

Support Center for Child Advocates

Financial Statements
Year Ended June 30, 2020



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SUPPORT CENTER FOR CHILD ADVOCATES

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Support Center for Child Advocates
Philadelphia, Pennsylvania**

Report on Financial Statements

We have audited the accompanying financial statements of Support Center for Child Advocates (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Support Center for Child Advocates as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Prior Period Financial Statements

The financial statements of Support Center for Child Advocates as of June 30, 2019, were audited by other auditors whose report, dated November 22, 2019, expressed an unmodified opinion on those statements.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the "Uniform Guidance")*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated November 25, 2020, on our consideration of Support Center for Child Advocates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Support Center for Child Advocates' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering Support Center for Child Advocates' internal control over financial reporting and compliance.

BBD 2LP

**Philadelphia, Pennsylvania
November 25, 2020**

SUPPORT CENTER FOR CHILD ADVOCATES

STATEMENT OF FINANCIAL POSITION

June 30, 2020 with comparative totals for 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 1,538,676	\$ 738,829
Grant contracts receivable	611,191	505,637
Prepaid expenses	102,663	97,129
Unconditional promise to give	104,000	323,723
Investments	5,345,457	5,625,210
Refundable deposits	22,917	22,917
Equipment and leasehold improvements, net	<u>84,853</u>	<u>48,325</u>
	<u>\$ 7,809,757</u>	<u>\$ 7,361,770</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 15,496	\$ 52,827
Accrued expenses	213,711	124,688
Deferred rent	<u>77,914</u>	<u>97,581</u>
Total liabilities	<u>307,121</u>	<u>275,096</u>
NET ASSETS		
Without donor restrictions		
Operations	1,658,611	919,323
Board-designated	<u>5,489,055</u>	<u>5,654,851</u>
	7,147,666	6,574,174
With donor restrictions	<u>354,970</u>	<u>512,500</u>
Total net assets	<u>7,502,636</u>	<u>7,086,674</u>
	<u>\$ 7,809,757</u>	<u>\$ 7,361,770</u>

See accompanying notes

SUPPORT CENTER FOR CHILD ADVOCATES

STATEMENT OF ACTIVITIES

Year ended June 30, 2020 with comparative totals for 2019

	2020					2019
	Without Donor Restrictions			With Donor Restrictions	Total	Total
	Operations	Board Designated	Total			
SUPPORT AND REVENUE						
Contributions						
Foundation and corporations	\$ 515,058	\$ -	\$ 515,058	\$ 180,269	\$ 695,327	\$ 1,087,458
Annual fund	339,430	-	339,430	-	339,430	333,378
Fundraising events	748,265	-	748,265	-	748,265	802,013
Less: cost of direct donor benefits	(101,182)	-	(101,182)	-	(101,182)	(201,411)
Contributed services and in-kind donations	5,310,036	-	5,310,036	-	5,310,036	6,175,569
Government grants and contracts	2,142,051	-	2,142,051	-	2,142,051	1,891,181
Interest and investment income	2,677	59,621	62,298	460	62,758	335,517
Other income	31,363	-	31,363	-	31,363	24,056
Distributions from board-designated endowment	225,417	(225,417)	-	-	-	-
Net assets released from restrictions	338,259	-	338,259	(338,259)	-	-
	<u>9,551,374</u>	<u>(165,796)</u>	<u>9,385,578</u>	<u>(157,530)</u>	<u>9,228,048</u>	<u>10,447,761</u>
EXPENSES						
Program services	8,262,025	-	8,262,025	-	8,262,025	8,925,959
Management and general	665,369	-	665,369	-	665,369	548,790
Fundraising	476,992	-	476,992	-	476,992	585,589
Total expenses	<u>9,404,386</u>	<u>-</u>	<u>9,404,386</u>	<u>-</u>	<u>9,404,386</u>	<u>10,060,338</u>
Change in net assets before loan forgiveness	<u>146,988</u>	<u>(165,796)</u>	<u>(18,808)</u>	<u>(157,530)</u>	<u>(176,338)</u>	<u>387,423</u>
Loan forgiveness	<u>592,300</u>	<u>-</u>	<u>592,300</u>	<u>-</u>	<u>592,300</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>739,288</u>	<u>(165,796)</u>	<u>573,492</u>	<u>(157,530)</u>	<u>415,962</u>	<u>387,423</u>
NET ASSETS						
Beginning of year, as restated	<u>919,323</u>	<u>5,654,851</u>	<u>6,574,174</u>	<u>512,500</u>	<u>7,086,674</u>	<u>6,699,251</u>
End of year	<u>\$ 1,658,611</u>	<u>\$ 5,489,055</u>	<u>\$ 7,147,666</u>	<u>\$ 354,970</u>	<u>\$ 7,502,636</u>	<u>\$ 7,086,674</u>

