

Children's Place, Inc.

Report on the Financial Statements

For the years ended December 31, 2019 and 2018

elliott davis

Children’s Place, Inc.

Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6-7
Notes to the Financial Statements.....	8-20
Report on Internal Controls and Compliance	
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	21-22
Schedule of Findings	23

Independent Auditor's Report

The Board of Directors
Children's Place, Inc.
Aiken, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Children's Place, Inc. ("Children's Place") which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, cash flows, and functional expenses for the years 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 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 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 Children's Place, Inc. as of December 31, 2019 and 2018 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2020 on our consideration of Children's Place, Inc.'s 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 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 Children's Place, Inc.'s 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 Children's Place, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Augusta, Georgia
August 21, 2020

Children's Place, Inc.

Statements of Financial Position

As of December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
<i>Current assets</i>		
Cash and cash equivalents	\$ 740,123	\$ 742,307
Accounts receivable, net	276,952	125,425
Current portion of promises to give, net	288,413	395,623
Prepaid expenses	11,541	10,586
Total current assets	<u>1,317,029</u>	<u>1,273,941</u>
<i>Non-current assets</i>		
Long-term portion of promises to give, net	58,791	101,070
Property and equipment, net	551,384	596,117
Total non-current assets	<u>610,175</u>	<u>697,187</u>
Total assets	<u>\$ 1,927,204</u>	<u>\$ 1,971,128</u>
Liabilities and Net Assets		
<i>Current liabilities</i>		
Accounts payable	\$ 53,788	\$ 35,458
Line of credit	122,484	136,184
Accrued liabilities	48,478	93,314
Current portion of notes payable	-	76,936
Total current liabilities	<u>224,750</u>	<u>341,892</u>
<i>Long-term liabilities</i>		
Related party note payable	30,000	30,000
Long-term portion of notes payable, net	130,717	151,004
	<u>160,717</u>	<u>181,004</u>
<i>Net assets</i>		
Without donor restrictions	332,117	358,093
With donor restrictions	1,209,620	1,090,139
Total net assets	<u>1,541,737</u>	<u>1,448,232</u>
Total liabilities and net assets	<u>\$ 1,927,204</u>	<u>\$ 1,971,128</u>

See Notes to the Financial Statements

Children's Place, Inc.**Statements of Activities****For the years ended December 31, 2019 and 2018**

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Public support, revenues and reclassifications						
United Way	\$ 22,788	\$ 196,459	\$ 219,247	\$ 18,990	\$ 211,300	\$ 230,290
Contributions	182,273	-	182,273	72,369	-	72,369
Grants	333,475	-	333,475	332,195	-	332,195
Special events, net	210,529	-	210,529	181,075	-	181,075
Program service fees	1,288,323	-	1,288,323	1,259,940	-	1,259,940
Interest	7,240	-	7,240	2,363	-	2,363
Capital campaign contributions	-	160,150	160,150	-	272,288	272,288
Miscellaneous	9,109	-	9,109	8,733	-	8,733
	<u>2,053,737</u>	<u>356,609</u>	<u>2,410,346</u>	<u>1,875,665</u>	<u>483,588</u>	<u>2,359,253</u>
Net assets released from restrictions - satisfaction of time or usage restrictions	237,128	(237,128)	-	269,713	(269,713)	-
	<u>2,290,865</u>	<u>119,481</u>	<u>2,410,346</u>	<u>2,145,378</u>	<u>213,875</u>	<u>2,359,253</u>
Expenses						
Program services	2,227,084	-	2,227,084	2,167,326	-	2,167,326
Management and general	39,727	-	39,727	35,334	-	35,334
Fundraising	50,030	-	50,030	52,527	-	52,527
	<u>2,316,841</u>	<u>-</u>	<u>2,316,841</u>	<u>2,255,187</u>	<u>-</u>	<u>2,255,187</u>
Increase (decrease) in net assets	(25,976)	119,481	93,505	(109,809)	213,875	104,066
Net assets, beginning of year	<u>358,093</u>	<u>1,090,139</u>	<u>1,448,232</u>	<u>467,902</u>	<u>876,264</u>	<u>1,344,166</u>
Net assets, end of year	<u>\$ 332,117</u>	<u>\$ 1,209,620</u>	<u>\$ 1,541,737</u>	<u>\$ 358,093</u>	<u>\$ 1,090,139</u>	<u>\$ 1,448,232</u>

See Notes to the Financial Statements

Children's Place, Inc.

