

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 & 2017

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WILLIAM C. SPORE, P.C.
Certified Public Accountants
200 N. Rufe Snow Drive, Ste 116
Keller, TX 76248
817-421-6619

Independent Auditor's Report

To the Board of Directors of
Child Protective Services Community Partners, Inc.

I have audited the accompanying consolidated financial statements of Child Protective Services Community Partners, Inc. (a nonprofit organization) and its subsidiary (CPD Real Estate Holdings, Inc.), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit 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 assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design 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, I express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that my audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Child Protective Services Community Partners, Inc. and its subsidiary as of December 31, 2018 and 2017, 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.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information including the consolidating schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the consolidated 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 auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

William C. Spore, P.C.

Keller, Texas

April 29, 2019

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 & 2017

	CONSOLIDATED	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash & Cash Equivalents	\$ 1,558,482	\$ 373,309
Certificate of Deposit	488,721	567,042
Unconditional Promises to Give, Net	342,954	778,432
Prepaid Expenses	83,042	73,859
Inventory	749,447	676,739
Restricted Cash - Capital Campaign	1,013,127	4,386,672
Unconditional promises to Give, Net, Less Current Portion	156,697	372,978
Property & Equipment, Net	7,091,046	1,706,767
Restricted Cash - NMTC	249,214	0
TOTAL ASSETS	\$ <u>11,732,730</u>	\$ <u>8,935,798</u>
LIABILITIES		
Accounts Payable & Accrued Expenses	\$ 54,615	\$ 138,016
Long-Term Debt, Net	1,462,844	0
TOTAL LIABILITIES	\$ <u>1,517,459</u>	\$ <u>138,016</u>
NET ASSETS		
Without Donor Restrictions	\$ 8,702,493	\$ 3,259,700
With Donor Restrictions	1,512,778	5,538,082
TOTAL NET ASSETS	\$ <u>10,215,271</u>	\$ <u>8,797,782</u>
TOTAL LIABILITIES & NET ASSETS	\$ <u>11,732,730</u>	\$ <u>8,935,798</u>

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUES, GAINS & OTHER SUPPORT			
Contributions	\$ 678,656	\$ 0	\$ 678,656
Contribution-In Kind	1,358,052	0	1,358,052
Title IV-B Grant	17,285	0	17,285
Special Events (Net of Expenses)	722,290	0	722,290
Federated Campaigns	5,043	0	5,043
Kids-In-Crisis Funding	123,000	0	123,000
Capital Campaign	0	1,440,712	1,440,712
Interest Income	11,763	0	11,763
Net Assets Released from Restrictions	5,466,016	(5,466,016)	0
TOTAL REVENUE & PUBLIC SUPPORT	<u>8,382,105</u>	<u>(4,025,304)</u>	<u>4,356,801</u>
PROGRAM AND SUPPORTING SERVICES			
Rainbow Room	2,190,453	0	2,190,453
Kids in Crisis	133,691	0	133,691
Spirit of Christmas	16,268	0	16,268
Storyline	3,462	0	3,462
Total Program Services	<u>2,343,874</u>	<u>0</u>	<u>2,343,874</u>
General & Administrative	256,568	0	256,568
Fund Raising	338,870	0	338,870
TOTAL EXPENSES	<u>2,939,312</u>	<u>0</u>	<u>2,939,312</u>
CHANGE IN NET ASSETS	5,442,793	(4,025,304)	1,417,489
NET ASSETS-BEGINNING OF YEAR	<u>3,259,700</u>	<u>5,538,082</u>	<u>8,797,782</u>
NET ASSETS-END OF YEAR	\$ <u>8,702,493</u>	\$ <u>1,512,778</u>	\$ <u>10,215,271</u>

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUES, GAINS & OTHER SUPPORT			
Contributions	\$ 768,418	\$ 0	\$ 768,418
Contribution-In Kind	1,071,321	0	1,071,321
Title IV-B Grant	17,485	0	17,485
Special Events (Net of Expenses)	511,160	0	511,160
Federated Campaigns	5,942	0	5,942
Kids-In-Crisis Funding	0	41,577	41,577
Capital Campaign	0	4,110,975	4,110,975
Interest Income	2,516	0	2,516
Net Assets Released from Restrictions	1,754,827	(1,754,827)	0
TOTAL REVENUE & PUBLIC SUPPORT	<u>4,131,669</u>	<u>2,397,725</u>	<u>6,529,394</u>
PROGRAM AND SUPPORTING SERVICES			
Rainbow Room	1,985,616	0	1,985,616
Kids in Crisis	142,340	0	142,340
Heart Program	33,375	0	33,375
Spirit of Christmas	12,261	0	12,261
Storyline	3,784	0	3,784
Total Program Services	<u>2,177,376</u>	<u>0</u>	<u>2,177,376</u>
General & Administrative	247,720	0	247,720
Fund Raising	426,943	0	426,943
TOTAL EXPENSES	<u>2,852,039</u>	<u>0</u>	<u>2,852,039</u>
CHANGE IN NET ASSETS	1,279,630	2,397,725	3,677,355
NET ASSETS-BEGINNING OF YEAR	<u>1,980,070</u>	<u>3,140,357</u>	<u>5,120,427</u>
NET ASSETS-END OF YEAR	<u>\$ 3,259,700</u>	<u>\$ 5,538,082</u>	<u>\$ 8,797,782</u>