See accompanying notes

SUPPORT CENTER FOR CHILD ADVOCATES

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2020 with comparative totals for 2019

	2020			2019
	Program	Management and General	Fundraising	Total
Salary	\$ 1,938,517	\$ 431,452	\$ 292,724	\$ 2,662,693
Payroll taxes	148,679	33,091	22,451	204,221
Health insurance and other benefits	247,229	55,024	37,333	339,586
Retirement plan	74,711	16,629	11,282	102,622
Total personnel and related expenses	2,409,136	536,196	363,790	3,309,122
Professional fees	13,086	20,413	1,976	35,475
Contributed services	5,310,036	-	-	5,310,036
Depreciation	19,104	5,156	2,885	27,145
Equipment rental and maintenance	17,788	3,959	2,686	24,433
Grant subcontract	20,000	-	-	20,000
Insurance	22,767	5,067	3,438	31,272
Marketing	25,991	5,785	3,925	35,701
Miscellaneous	12,777	-	-	12,777
Occupancy	216,485	48,184	32,691	297,360
Office expense	111,207	24,751	16,793	152,751
Postage	2,031	452	6,797	9,280
Printing	4,275	951	30,333	35,559
Staff development	13,956	3,106	2,107	19,169
Staff travel	27,273	6,070	4,118	37,461
Subscription and dues	5,371	1,196	811	7,378
Telephone	30,742	4,083	4,642	39,467
Total expenses	\$ 8,262,025	\$ 665,369	\$ 476,992	\$ 9,404,386
				\$ 10,060,338

SUPPORT CENTER FOR CHILD ADVOCATES

STATEMENT OF CASH FLOWS

Year ended June 30, 2020 with comparative totals for 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 415,962	\$ 387,423
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	27,145	21,569
Unrealized (gain) loss on investments	96,059	(151,673)
(Increase) decrease in		
Grant contracts receivable	(105,554)	118,521
Prepaid expenses	(5,534)	5,526
Unconditional promises to give	219,723	(274,654)
Increase (decrease) in		
Accounts payable	(37,331)	(7,911)
Accrued expenses	89,023	(17,106)
Deferred rent	(19,667)	(16,407)
Net cash provided by (used for) operating activities	<u>679,826</u>	<u>65,288</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and leasehold improvements	(63,673)	-
Redemption (purchase) of investments	<u>183,694</u>	<u>(114,699)</u>
Net cash provided by (used for) investing activities	<u>120,021</u>	<u>(114,699)</u>
Net change in cash	799,847	(49,411)
CASH		
Beginning of year	<u>738,829</u>	<u>788,240</u>
End of year	<u>\$ 1,538,676</u>	<u>\$ 738,829</u>

See accompanying notes

SUPPORT CENTER FOR CHILD ADVOCATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(1) NATURE OF OPERATIONS

The Support Center for Child Advocates founded in 1977, is a nonprofit agency providing legal and social work services to abused and neglected children in Philadelphia. Child Advocates teams staff social workers and attorneys with volunteers from the Philadelphia legal community in a multi-disciplinary model for child advocacy. Child Advocates also engages in community education to increase public awareness of the problem of child abuse. Its mission is to advocate for victims of child abuse and neglect in Philadelphia with the goal of securing a permanent, nurturing environment for every child. Child Advocates is funded by a variety of grants and contributions, both private and public.

On December 8, 2014, Child Advocates formed a sole member, limited liability company, Child Advocates, LLC, to use as a vehicle to own the underlying securities contained in these funds. These financial statements include the accounts of the Support Center for Child Advocates and Child Advocates, LLC (collectively, "**Child Advocates**"). All significant interorganization balances and transactions have been eliminated.