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating activities		
Increase in net assets	\$ 93,505	\$ 104,066
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	44,732	33,816
Change in discount recognized on promises to give	9,990	23,571
Interest on deferred financing costs	(485)	102
Interest on discount of notes payable	6,312	5,725
Changes in operating assets and liabilities:		
Accounts receivable	(151,527)	108,183
Promises to give	135,257	93,004
Prepaid expenses	(955)	(1,238)
Accounts payable	18,330	(10,930)
Accrued liabilities	(44,836)	(9,686)
Net cash provided by operating activities	<u>114,565</u>	<u>346,613</u>
Investing activities		
Purchases of property and equipment	-	(139,056)
Proceeds from beneficial interest in assets held by Community Foundation	-	40,283
Net cash used in investing activities	<u>-</u>	<u>(98,773)</u>
Financing activities		
Proceeds from notes payable	-	35,000
Repayments of principal on notes payable	(103,050)	(9,991)
Proceeds from related party notes payable	-	30,000
Net (repayments to) draws on line of credit	(13,700)	46,425
Net cash (used in) provided by financing activities	<u>(116,750)</u>	<u>101,434</u>
Net (decrease) increase in cash and cash equivalents	(2,185)	349,274
Cash and cash equivalents, beginning of year	<u>742,307</u>	<u>393,033</u>
Cash and cash equivalents, end of year	<u>\$ 740,122</u>	<u>\$ 742,307</u>
Cash paid for:		
Interest	<u>\$ 17,146</u>	<u>\$ 10,457</u>

See Notes to the Financial Statements

Children's Place, Inc.**Statement of Functional Expenses****For the year ended December 31, 2019**

	Program Services	Management and General	Fundraising	Total Expenses
Expenses				
Salaries	\$ 1,426,072	\$ 21,567	\$ 29,765	\$ 1,477,404
Employee benefits	113,704	1,692	497	115,893
Payroll taxes	107,044	1,618	2,232	110,894
Supplies	82,213	1,613	3,123	86,949
Food	65,907	-	-	65,907
Insurance	53,217	-	-	53,217
Repairs	50,877	-	-	50,877
Depreciation	44,733	-	-	44,733
Professional fees	42,179	870	435	43,484
Travel	30,796	-	86	30,882
Consulting services	29,161	-	614	29,775
Training	27,175	-	295	27,470
IT services	15,204	3,892	7,188	26,284
Bad debt	24,988	-	-	24,988
Interest	22,973	-	-	22,973
Fuel	18,780	-	-	18,780
Occupancy	14,990	2,563	-	17,553
Telephone	14,537	2,485	-	17,022
Contract services - office	12,568	2,149	-	14,717
Miscellaneous	10,153	-	282	10,435
Public relations	1,849	-	5,513	7,362
Health and safety	5,760	-	-	5,760
Advertising	5,632	-	-	5,632
Rent	4,242	-	-	4,242
Membership dues	2,330	1,278	-	3,608
	<u>\$ 2,227,084</u>	<u>\$ 39,727</u>	<u>\$ 50,030</u>	<u>\$ 2,316,841</u>

See Notes to the Financial Statements

Children's Place, Inc.**Statement of Functional Expenses****For the year ended December 31, 2018**

