

CHILDHHELP, INC. AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021



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**CHILDHELP, INC. AND AFFILIATES
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2021**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	4
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES	5
CONSOLIDATED STATEMENT OF CASH FLOWS	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7



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 of Childhelp, Inc. and Affiliates (Childhelp), which comprise the consolidated statement of financial position as of June 30, 2021, 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.

Board of Directors
Childhelp, Inc. and Affiliates

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Childhelp, Inc. and Affiliates as of June 30, 2021, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
February 10, 2022

CHILDHELP, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Cash and Cash Equivalents	\$ 1,463,858
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$1,170,684	5,476,976
Prepaid Expenses	894,753
Bequests Receivable, Net	3,219,317
Deposits and Other Assets	1,040,276
Assets Held in Trusts	2,111,599
Donated Use of Facility, Utilities, and Curriculum Property, Plant, and Equipment, Net	3,013,328
	10,248,544
Total Assets	\$ 27,468,651

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable	\$ 1,000,374
Accrued Expenses	5,567,496
Deferred Revenues	1,204,824
Notes Payable, Net of Deferred Financing Costs	11,442,142
Total Liabilities	19,214,836

NET ASSETS

Without Donor Restrictions	(1,170,736)
With Donor Restrictions	9,424,551
Total Net Assets	8,253,815

Total Liabilities and Net Assets	\$ 27,468,651
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See accompanying Notes to Consolidated Financial Statements.

CHILDHELP, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUES			
Program Income – Federal, State, and Local Contracts	\$ 34,816,961	\$ -	\$ 34,816,961
Special Events and Chapter Fundraising (Net of Direct Donor Expenses of \$1,343,401 for 2021)	5,800,056	-	5,800,056
Foundations, Corporations, Individuals, and Organizations	6,317,264	1,077,076	7,394,340
Contributed Goods and Services	1,877,314	-	1,877,314
Change in Value of Assets			
Held in Trust	413,065	-	413,065
Other	155,215	-	155,215
Total Support and Revenues	<u>49,379,875</u>	<u>1,077,076</u>	<u>50,456,951</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,273,801</u>	<u>(1,273,801)</u>	<u>-</u>
Total Support and Revenues and Net Assets Released from Restrictions	50,653,676	(196,725)	50,456,951
FUNCTIONAL EXPENSES AND GAINS AND LOSSES			
Program Services:			
Residential Treatment	25,726,987	-	25,726,987
Hotline	2,142,126	-	2,142,126
Public Awareness and Educational Programs	5,206,507	-	5,206,507
Foster Care	4,126,471	-	4,126,471
Advocacy/Diagnostic Services	5,148,385	-	5,148,385
Total Program Services	<u>42,350,476</u>	<u>-</u>	<u>42,350,476</u>
Support Services:			
Management and General	3,704,951	-	3,704,951
Fundraising	4,517,684	-	4,517,684
Total Support Services	<u>8,222,635</u>	<u>-</u>	<u>8,222,635</u>
Total Functional Expenses	50,573,111	-	50,573,111
Gains and Losses:			
Gain on Sale of Assets	(5,148)	-	(5,148)
Loss on Disposal of Assets	103,522	-	103,522
Gain on Insurance Settlement	(1,400,000)	-	(1,400,000)
Provision for Doubtful Accounts	232,543	-	232,543
Settlement and Other Non Operating Losses	(68,660)	-	(68,660)
Total Functional Expenses and Net (Gains) Losses	<u>49,435,368</u>	<u>-</u>	<u>49,435,368</u>
CHANGES IN NET ASSETS	1,218,308	(196,725)	1,021,583
Net Assets (Deficiency) - Beginning of Year	<u>(2,389,044)</u>	<u>9,621,276</u>	<u>7,232,232</u>
NET ASSETS - END OF YEAR	<u>\$ (1,170,736)</u>	<u>\$ 9,424,551</u>	<u>\$ 8,253,815</u>

See accompanying Notes to Consolidated Financial Statements.