(2) SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Child Advocates have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

Child Advocates reports information regarding its financial position and activities according to the following classes of net assets:

Without donor restrictions

Net assets that are not subject to donor-imposed restrictions. Board designated net assets consist of amounts designated by the Board of Directors to function as an endowment.

With donor restrictions

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of Child Advocates and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions that require the net assets to be maintained indefinitely while permitting Child Advocates to expend the income generated in accordance with the provisions of the contribution. Child Advocates did not have this type of net assets with donor restrictions at June 30, 2020.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Investments and Investment Income

Investments in marketable securities with readily determinable fair values and all investments in debt securities are recorded in the statement of financial position at fair value, as determined based on quoted market prices. Realized and unrealized gains and losses are included in the statement of activities. Dividend and interest income is recorded as earned. Donated investments are recorded at fair value at the date of receipt.

SUPPORT CENTER FOR CHILD ADVOCATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Child Advocates invests in a professionally managed portfolio that contains various types of securities (**See Note 6**). Such investments are exposed to market and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect investment balances and the amounts reported in the financial statements.

Fair Value Measurements of Assets and Liabilities

U.S. generally accepted accounting principles ("**GAAP**") define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value 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. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of Child Advocates. Unobservable inputs reflect Child Advocates' assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that Child Advocates has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect Child Advocates' own assumptions.

Revenue Recognition

Child Advocates recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

A portion of Child Advocates' revenue is derived from cost-reimbursement grants which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Child Advocates has incurred expenditures in compliance with specific grant provisions. Any amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. Child Advocates was awarded cost-reimbursable grants of approximately \$617,000 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred.

Child Advocates also holds special fundraising events. Child Advocates records special events revenue equal to the fair value of direct benefits to donors and contribution income for the excess received when the event takes place.

Contributions and grants received are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Unconditional contributions and grants are recognized as revenue when the related promise to give is received. Conditional contributions and grants are recognized as revenue when the conditions are satisfied.

Child Advocates uses the allowance method to determine uncollectible grants and contributions receivable. The allowance is based on prior years' experience and management's analysis of specific amounts due. Management has determined that a provision for doubtful accounts is not necessary as of June 30, 2020.

SUPPORT CENTER FOR CHILD ADVOCATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Contributed Services and In-Kind Contributions

Child Advocates recognizes revenue for donated services received when they require specialized skills which would need to be purchased if they were not donated.

Child Advocates records the value of contributed goods and rent when there is an objective basis available to measure their value.

Donated services and in-kind contributions are recorded as both revenue and expenses in the accompanying statement of activities at their estimated value at the date of receipt.

Equipment and leasehold improvements

Equipment and leasehold improvements is stated at cost if purchased. Contributions of equipment and leasehold improvements are recorded at fair value at the date of donation. Child Advocates capitalizes all significant additions over \$5,000 while all other costs that do not improve or extend the useful lives of the respective assets are expensed in the period in which they occur. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets.

Computers	5 years
Leasehold improvements	7 years

Deferred Rent

The deferred rent liability represents the cumulative excess of straight line rent expense over the actual rent paid according to the lease terms.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

The financial statements have certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll and related expenses, insurance, marketing, depreciation, equipment rental and maintenance, occupancy, office expenses, staff development and travel, subscriptions and dues and telephone, which are allocated on the basis of estimates of time and effort.

Income Taxes

Child Advocates is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. No provision or liability for income taxes is included in the accompanying financial statements. Child Advocates LLC is a disregarded entity for tax purposes and is included in the Support Center for Child Advocates' tax return.

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their tax returns. GAAP prescribes a minimum recognition threshold that a tax position is required to meet in order to be recognized in the financial statements. Child Advocates believes that it had no uncertain tax positions as defined in GAAP.

Concentration of Credit Risk

Child Advocates maintains its cash balances in financial institutions with insurance provided by the Federal Deposit Insurance Corporation. At times, these accounts may exceed the federally insured limit. Management does not believe there is a significant credit risk with these institutions. Grants contracts receivable are expected to be fully collected in 2021.