	Program Services	Management and General	Fundraising	Total Expenses
Expenses				
Salaries	\$ 1,352,630	\$ 21,388	\$ 15,661	\$ 1,389,679
Employee benefits	129,747	1,976	-	131,723
Supplies	119,333	2,435	-	121,768
Payroll taxes	100,686	1,604	1,159	103,449
Food	68,881	-	-	68,881
Consulting services	32,560	-	35,310	67,870
Insurance	49,093	-	-	49,093
Professional fees	38,508	794	397	39,699
Repairs	36,871	-	-	36,871
IT services	34,768	710	-	35,478
Depreciation	33,816	-	-	33,816
Training	29,136	-	-	29,136
Travel	26,039	-	-	26,039
Fuel	22,310	-	-	22,310
Occupancy	19,648	401	-	20,049
Telephone	16,801	343	-	17,144
Contract services - office	16,123	329	-	16,452
Interest	16,284	-	-	16,284
Miscellaneous	7,696	191	-	7,887
Health and safety	7,701	-	-	7,701
Membership dues	4,832	1,532	-	6,364
Public relations	-	3,631	-	3,631
Rent	2,033	-	-	2,033
Advertising	1,475	-	-	1,475
Parent direct support	355	-	-	355
	<u>\$ 2,167,326</u>	<u>\$ 35,334</u>	<u>\$ 52,527</u>	<u>\$ 2,255,187</u>

See Notes to the Financial Statements

Children's Place, Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

Note 1. Summary of Significant Accounting Policies and Activities

Organization and activities:

Children's Place, Inc. ("Children's Place"), incorporated in the State of South Carolina, is a 501(c)(3) nonprofit child and family services organization providing early, proven services that achieve immediate and lasting advances for at-risk children and families. Our work with children and families builds and sustains families so our communities are safer and healthier. Children's Place offers six programs to support families and children. They are:

- Child and Family Development Program – a Joint Commission accredited Rehabilitative Behavioral Health Program treating children ages 2 thru 6 years of age and their families. Each family works with a Parent Consultant so they are engaged in creating stronger safer environments for their children.
- Community Based Prevention Services – an in-home family treatment program offering proven, effective interventions for families whose children are alleged to have low or moderate risk factors for child maltreatment. These families are screened and referred by the South Carolina Department of Social Services in 6 counties in the western midlands of South Carolina- Aiken, Barnwell, Bamberg, McCormick, Edgefield, and Saluda. A primary parenting consultant helps each family assess their needs and develop a plan so they can become a safer, more secure environment for their children.
- Family Strengthening Program – a 14-week, evidence-based program designed to build a family's capacity to communicate and care for each other. This program is positive and affirming to children and parents alike. It is offered twice annually.
- Beds for Babies – This program connects families with safe sleep education and provides Graco Pack-N-Plays for all our community partners whenever needed. Lack of income will never be the cause of babies sleeping in an unsafe place. These cribs are purchased through Cribs for Kinds and funded with a grant from the Women's Leadership Council of the United Way of Aiken County.

Basis of accounting:

The financial statements of Children's Place have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Children's Place, Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Net assets:

Children's Place's net assets are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Children's Place's management and the board of directors.

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Children's Place or by the passage of time (that is, when a stipulated time restriction ends or purpose restriction is accomplished). Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Children's Place has no donor restrictions perpetual in nature at December 31, 2019 and 2018.

Use of estimates:

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

Support and expenses:

Contributions received are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. Contributions recorded as support with donor restrictions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Children's Place reports gifts of goods and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Children's Place reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Children's Place records earnings and contributions that are subject to donor-imposed stipulations that neither expire by the passage of time, nor can be fulfilled or removed by actions of Children's Place as net assets with donor restrictions. Children's Place did not have any of these net assets as of December 31, 2019 and 2018.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Children's Place, Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Support and expenses, continued:

Children's Place earns revenues from various program service contracts and grants related to its mission. Revenues from those contracts and grants are earned as the program services are provided or for grants, as the grant requirements are met. Revenues recorded under these contracts and grants are subject to further examinations by the awarding agencies (see Note 9, Contingencies).