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Years Ending December 31, 2018 & 2017

	CONSOLIDATED	
	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 1,417,489	\$ 3,677,355
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation & Amortization - Non Cash	8,181	10,023
Contributions Restricted to Capital Campaign	(1,440,712)	(4,110,975)
(Increase) Decrease in Receivables and Pledges to Give		
(Increase) Decrease in Inventory	(72,708)	27,379
(Increase) Decrease in Prepaid Expenses	(9,183)	(12,734)
Increase (Decrease) in Payables & Accrued Expenses	(83,401)	101,158
Increase (Decrease) in Unearned Revenues	0	(25,000)
NET CASH PROVIDED BY OPERATIONS	<u>(180,334)</u>	<u>(332,794)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Equipment	(5,389,911)	(498,044)
Proceeds from Certificate of Deposit	80,332	121,178
Interest Added to Principle of Certificate of Deposit	(2,011)	(1,397)
Issuance of Note Receivable-NMTC	(4,940,971)	0
NET CASH USED BY INVESTING ACTIVITIES	<u>(10,252,561)</u>	<u>(378,263)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of Unconditional Promises to Give- Capital Campaign	2,092,471	5,676,612
Change in Restricted Cash	3,124,331	(4,025,367)
Borrowings on Long-Term Debt	6,860,000	0
Repayment of Note Payable	0	(960,000)
Payment of Debt Issuance Costs	(458,734)	0
NET CASH USED BY FINANCING ACTIVITIES	<u>11,618,068</u>	<u>691,245</u>
NET INCREASE (DECREASE) IN CASH	1,185,173	(19,812)
CASH - BEGINNING OF YEAR	<u>373,309</u>	<u>393,121</u>
CASH - END OF YEAR	\$ <u><u>1,558,482</u></u>	\$ <u><u>373,309</u></u>
SUPPLEMENTAL DISCLOSURES		
Cash Paid for Interest Expense	\$ <u><u>14,796</u></u>	\$ <u><u>14,600</u></u>

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	<u>PROGRAM SERVICES</u>	<u>GENERAL & ADMINSTRATIVE</u>	<u>FUND- RAISING</u>	<u>TOTAL</u>
Rainbow Room Distributions to Clients	\$ 1,263,504	\$ 0	\$ 0	\$ 1,263,504
Rainbow-Room-Supplies & Services	28,392	0	0	28,392
Kids in Crisis-Specific Assistance	133,691	0	0	133,691
Spirit of Christmas-Supplies and Services	16,268	0	0	16,268
Storyline-Supplies & Services	3,462	0	0	3,462
Caseworker Appreciation	13,931	0	0	13,931
Salaries	528,162	81,060	191,071	800,293
Payroll Taxes	37,021	5,583	13,398	56,002
Fringe Benefits	59,814	9,064	21,752	90,630
Bank & Credit Card Fees	12,487	0	3,949	16,436
Computer Support	17,991	11,994	0	29,985
Conferences & Education	0	3,690	0	3,690
Depreciation	3,774	3,502	905	8,181
Development Expenses	0	0	80,371	80,371
Dues & Subscriptions	601	3,821	0	4,422
Future Building Capital Campaign	0	0	6,094	6,094
Future Building Operating Costs & Taxes	0	62,474	0	62,474
Insurance	526	2,504	0	3,030
Interest Expense	0	14,796	0	14,796
Travel, Meals & Entertainment	884	13	0	897
Moving Expense	5,694	711	711	7,116
Postage & Shipping	1,039	519	3,634	5,192
Printing & Publications	2,345	423	6,242	9,010
Professional Services	0	17,800	0	17,800
Publicity & Promotional	5,704	2,393	0	8,097
Rent & Storage	182,869	16,255	4,063	203,187
Repair & Maintenance	3,183	3,182	0	6,365
Supplies & Materials	8,015	9,232	2,745	19,992
Telephone	4,916	3,859	2,458	11,233
Utilities	9,601	3,693	1,477	14,771
TOTAL EXPENSES	\$ <u>2,343,874</u>	\$ <u>256,568</u>	\$ <u>338,870</u>	\$ <u>2,939,312</u>