CHILDHELP, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services					Support Services			2021 Total Functional Expenses	
	Residential Treatment	Hotline	Public Awareness and Educational Programs	Foster Care	Advocacy/ Diagnostic Services	Total Program Services	Management and General	Fundraising		Total Support Services
Salaries and Benefits	\$ 19,538,348	\$ 1,478,186	\$ 4,082,181	\$ 1,647,341	\$ 2,158,702	\$ 28,904,758	\$ 2,762,300	\$ 1,937,615	\$ 4,699,915	\$ 33,604,673
Clothing/Personal Needs	326,148	-	10,048	23,461	350	360,007	-	689	689	360,696
Conferences/Meetings	43,774	919	9,800	6,789	28,784	90,066	16,502	7,339	23,841	113,907
Dues/Subscriptions	170,261	98,821	65,241	24,491	32,957	391,771	94,624	105,809	200,433	592,204
Food Service	867,421	-	81,709	527	1,388	951,045	-	259,909	259,909	1,210,954
Foster Care	-	-	-	1,801,738	-	1,801,738	-	-	-	1,801,738
Gift In-Kind Expense	52,078	-	69,702	17,950	2,289,726	2,429,456	-	36,311	36,311	2,465,767
Insurance/Taxes	614,455	22,263	117,823	57,670	58,258	870,469	128,761	34,700	163,461	1,033,930
Interest and Bank Fees	683,249	273	66,362	55,849	27,669	833,402	3,096	219,764	222,860	1,056,262
Licensing	47,185	-	4,341	15,377	1,589	68,492	9,638	335	9,973	78,465
Maintenance/Repairs	1,021,293	2,685	54,531	52,771	48,280	1,179,560	50,958	14,271	65,229	1,244,789
Medical	108,674	-	14	494	2,806	111,988	-	-	-	111,988
Miscellaneous and Other Expenses	-	-	13,522	-	-	13,522	-	460,230	460,230	473,752
Postage	11,934	149	1,351	2,114	920	16,468	13,758	11,353	25,111	41,579
Printing/Publishing	11,883	2,358	14,271	752	7,788	37,052	4,360	110,948	115,308	152,360
Professional Services	378,975	261,414	289,408	43,869	79,463	1,053,129	272,385	2,029,262	2,301,647	3,354,776
Promotions	14,233	197,309	1,393	1,106	1,050	215,091	779	51,738	52,517	267,608
Recruiting	83,893	507	1,816	11,996	6,913	105,125	20,302	311	20,613	125,738
Recreation/Special Education	140,182	-	10,078	18,282	-	168,542	-	-	-	168,542
Rent	276,869	60,949	131,788	157,490	27,106	654,202	100,440	391,990	492,430	1,146,632
Scholarships	-	-	-	-	-	-	-	1,160	1,160	1,160
Supplies	237,378	5,115	51,568	44,227	81,163	419,451	55,306	56,032	111,338	530,789
Telephone/Telecommunications	151,747	4,438	36,669	76,975	47,844	317,673	53,957	17,870	71,827	389,500
Travel/Automobile	137,287	2,021	16,549	20,991	13,625	190,473	24,023	91,549	115,572	306,045
Utilities	362,894	-	47,252	32,590	19,191	461,927	4,194	10,772	14,966	476,893
Depreciation and Amortization	446,826	4,719	29,090	11,621	212,813	705,069	89,568	11,128	100,696	805,765
Provision for Doubtful Accounts	-	-	-	-	-	-	232,543	-	232,543	232,543
Total Functional Expenses	<u>25,726,987</u>	<u>2,142,126</u>	<u>5,206,507</u>	<u>4,126,471</u>	<u>5,148,385</u>	<u>42,350,476</u>	<u>3,937,494</u>	<u>5,861,085</u>	<u>9,798,579</u>	<u>52,149,055</u>
Less: Direct Donor Expenses	-	-	-	-	-	-	-	(1,343,401)	(1,343,401)	(1,343,401)
Total Functional Expenses Net of Direct Donor Benefits	<u>25,726,987</u>	<u>2,142,126</u>	<u>5,206,507</u>	<u>4,126,471</u>	<u>5,148,385</u>	<u>42,350,476</u>	<u>3,937,494</u>	<u>4,517,684</u>	<u>8,455,178</u>	<u>50,805,654</u>
Less: Provision for Doubtful Accounts	-	-	-	-	-	-	(232,543)	-	(232,543)	(232,543)
Total Functional Expenses as Shown on The Statement of Activities and Changes in Net Assets - 2021	<u>\$ 25,726,987</u>	<u>\$ 2,142,126</u>	<u>\$ 5,206,507</u>	<u>\$ 4,126,471</u>	<u>\$ 5,148,385</u>	<u>\$ 42,350,476</u>	<u>\$ 3,704,951</u>	<u>\$ 4,517,684</u>	<u>\$ 8,222,635</u>	<u>\$ 50,573,111</u>

See accompanying Notes to Consolidated Financial Statements.

