Childhelp had the following related party transactions:

- The board of directors' members provided \$1,740,194 in contributions and bequests to Childhelp.
- Childhelp repaid \$3,553,478 in outstanding loans held by a lending agency whose president is a member of the board of directors for Childhelp. Additionally, \$262,141 in interest was paid to the lending agency for the year ended June 30, 2020. As of June 30, 2020, total outstanding notes payable to the lending agency was \$-0-.
- Insurance and benefits transactions totaling \$257,399, pertaining to various insurance policies were paid to companies whose principal is a member of the board of directors for Childhelp. Commissions paid under these policies were subsequently contributed back to Childhelp and are included in the board of directors' contributions.

NOTE 15 CONCENTRATIONS

Credit Risk

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 68% of total support and revenue was derived from agencies of several different states for the year ended June 30, 2020.

Other

A contribution totaling \$2,477,643 was received from a single donor for the year ended June 30, 2020, which represents 18% of total contribution revenue from special events and chapter fundraising, foundations, corporations, individuals, and organizations. Should these contribution levels decrease, Childhelp may be adversely affected.

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NOTE 16 CONTINGENCIES, RISKS AND UNCERTAINTIES

Legal Matters

In the ordinary course of business, Childhelp is subject to certain lawsuits and other potential legal actions, including class actions pertaining to wage and hour claims in the state of California. During fiscal year 2020, certain of the state of California matters were resolved and Childhelp resolved other matters through mutually agreed settlements. 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 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 or reviews. 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 or reviews.

Other

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its fiscal year 2021 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

NOTE 17 RESTATEMENT

During fiscal year 2020, management determined that a multi-year intention to give had been improperly recorded and included in with donor restricted net assets. Management determined that the original pledge was subject to a fundraising and marketing campaign agreement with third parties. Accordingly, the fulfillment of the intention to give was contingent upon the culmination of fundraising activities and, accordingly, the promise to give should have been considered conditional and should not have been recorded. The intention to give balance as of June 30, 2019 was \$2,255,100 and incorrectly included in with donor restrictions subject to the passage of time. The restatement reduced net assets with donor restrictions net assets and total net assets by \$2,255,100 as of June 30, 2019.

CHILDHELP, INC. AND AFFILIATES
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NOTE 18 NEW AUTHORITATIVE ACCOUNTING LITERATURE

In May 2014, the FASB issued amended guidance to clarify the principles for recognizing revenue arising from contracts. The guidance requires Childhelp to recognize revenue to depict the transfer of goods or services in an amount that reflects the consideration to which Childhelp expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts.

Additionally, qualitative and quantitative disclosures are required regarding contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for Childhelp for the year ending June 30, 2021; however, early application is permitted.

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of Childhelp's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for Childhelp for the year ending June 30, 2023. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on Childhelp's consolidated financial statements.

NOTE 19 SUBSEQUENT EVENTS

Management evaluated subsequent events through May 17, 2021, the date the consolidated financial statements were available to be issued. Events or transactions occurring after June 30, 2020, but prior to May 17, 2021, that provided additional evidence about conditions that existed at June 30, 2020, have been recognized in the consolidated financial statements for the year ended June 30, 2020. Events or transactions that provided evidence about conditions that did not exist at June 30, 2020, 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, 2020.

Subsequent to June 30, 2020, Childhelp entered into to four new notes payable (Note 9).