The Organization has adopted Accounting Standards Update ("ASU") No. 2014-09 - *Revenue from Contracts with Customers* (Topic 606), as amended as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Disaggregation of revenue:

In the following table, net revenue is disaggregated by timing of satisfaction of performance obligations for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Performance obligations satisfied at a point in time	\$ 1,675,351	\$ 1,724,399
Performance obligations satisfied over time	333,475	332,195
	<u>2,008,826</u>	<u>2,056,594</u>

Promises to give:

Promises to give consist of promises for a capital campaign and a United Way promise to give from awards for each respective fiscal year. Promises to give are stated in the Statements of Financial Position at their estimated net realizable value. Promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded net of an allowance for doubtful promises to give receivable and discounted for those receivable over a period greater than one year. Children's Place uses the allowance method of recording bad debts on promises to give.

Allowance for doubtful accounts:

An allowance for doubtful accounts is computed and recorded based upon a percentage of the managed care organization accounts receivable outstanding.

Children's Place, Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Cash and cash equivalents:

Children's Place considers investments with an original maturity of three months or less to be cash equivalents. Checks received, but not deposited are classified as cash equivalents. The amount of these undeposited funds classified as cash equivalents as of December 31, 2019 and 2018 were \$13,975 and \$49,077, respectively.

Availability of funds for general expenditures:

Children's Place has certain net assets that are available for general expenditures within one year of December 31, 2019 and 2018 based on conducting the normal activities of its programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year (see Note 2, Availability and Liquidity).

Deferred financing costs:

Debt issuance costs are presented as a direct deduction from the carrying amount of the related debt liability, consistent with the presentation of debt discounts.

Deferred financing costs are amortized over the term of the respective loan on a straight-line basis, which approximates the effective interest method. Children's Place incurred deferred financing costs of \$1,366 for the year ended December 31, 2016, in connection with the acquisition of long-term debt. The unamortized balance as of December 31, 2019 and 2018, was \$958 and \$1,060, respectively. Amortization of \$102 was included in interest expense for both the years ended December 31, 2019 and 2018. Unamortized deferred financing costs are reported as a direct reduction of notes payable in the Statements of Financial Position.

Property and equipment:

Property and equipment are stated at cost or, for items donated, the estimated fair value at the date received. Expenditures are capitalized when greater than \$2,000. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets. Property and equipment are reviewed on an ongoing basis for impairment based upon comparison of carry value against fair value. If an impairment is identified, the assets' carrying amounts are adjusted to fair value in the year identified.

Amortization:

The discount under the noninterest-bearing note will be amortized over the 10-year term of the note using the effective interest method.

Donated services:

Children's Place receives substantial support from community volunteers through donated services. No amounts have been recognized in the accompanying Statements of Activities because the criteria for recognition of such volunteer efforts have not been satisfied.

Children's Place, Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Income taxes:

Children's Place is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Children's Place is also exempt from South Carolina income taxes. Children's Place is not aware of any uncertain tax positions as of December 31, 2019.

Advertising costs:

Costs incurred for advertising are expensed when incurred and reported in the Statements of Activities, which generally is when the advertising first takes place. Advertising costs for the years ended December 31, 2019 and 2018 were \$5,632 and \$1,475, respectively.

Concentrations of risk:

Children's Place is exposed to a concentration of credit risk consisting primarily of its cash and cash equivalents. Children's Place's cash and cash equivalent balances may at times exceed federally insured amounts.

Functional expenses:

Certain expenses are charged directly to program services, management and general, and fundraising categories based on specific identification. Indirect expenses have been allocated based on management's estimates.

Expense allocation:

The costs of providing various programs and activities have been summarized on a functional basis in the Statements of Activities and Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses of Children's Place include:

Program expenses - Program expenses include direct and allocated costs to operate Children's Place.

Management and general expenses - Management and general expenses include the general, administrative, and operating costs of Children's Place.

Fundraising expenses - These expenses include direct and indirect activities undertaken to solicit contributions from donors.