SUPPORT CENTER FOR CHILD ADVOCATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Child Advocates' financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Accounting Pronouncements Adopted

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Child Advocates adopted ASU 2014-09 on July 1, 2019 using the modified retrospective method approach.

Child Advocates performed an analysis of revenue streams and transactions under ASU 2014-09, including applying the portfolio approach as a practical expedient to group contracts with similar characteristics such that revenue for a given portfolio would not be materially different than if it were evaluated on a contract-by-contract basis. The impact of adopting ASU 2014-09 was not material to total revenues without donor restrictions, excess of revenues over expenses, or total net assets. Child Advocates' revenue recognition policies are detailed within Note 2.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope and accounting guidance for contributions received and made and assists entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance, and in determining whether a contribution is conditional. Child Advocates adopted ASU 2018-08 on July 1, 2019.

(3) RESTATEMENT

During 2020, management recorded a prior period adjustment in the financial statements to release capital funds from prior year capital campaign that had been spent for its donor restricted purpose. This adjustment increased net assets without donor restrictions and decreased net assets with donor restrictions by \$356,291 at July 1, 2018.

(4) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects Child Advocates' financial assets as of the statement of financial position date, which has been reduced by financial assets not available within one year.

Cash	\$ 1,538,676
Grant contracts receivable	611,191
Unconditional promises to give	104,000
Investments	<u>5,345,457</u>
Total financial assets	7,599,324
Less: financial assets not available for general expenditures within one year	
Restricted by donor for specific purposes or periods	(25,460)
Board designated endowment (not available for distribution within one year)	<u>(5,269,493)</u>
Total financial assets available for general expenditures within one year	<u>\$ 2,304,371</u>

SUPPORT CENTER FOR CHILD ADVOCATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Liquidity Management

Child Advocates regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Child Advocates has been able to maintain financial assets to meet approximately 4 months of operating expenses (not included contributed services). As part of its liquidity plan, excess cash may in the future be invested in short-term investments, including money market accounts.

(5) UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give of \$104,000 as of June 30, 2020 are all expected to be collected in 2021.

(6) INVESTMENTS

Investments consisted of the following at June 30, 2020:

Fixed income	\$ 1,577,758
Equity mutual funds	<u>3,767,699</u>
	<u>\$ 5,345,457</u>

Investment income was comprised of the following for the year ended June 30, 2020:

Interest and dividends	\$ 180,549
Unrealized and realized loss	(96,059)
Investment management fees	<u>(21,732)</u>
	<u>\$ 62,758</u>

(7) ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

The following is a summary of assets measured at fair value on a recurring basis and the valuation inputs used to value them at June 30, 2020:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
Fixed Income:				
US Treasury Bonds and Notes	\$ 54,591	\$ 54,591	\$ -	\$ -
US Corporate Bonds	934,667	-	934,667	-
Foreign Bond Fund	148,340	-	148,340	-
Short Term Bond Fund	193,867	-	193,867	-
High Yield Bond Fund	191,125	-	191,125	-
Municipal Bonds	55,168	-	55,168	-
Mutual Funds and ETFs:				
Domestic	2,591,022	2,591,022	-	-
Foreign	784,035	784,035	-	-
Other	<u>392,642</u>	<u>392,642</u>	<u>-</u>	<u>-</u>
Total assets measured at fair value	<u>\$ 5,345,457</u>	<u>\$ 3,822,290</u>	<u>\$ 1,523,167</u>	<u>\$ -</u>

SUPPORT CENTER FOR CHILD ADVOCATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(8) EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consist of the following as of June 30, 2020:

Equipment	\$ 126,332
Leasehold improvements	<u>41,859</u>
	168,191
Less accumulated depreciation	<u>(83,338)</u>
Total equipment and leasehold improvements	<u>\$ 84,853</u>

Depreciation expense was \$26,241 for the year ended June 30, 2020.