CHILDHELP, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in Net Assets	\$ 1,021,583
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities	
Provision for Doubtful Accounts	232,543
Gain on Sale of Assets	(5,148)
Loss on Disposal of Assets	103,522
Depreciation and Amortization	805,765
Interest Expense - Amortization of Loan Fees	17,535
Loss on Unamortized Issuance Costs	26,088
Change in Value of Assets Held in Trust	(413,065)
Bequests Receivable	(188,374)
Amortization of Facility Rent Receivable	521,162
Amortization of Curriculum Use	69,702
Increase (Decrease) in Cash Resulting from Changes in:	
Accounts Receivable	(1,147,914)
Prepays	(331,881)
Deposits and Other Assets	(224,597)
Accounts Payable	157,200
Accrued Expenses	702,284
Deferred Revenues	<u>(345,627)</u>
Net Cash Provided by Operating Activities	<u>1,000,778</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Property and Equipment	<u>(896,887)</u>
Net Cash Used by Investing Activities	<u>(896,887)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Net Decrease in Line of Credit	(3,117,317)
Proceeds from Issuance of Notes Payable	3,169,512
Principal Payments of Notes Payable	<u>(302,907)</u>
Net Cash Used by Financing Activities	<u>(250,712)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (146,821)

Cash and Cash Equivalents - Beginning of Year 1,610,679

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 1,463,858

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During the Year for Interest	<u>\$ 736,381</u>
Noncash Loan Repayment from Debt Refinance	<u><u>\$ 1,115,821</u></u>

See accompanying Notes to Consolidated Financial Statements.

CHILDHHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 ORGANIZATION

Childhelp, Inc. (Childhelp, a registered name used throughout, or the Organization) is a California nonprofit corporation. During fiscal year 2021, Childhelp's 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. The hotline expands to Guam, Canada, and U.S. Virgin Islands. 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.

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.

CHILDHHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 ORGANIZATION (CONTINUED)

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, 2021. 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 2021 Childhelp helped around 227,000 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 seven cents for administration and approximately nine cents for fundraising.

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.

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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 those 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.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with U.S. GAAP 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, 2021, management believes all contributions receivable are collectible within 12 months of year-end.

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

Conditional promises to give, bequests, 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, 2021, was \$3,118,692.

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.

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 seven 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, 2021, are as follows:

Deferred Financing Costs	\$	247,145
Accumulated Amortization		(52,307)
Deferred Financing Costs, Net	\$	<u>194,838</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 \$17,535 for the year ended June 30, 2021.

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 2014-09

In May 2014, Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB Accounting Standards Codification 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Childhelp's consolidated financial statements reflect adoption of ASU 2014-09 guidance beginning in fiscal year 2021. The adoption of this standard did not impact Childhelp's reported revenue.

FASB issued ASU 2018-13 *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU removes and modifies disclosure requirements retrospectively for nonpublic entities. Childhelp's consolidated financial statements reflect adoption of ASU 2018-13 guidance beginning for the year-ended June 30, 2021. The adoption of ASU 2018-13 did not impact Childhelp's reported change in net assets.

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021, available to meet general expenses within one year of the consolidated statement of financial position date.

Financial Assets:	
Cash and Cash Equivalents	\$ 1,463,858
Accounts Receivable, Net	5,476,976
Bequests Receivable, Net	3,219,317
Assets Held in Trusts	2,111,599
Donated Use of Facility, Utilities, and Curriculum	<u>3,013,328</u>
Total Financial Assets	15,285,078
Less: Net Assets With Donor Restrictions	(9,424,551)
Add: Donated Use of Facility, Utilities, and Curriculum	534,824
Add: With Donor Restricted Net Assets Available for Promotions and Education	19,120
Add: With Donor Restricted Net Assets Available for Residential Treatment	<u>121,872</u>
Financial Assets Available to Meet Cash Needs for General Expenses Within One Year	<u><u>\$ 6,536,343</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, 2021, 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.

NOTE 4 BEQUESTS RECEIVABLE

Bequests receivable consist of three bequests totaling \$3,219,317 at June 30, 2021 and are recorded at net present value. During the year ended June 30, 2021 Childhelp received \$-0- 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, 2021.