Children's Place, Inc.**Notes to the Financial Statements****December 31, 2019 and 2018**

Note 1. Summary of Significant Accounting Policies and Activities, Continued

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated and the method of allocation include:

<u>Expense Type</u>	<u>Method of Allocation</u>
Salaries	Time and effort
Employee benefits	Time and effort
Payroll taxes	Time and effort
Consulting services	Direct costs to programs and fundraising
IT services	Direct costs to programs; remaining to management/general
Supplies	Direct costs to programs; remaining to management/general
Professional fees	Direct costs to programs, management/general, and fundraising
Membership dues	Direct costs to programs; remaining to management/general
Telephone	Direct costs to programs; remaining to management/general
Occupancy	Direct costs to programs; remaining to management/general
Contract services-office	Direct costs to programs; remaining to management/general
Miscellaneous	Direct costs to programs; remaining to management/general
Travel	Direct costs to programs and fundraising
Training	Direct costs to programs and fundraising
Public Relations	Direct costs to programs and fundraising

Children's Place, Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

Note 1. Summary of Significant Accounting Policies and Activities, Continued

New accounting pronouncements:

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, an update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The clarifying guidance will be effective for annual periods beginning after December 15, 2019. Early adoption is permitted. Children's Place is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on Children's Place's net assets or changes in net assets.

Subsequent events:

These financial statements have not been updated for subsequent events occurring after August 21, 2020, which is the date these financial statements were available to be issued.

Note 2. Availability and Liquidity

Assets available for general expenditure, that are without donor or other restrictions limiting their use within one year of the Statement of Financial Position date are comprised of the following at December 31:

	<u>2019</u>	<u>2018</u>
Assets at year end	\$ 1,927,204	\$ 1,971,128
Less amounts not available to be used within one year due to liquidity:		
Prepaid assets	(11,541)	(10,586)
Long-term portion of promises to give, net	(58,791)	(101,070)
Property and equipment, net	(551,384)	(596,117)
	<u>(621,716)</u>	<u>(707,773)</u>
Less amounts not available to be used within one year due to:		
Donor imposed restrictions:		
Promises to give, net	(288,413)	(395,623)
Assets available to meet cash needs for general expenditures within one year	<u>\$ 1,017,075</u>	<u>\$ 867,732</u>

As part of its liquidity plan, Children's Place has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. Children's Place invests excess cash in an interest bearing account. Children's Place also maintains a line of credit in which \$27,516 and \$31,816 remained available as of December 31, 2019 and 2018, respectively.

Children's Place, Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

Note 3. Accounts Receivable

Accounts receivable consisted of program service fees earned under related service contracts, as follows as of December 31:

	<u>2019</u>	<u>2018</u>
Transportation	\$ 6,338	\$ 4,978
Medicaid	165,051	85,710
Specialized Alternatives for Families and Youth	44,070	31,154
Grants	115,000	25,119
Other	15,406	9,820
	<u>345,865</u>	<u>156,781</u>
Allowance for doubtful accounts	(68,913)	(31,356)
	<u>\$ 276,952</u>	<u>\$ 125,425</u>

See also Note 13, Concentrations.

Note 4. Promises to Give

Promises to give consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 306,577	\$ 395,623
1-5 years	63,670	170,914
	<u>370,247</u>	<u>566,537</u>
Less: allowance for doubtful accounts	(18,164)	(46,273)
Less: discount on promises to give	(4,879)	(23,571)
	<u>\$ 347,204</u>	<u>\$ 496,693</u>
Current portion	\$ 288,413	\$ 395,623
Long-term net of allowance and discount	58,791	101,070
Net promises to give	<u>\$ 347,204</u>	<u>\$ 496,693</u>

Promises to give greater than one year are discounted at 5.5% at December 31, 2019 and 2018. One donor made up approximately 51% of total promises to give at December 31, 2019. One donor made up approximately 34% of total promises to give at December 31, 2018.

Children's Place, Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

Note 5. Property and Equipment

Property and equipment consisted of the following as of December 31:

	<u>Estimated Useful Lives</u>	<u>2019</u>	<u>2018</u>
Land		\$ 66,587	\$ 66,587
Building and improvements	5-40 years	556,420	556,420
Educational and playground equipment	7 years	15,861	16,327
Office equipment	5-7 years	95,521	108,243
Furniture and fixtures	7 years	42,256	48,158
Vehicles	5 years	120,154	184,754
		<u>896,799</u>	<u>980,489</u>
Less: accumulated depreciation		<u>(345,415)</u>	<u>(384,372)</u>
		<u>\$ 551,384</u>	<u>\$ 596,117</u>

Depreciation expense recorded by Children's Place for the years ended December 31, 2019 and 2018 was \$44,733 and \$33,816, respectively.