(9) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30, 2020:

	<u>Restated balance June 30, 2019</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance June 30, 2020</u>
Purpose restrictions				
Capital fund	\$ -	\$ 25,460	\$ (2,759)	\$ 22,701
Behavioral health	250,000	-	(83,000)	167,000
Victims assistance	19,000	19,000	(19,000)	19,000
For future periods	<u>243,500</u>	<u>136,269</u>	<u>(233,500)</u>	<u>146,269</u>
	<u>\$ 512,500</u>	<u>\$ 180,729</u>	<u>\$ (338,259)</u>	<u>\$ 354,970</u>

(10) CONTRIBUTED SERVICES AND IN-KIND CONTRIBUTIONS

Child Advocates has recognized the following contributed services, facilities and other in-kind items as of June 30, 2020:

<u>Contributor</u>	<u>Name of Contribution</u>	<u>Fair Value</u>
Attorneys and paralegals	Legal services	\$ 5,100,228
Various	Other volunteer services	38,600
Various	Advertising	37,350
Various	Toys, gifts, certificates	117,810
Various	Rent	13,264
Reliable Copy Service	Printing	<u>2,784</u>
		<u>\$ 5,310,036</u>

SUPPORT CENTER FOR CHILD ADVOCATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(11) LOAN FORGIVENESS

In April 2020, Child Advocates borrowed \$592,300 under the Paycheck Protection Program funded by the Coronavirus Aid, Relief and Economic Security (CARES) Act. This loan is underwritten by Republic Bank and bears interest at 1% maturing May 1, 2022. This loan may be forgiven if the proceeds are used in accordance with the terms of the program. The Organization believes it has complied with the terms of the program and expects payment relief therefore this amount has been recorded as an increase in net assets on the statement of activities. Child Advocates has not received official confirmation of the forgiveness but believes all conditions have been met to recognize revenue.

(12) BOARD DESIGNATED NET ASSETS AND ENDOWMENT FUNDS

Child Advocates created a Board designated investment fund that was designed to function like an endowment. While the funds are not donor restricted, Child Advocates' by-laws and written investment policy limits withdrawals from the fund. It is Board policy to preserve the principal for long term purposes.

An accounting standard exists that provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("**UPMIFA**"). Child Advocates is not subject to this guidance since Pennsylvania has not enacted a version of UPMIFA. The standard also requires additional disclosures about an organization's endowment funds (both with or without donor restriction) whether or not the organization is subject to UPMIFA.

The endowment fund is invested in a diversified mix of high-quality fixed income securities, equities and corporate bonds which are projected to produce above average real returns without exposing the portfolio to excess risk. Child Advocates' objective is to earn a reasonable, long-term, risk adjusted total rate of return to support its programs. Child Advocates has adopted investment policies that prioritize the safety of the investment principal above investment earnings or investment appreciation. Income may be distributed at the sole discretion of the Board of Directors as either a percentage of the portfolio's value on a specific date each year (or a rolling average of previous years' values) or as a fixed dollar amount. Due care will be taken to preserve the principal of the endowment.

To satisfy its long-term rate of return objectives, Child Advocates utilizes a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yields (dividends). Child Advocates established the investment allocation guideline, which allocates up to 25% to fixed income securities, up to 65% to equities and up to 10% in other investments. Child Advocates closely monitors its investment allocation to determine its continued applicability based on the performance of the portfolio and market strategies. The allocation is reviewed quarterly and adjusted based on the recommendation from the investment advisor and circumstances of market conditions.

Changes in the endowment assets for the years ended June 30, 2020 is as follows:

	<u>Without Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 5,654,851
Contributions	-
Investment income/loss	81,516
Distribution of endowment assets	(225,417)
Fees	<u>(21,895)</u>
Endowment net assets, end of year	<u>\$ 5,489,055</u>

SUPPORT CENTER FOR CHILD ADVOCATES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(13) RETIREMENT PLAN

Child Advocates has established a SIMPLE 401(k) retirement plan for the benefit of its employees who meet certain age and service requirements. Retirement plan expense was \$102,622 in 2020.

(14) LEASE COMMITMENTS

Effective July 15, 2016, Child Advocates entered into a lease for its new facility located at 1617 John F. Kennedy Boulevard, Philadelphia, Pennsylvania. This operating lease expires on September 15, 2023.