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021 as follows:

Remainder Trust Held by a Third Party	\$ 1,080,504
Perpetual Trust	<u>1,031,095</u>
Total	<u><u>\$ 2,111,599</u></u>

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:

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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, 2021:

	Fair Value Measurements Using:			Total
	Level 1	Level 2	Level 3	
Beneficial Interest in Remainder Trusts	\$ -	\$ 1,080,504	\$ -	\$ 1,080,504
Beneficial Interests in Assets Held in Perpetual Trust	\$ -	\$ -	\$ 1,031,095	\$ 1,031,095

NOTE 7 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following at June 30, 2021:

Land	\$ 3,845,925
Building and Improvements	18,794,814
Furniture, Fixtures, and Equipment	4,141,134
Vehicles	846,302
Construction in Progress	78,508
Copyrights/Trademark	449,364
Total	<u>28,156,047</u>
Less: Accumulated Depreciation and Amortization	<u>(17,907,503)</u>
Property, Plant, and Equipment, Net of Accumulated Depreciation and Amortization	<u>\$ 10,248,544</u>

Childhelp has approximately 70 acres of undeveloped land in Beaumont, California and 100 acres of undeveloped land in Carefree, Arizona with total cost of \$2,611,411 that is not used in operations and is available for future sale. The land available for future sale is reported in the land category above.

Total depreciation and amortization expense was \$805,765 for the year ended June 30, 2021. Childhelp has not capitalized interest expense on the construction in progress due to its immateriality.

CHILDHHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

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 0.025% maturing July 24, 2021. The line of credit contained a provision for an automatic renewal. On October 24, 2021, the line of credit was formally renewed on essentially the same terms and conditions and extending the maturity date to October 24, 2024. The credit line is secured by deeds of trust on real property, assignment of rents, and assignment of depository accounts. As of June 30, 2021, the interest rate was 5.25% and the outstanding balance on the Line of Credit was \$-0-.

Childhelp is required to comply with restrictive debt covenants with respect to the revolving line of credit agreements such as maintaining a specified debt service coverage ratio and annual audit and tax return filing dates. Management believes that Childhelp had complied with the restrictive debt covenants as of June 30, 2021. Additionally, the annual audit and tax return filing requirements imposed by the line of credit for the year ended June 30, 2021, was subsequently extended through March 31, 2022.

NOTE 9 NOTES PAYABLE

Notes payable consist of the following:

<p>Note payable to a bank; secured by Baker St. group home; original amount of \$365,000; fixed interest at 3.125%; payable monthly at \$1,570.54 A balloon payment of all outstanding principal and accrued interest is due on August 30, 2030.</p>	<p>\$ 358,367</p>
<p>Note payable to a bank; secured by Joann St. group home; original amount of \$380,000; fixed interest at 3.125%; payable monthly at \$1,639.48 A balloon payment of all outstanding principal and accrued interest is due on August 30, 2030.</p>	<p>380,950</p>
<p>Note payable to a bank; secured by Johnson Ave. group home; original amount of \$388,000; fixed interest at 3.125%; payable monthly at \$1,669.50 A balloon payment of all outstanding principal and accrued interest is due on August 30, 2030.</p>	<p>373,050</p>
<p>Note payable to a lender; secured by deed of trust on a property in California; fixed interest at 4.25%; original amount of \$3,117,317; payable monthly at \$19,404.84. A balloon payment of all outstanding principal and accrued interest is due September 4, 2030. Childhelp is subject to certain loan covenants requiring audited financial statements to be submitted by December 31 and maintaining a minimum debt service coverage ratio of 1.15x.</p>	<p>3,042,070</p>

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 NOTES PAYABLE (CONTINUED)

Note payable to a lender; secured by deed of trust on properties in Tennessee and California; 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.

	\$ 7,482,543
Total	11,636,980
Less: Unamortized Deferred Financing Costs	(194,838)
Notes Payable, Net	\$ 11,442,142

Future maturities of notes payable are as follows:

Year Ending June 30,	Amount
2022	\$ 305,329
2023	321,419
2024	340,711
2025	360,549
2026	381,248
Thereafter	9,927,724
Total	\$ 11,636,980

The annual audit filing requirement imposed by loan covenants for the year ended June 30, 2021, were subsequently extended through March 31, 2022.

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:

Year Ending June 30,	Amount
2022	\$ 715,828
2023	664,203
2024	578,347
2025	507,497
2026	73,775
Thereafter	134,125
Total	\$ 2,673,775

Lease expense for all operating leases was approximately \$897,831 for the year ended June 30, 2021. 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 2022.