Note 6. Line of Credit

Children's Place maintained a line of credit with a financial institution with a maximum amount of \$125,000 with an interest rate of Wall Street Journal Prime plus 1.0% with a floor of 5.0%. The line of credit was renewed in November 2016 under the same terms, except for a reduced floor of 4.5%, and extended until November 13, 2017. In February 2017, the line of credit was amended to increase the maximum amount to \$150,000 with an interest rate of Wall Street Journal Prime plus 1.0% with a floor of 5.0%. The amended line expired August 19, 2019, and is secured by the assets of Children's Place. This \$150,000 line of credit was renewed in September 2019 with a revised maturity date of October 14, 2020 and an interest rate of 6%. The line of credit had a balance of \$122,484 (interest at 6%) and \$136,184 (interest at Prime +1 %) at December 31, 2019 and 2018, respectively. See also Note 15.

Children's Place, Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

Note 7. Notes Payable

	December 31,	
	2019	2018
Note payable to a non-profit corporation, with an original principal amount of \$182,500. The seller-financed note is noninterest-bearing. However, to reflect the time value of money, the liability recorded in the financial statements reflects future payments discounted at an imputed interest rate of 5.0%, which approximates Children's Place's long-term borrowing rate. No payments are due until the note's maturity on April 12, 2026. The outstanding principal may also be satisfied by transferring ownership of four specified land tracts and a building currently owned by Children's Place to the non-profit corporation prior to the maturity date. The note is collateralized by related real estate.	\$ 182,500	\$ 182,500
Note payable to a financial institution, with an original principal amount of \$100,579 and accrued interest at a fixed rate of 4.65%. Principal and interest are to be paid in monthly installments of \$916, with the remaining unpaid principal and interest due at maturity. The note is collateralized by the related real estate and matured on August 18, 2019. The note was paid off in 2019.	-	70,573
Note payable to a financial institution, with an original principal amount of \$35,000 and accrued interest at a fixed rate of 6%. Principal and interest are to be paid in monthly installments of \$678, with the remaining unpaid principal and interest due at maturity. The note is collateralized by the related vehicle and matures on July 11, 2023. The note was paid off in 2019.	-	32,477
	<u>182,500</u>	<u>285,550</u>
Less: current portion	-	(76,936)
Less: discount on noninterest-bearing note payable	(50,825)	(56,550)
Less: deferred financing costs	(958)	(1,060)
	<u>\$ 130,717</u>	<u>\$ 151,004</u>

Children's Place, Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or time as of December 31:

	<u>2019</u>	<u>2018</u>
United Way	\$ 189,900	\$ 189,900
Cassandra Fund	360	360
Capital campaign contributions	1,019,327	899,846
Books	33	33
Total net assets with donor restrictions	<u>\$ 1,209,620</u>	<u>\$ 1,090,139</u>

Net assets were released from donor restrictions by incurring the expenses satisfying the purpose restrictions specified by donors, as follows:

	<u>2019</u>	<u>2018</u>
United Way	\$ 189,900	\$ 189,900
Capital campaign contributions	40,669	58,446
Palmetto Bus	-	20,000
Other	6,559	1,367
	<u>\$ 237,128</u>	<u>\$ 269,713</u>

Note 9. Contingencies

Children's Place's major sources of revenues are contracts with government agencies. Children's Place must apply for annual renewals of these contracts. Funding is subject to both increases and decreases at the discretion of the contractors, and some agreements call for termination by either party contingent upon certain conditions. Revenues recorded under various contracts are subject to further examination by the awarding agencies. Management believes amounts that could be disallowed, if any, are not material.

Note 10. Operating Lease

Children's Place entered into an agreement during 2015 with the United Center for Community Care in Greenwood, South Carolina for office space. Monthly payments of \$396 began in August 2015. The lease term is one year and automatically renews annually unless either party gives notice. In 2018, the Organization terminated its lease agreement at the Greenwood, South Carolina location. Total rental expense, including this lease, for the year ended December 31, 2018 was \$2,033.