Scheduled future minimum lease payments are as follows:

Year ended June 30,

2021	284,780
2022	288,040
2023	291,299
2024	<u>48,550</u>
	<u>\$ 912,669</u>

(15) SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 25, 2020, the date on which the financial statements were available to be issued. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our clients and employees and impact on our donors and their level of contributions, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain. No other material subsequent events have occurred since June 30, 2020 that require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

SUPPORT CENTER FOR CHILD ADVOCATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2020

<u>Federal Grantor/Pass Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Award Period</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Justice</u>				
Pass-Through Pennsylvania Commission of Crime and Delinquency				
Crime Victim Assistance (Child Victim Assistance Project)	16.575	2018-VF-05-30987	07/01/19-09/30/20	\$ 415,319
Crime Victim Assistance (Enhancing Victim)	16.575	2018-VF-05-29237	04/01/19-09/30/21	81,825
Crime Victim Assistance (Underserved Child Victims in Philadelphia)	16.575	2016-VF-05-27090	10/01/16-09/30/19	82,523
Crime Victim Assistance (Underserved Child Victims in Philadelphia)	16.575	2018-VF-05-30988	10/01/19-09/30/20	102,633
Crime Victim Assistance (Child Victim Assistance Project)	16.575	2017-VF-05-28229	04/01/18-09/30/20	159,345
Crime Victim Assistance (Philadelphia Juvenile Victims of Human Trafficking)	16.575	2017/2018-VF-05-29243	04/01/19-09/30/21	<u>16,964</u>
Total U.S. Department of Justice				<u>858,609</u>
<u>Department of Health and Human Services</u>				
Pass-Through Pennsylvania Department of Human Services				
Developmental Disabilities Basic Support and Advocacy Grants (School to Prison Pipeline - Re-Entry)	93.630	4100077308	07/01/19-06/30/21	<u>50,442</u>
Total Department of Health and Human Services				<u>50,442</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 909,051</u>

Note: There were no awards passed through to subrecipients

SUPPORT CENTER FOR CHILD ADVOCATES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2020

(1) GENERAL INFORMATION

The accompanying schedule of expenditures of federal awards presents the activities in all the federal award programs of Support Center for Child Advocates ("**Child Advocates**"). All financial assistance received directly from federal agencies, as well as federal financial awards passed through other governmental and nonprofit agencies, are presented on the schedule of expenditures of federal awards. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("**Uniform Guidance**"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

(3) INDIRECT COSTS

Child Advocates has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

(4) RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal awards expenditures are reported on the statement of activities and functional expenses as program services. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the schedule of expenditures of federal awards due to program expenditures exceeding grant or contract budget limitations which are not included as federal awards.

SUPPORT CENTER FOR CHILD ADVOCATES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2020

There were no audit findings for the year ended June 30, 2019.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Support Center for Child Advocates
Philadelphia, Pennsylvania

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in **Government Auditing Standards** issued by the Comptroller General of the United States, the financial statements of Support Center for Child Advocates ("**Child Advocates**") (a non-profit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 25, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Child Advocates' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Child Advocates' internal control. Accordingly, we do not express an opinion on the effectiveness of Child Advocates' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Child Advocates' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under **Government Auditing Standards**.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Child Advocates 's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Child Advocates' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BBD 2LP

**Philadelphia, Pennsylvania
November 25, 2020**



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

**Board of Directors
Support Center for Child Advocates
Philadelphia, Pennsylvania**

Report on Compliance for Major Federal Program

We have audited Support Center for Child Advocates ("**Child Advocates**") compliance with the types of compliance requirements described in the **OMB Compliance Supplement** that could have a direct and material effect on the Alliance's major federal program for the year ended June 30, 2020. Child Advocates' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Alliance's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* ("**CFR**") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "**Uniform Guidance**"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Alliance's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Alliance's compliance.

Opinion on Major Federal Program

In our opinion, Child Advocates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Child Advocates is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Child Advocates' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Child Advocates' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Handwritten signature in black ink, consisting of the letters 'BBD' followed by the number '218'.

Philadelphia, Pennsylvania
November 25, 2020

SUPPORT CENTER FOR CHILD ADVOCATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2020

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Support Center for Child Advocates were presented in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Support Center for Child Advocate were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award program are reported in the independent auditor's report on compliance for each major federal program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award program expresses an unmodified opinion on the major federal program.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance.
7. The program tested as a major program was:
 Crime Victim Assistance – CFDA Number 16.575
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Support Center for Child Advocates did not qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None