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021:

Subject to Expenses for Specified Purpose:

Capital Expenditures	\$ 739,315
Residential Treatment Program	121,872
Education and Prevention Programs	<u>19,120</u>
Total	<u>880,307</u>

Subject to the Passage of Time:

Assets Held in External Remainder Trust Not Held by Childhelp	1,080,504
Time Restricted Including Donated Office Space and Curriculum	3,063,328
Bequest Receivables	<u>3,219,317</u>
Total	<u>7,363,149</u>

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>153,343</u>
Total	<u>1,181,095</u>

Total Net Assets With Donor Restriction	<u><u>\$ 9,424,551</u></u>
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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	\$ 427,363
Residential Treatment Program	254,694
Education and Prevention Programs	880
Time Restricted Including Donated Office Space	<u>590,864</u>
Total	<u><u>\$ 1,273,801</u></u>

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.

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 NET ASSETS (CONTINUED)

Endowments (Continued)

The board of directors of Childhelp has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Childhelp 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

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

	Without Donor Restriction	With Donor Restriction	Total
Donor Restricted Endowment Funds:			
Perpetual Trust Not Held by Childhelp	\$ -	\$ 1,031,095	\$ 1,031,095
Hotline Endowment	-	150,000	150,000
Total	\$ -	\$ 1,181,095	\$ 1,181,095

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.

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 NET ASSETS (CONTINUED)

Investment and Spending Policies (Continued)

Changes in Endowment net assets for the year ended June 30, 2021, are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment Net Assets - June 30, 2020	\$ -	\$ 993,235	\$ 993,235
Investment Return:			
Dividends and Interest Income	-	32,268	32,268
Distributions	-	(51,236)	(51,236)
Net Appreciation (Realized and Unrealized)	-	206,828	206,828
Endowment Net Assets - June 30, 2021	<u>\$ -</u>	<u>\$ 1,181,095</u>	<u>\$ 1,181,095</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 \$ 1,551,842 for the year ended June 30, 2021. 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 \$304,155 for the year ended June 30, 2021.

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.

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 CONTRIBUTED GOODS AND SERVICES (CONTINUED)

The changes in the donated facility space receivable and associated discount for the year ended June 30, 2021 follows:

	Donated Facility Space Receivable	Unamortized Discount	Net Receivable
Beginning Balance	\$ 3,626,085	\$ (21,893)	\$ 3,604,192
In-Kind Rent Expense	(612,181)	-	(612,181)
Amortization of Discount - Contributed Goods and Services	-	21,317	21,317
Ending Balance	<u>\$ 3,013,904</u>	<u>\$ (576)</u>	<u>\$ 3,013,328</u>
Amounts Due in:			
Less than One Year	\$ 534,824		
Over One Year	<u>2,478,504</u>		
Total	<u>\$ 3,013,328</u>		

NOTE 13 DEFINED CONTRIBUTION PLANS

Childhelp sponsors defined contribution plans that cover employees who meet each plan's eligibility requirements. Childhelp contributed \$356,000 to the plans in total during the year ended June 30, 2021.

NOTE 14 RELATED PARTY TRANSACTIONS

During the year ended June 30, 2021, Childhelp had the following related party transactions:

- The board of directors' members provided \$1,256,422 in contributions and bequests to Childhelp.
- Insurance and benefits transactions totaling \$751,500, 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.

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

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 47% of total special events and chapter fundraising was received from 2 donors. Additionally, approximately 69% of total support and revenue was derived from agencies of several different states for the year ended June 30, 2021.

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. 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 2022 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.

CHILDHELP, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 17 NEW AUTHORITATIVE ACCOUNTING LITERATURE

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 18 SUBSEQUENT EVENTS

Management evaluated subsequent events through February 10, 2022, the date the consolidated financial statements were available to be issued. Events or transactions occurring after June 30, 2021, but prior to February 10, 2022, that provided additional evidence about conditions that existed at June 30, 2021, have been recognized in the consolidated financial statements for the year ended June 30, 2021. Events or transactions that provided evidence about conditions that did not exist at June 30, 2021, 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, 2021.

Subsequent to June 30, 2021, one of Childhelp's Short-Term Residential Therapeutic Program contracts was placed on termination hold by the respective County resulting from noncompliance with contract provisions. Childhelp participates in a number of federal, state, and county-assisted grant and contract programs which are subject to regular and ad-hoc program compliance audits or reviews. Management is taking steps to address the issues of noncompliance and is working with the County on corrective actions. Management does not believe this matter will have a detrimental impact on Childhelp.

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