Children's Place, Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

Note 11. Assets Held by the Community Foundation

Children's Place had transferred assets to The Community Foundation for the Central Savannah River Area (the "Community Foundation") which were holding them as an endowed component fund ("Fund") for the benefit of Children's Place. Children's Place had granted the Community Foundation variance power which gave the Community Foundation's Board of Directors the power to use the Fund for other purposes in certain circumstances. The Fund was subject to the Community Foundation's investment and spending policies. Annually, the Children's Place Endowment Committee reviewed the Funds income and earnings to determine if a distribution is needed from the Fund to Children's Place. Any portion of the income and earnings not expended in any given year was accumulated and reinvested by the Community Foundation. Such accumulations are defined as income and were available for use in subsequent years to sustain the mission of Children's Place. The account was closed during the year ended December 31, 2018.

Note 12. Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Children's Place, Inc.

Notes to the Financial Statements

December 31, 2019 and 2018

Note 12. Fair Value Measurements, Continued

Promises to give: Promises to give are reported at net realizable value if at the time the promise to give is made payment is expected to be received in one year or less. The fair value for the amounts expected after one year is determined by calculating the present value using a 5.5% discount rate.

Promises to give is considered a Level 2 asset and was valued before allowance at \$347,204, and \$496,693 as of December 31, 2019 and 2018, respectively.

Note 13. Concentrations

During 2019, approximately 46% of Children's Place's revenue was from one agency. At December 31, 2019, approximately 48% of Children's Place's accounts receivable was from this agency. An additional 46% of Children's Place's accounts receivable was from another two agencies.

During 2018, approximately 22% of Children's Place's revenue was from two agencies. At December 31, 2018, approximately 54% of Children's Place's accounts receivable was from these two agencies. An additional 36% of Children's Place's accounts receivable was from another two agencies.

Note 14. Related Party Transactions

In November 2018, Peggy Ford, Children's Place's Executive Director, loaned the Organization \$30,000 to be paid back within two years. The non-interest bearing note is unsecured. Children's Place determined the imputed interest is immaterial. See also Note 15.

Note 15. Subsequent Events

In February 2020, the Organization paid off their line of credit.

In June 2020, the Organization paid off the related party loan to Peggy Ford, Children's Place's Executive Director, including interest of \$6,600.

In June 2020, the Organization purchased a new bus of approximately \$58,000 of which approximately \$30,000 was financed.

The 2019 novel coronavirus (or "COVID-19") has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. It is unknown the extent to which COVID-19 may spread, may have a destabilizing effect on financial and economic activity and may increasingly have the potential to negatively impact the Organization, and the U.S. economy. These conditions could adversely affect the Organization's financial condition. Further, COVID-19 may result in health or other government authorities requiring the closure of the Organization's operations or other businesses of the Organization's donors, which could significantly disrupt the Organization's operations and the operations of the Organization's donors. The Organization received approximately \$348,000 in Paycheck Protection Program ("PPP Loan") under the CARES Act to pay for payroll. The extent of the adverse impact of the COVID-19 outbreak on the Organization cannot be predicted at this time.

Report on Internal Controls and Compliance

**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***

The Board of Directors
Children’s Place, Inc.
Aiken, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Children’s Place, Inc. (“Children’s Place”), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Children’s Place’s 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 Children’s Place’s internal control. Accordingly, we do not express an opinion on the effectiveness of Children’s Place’s 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, statements will not be prevented, or detected and corrected 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 Children's Place's 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 the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Augusta, Georgia
August 21, 2020

Children's Place, Inc.

Schedule of Findings

December 31, 2019

Section I – Summary of Auditor's Results

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiencies identified not considered to be material weaknesses? None noted

Noncompliance material to financial statements noted? No

Section II – Financial Statement Findings

None

Section III – Compliance Findings

None

Section IV - Summary Schedule of Prior Year Findings

None