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

	<u>PROGRAM SERVICES</u>	<u>GENERAL & ADMINSTRATIVE</u>	<u>FUND- RAISING</u>	<u>TOTAL</u>
Rainbow Room Distributions to Clients	\$ 1,074,798	\$ 0	\$ 0	\$ 1,074,798
Rainbow-Room-Supplies & Services	36,871	0	0	36,871
Heart Program-Supplies & Services	7,050	0	0	7,050
Heart Program-Professional Fees	26,325	0	0	26,325
Kids in Crisis-Specific Assistance	142,340	0	0	142,340
Spirit of Christmas-Supplies and Services	12,261	0	0	12,261
Storyline-Supplies & Services	3,784	0	0	3,784
Caseworker Appreciation	11,933	0	0	11,933
Salaries	513,562	76,775	178,817	769,154
Payroll Taxes	41,201	5,878	14,105	61,184
Fringe Benefits	58,638	8,885	21,323	88,846
Bank & Credit Card Fees	8,881	0	2,813	11,694
Computer Support	16,233	10,822	0	27,055
Conferences & Education	0	9,791	0	9,791
Depreciation	4,631	3,219	2,173	10,023
Development Expenses	0	0	68,341	68,341
Dues & Subscriptions	0	2,715	0	2,715
Future Building Capital Campaign	0	0	114,951	114,951
Future Building Operating Costs & Taxes	0	66,667	0	66,667
Insurance	1,527	3,005	0	4,532
Interest Expense	0	14,600	0	14,600
Travel, Meals & Entertainment	967	66	0	1,033
Postage & Shipping	1,221	611	4,274	6,106
Printing & Publications	2,737	622	8,769	12,128
Professional Services	6,759	1,655	1,655	10,069
Publicity & Promotional	522	4,449	0	4,971
Rent & Storage	182,869	16,255	4,064	203,188
Repair & Maintenance	2,785	2,785	0	5,570
Supplies & Materials	6,246	11,919	2,034	20,199
Telephone	4,585	3,674	2,293	10,552
Utilities	8,650	3,327	1,331	13,308
TOTAL EXPENSES	\$ <u>2,177,376</u>	\$ <u>247,720</u>	\$ <u>426,943</u>	\$ <u>2,852,039</u>

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 & 2017

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

Nature of Activities: Child Protective Services Community Partners, Inc., d/b/a Community Partners of Dallas (CPD) is a community based, nonprofit organization formed to initiate, develop and support projects that enable Child Protective Services caseworkers to make the most positive impact possible on the victims of child abuse and neglect and those that are at risk in Dallas County. CPD has established December 31 as its fiscal year end.

Consolidation: In October 2018 CPD Real Estate Holdings, Inc. (CPDRE) was formed as a supporting organization within the meaning of Section 509(a)(3) of the Code to benefit CPD. CPDRE borrowed funds through a new markets tax credit (NMTC) structure and owns certain real property contributed to it by CPD. The property includes space for the rainbow room, administrative offices and other spaces to be used by Child Protective Services. CPDRE will lease the property to CPD and other third parties including Child Protective Services.

Principles of Consolidation: The accompanying financial statements as of December 31, 2018 and for the year then ended include the accounts of CPD and CPDRE. All significant accounts and transactions between CPD and CPDRE have been eliminated in consolidation.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting policies.

Financial Statement Presentation: The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Cash Equivalents: Cash equivalents consist of all monies held in banks and highly liquid investments with maturity dates of less than three months.

Revenue Recognition - Contributions: All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for a specific purpose are reported as donor restricted support. When a restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are classified as unrestricted.

Donated materials and services represent the estimated fair value of materials and services provided. The contribution of services are recognized if the services received create non-financial assets or require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 & 2017

Grant Receivables: Receivables represent requests for funds submitted to grantors for expenditures made by CPD in the current fiscal year that had not been received at year end.

Promises to Give: Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

CPD uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Inventory: Donated clothing, toys, school supplies and other household items are stated the lower of cost or net realizable value. These items are held for future distribution to "qualified recipients" when identified. Inventory cost is estimated using the average price of inventory categories multiplied by the quantity on hand at year end. The average price of inventory categories is average cost (or donated value as described above) of all inventory items in a category.

Property & Equipment: CPD follows the practice of capitalizing all expenditures for property or equipment in excess of \$1,000. Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded at their estimated fair value at the date of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed on a straight-line basis over the useful lives of the assets. Useful lives range from three to forty years.

Note Receivable – NMTC: The note receivable – NMTC is due from Twain Investment Fund 345, LLC (an unrelated party) with interest at 1% per annum until December 1, 2025; at which point interest and principal payments will be due annually until maturity on October 28, 2042. The note is collateralized by a security interest in the membership interests of the community development entity, DDF Oscar, LLC.

The loan and regulatory agreement restrict the use of the funds to the Agency who qualifies as a qualified active low-income community business for the term of the note. The balance due to the Organization at December 31, 2018 is \$4,940,971

Debt Issuance Costs: Debt issuance costs of \$458,734 are capitalized and expensed over the term of the related debt agreement. Accumulated amortization totaled \$2,549 at December 31, 2018. Related amortization expense for the years ended December 31, 2018 was \$2,549. Debt issuance costs are shown as a reduction of the carrying amount of the debt.

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 & 2017

Compensated absences: Employees of CPD receive paid vacations and personal days off, depending on the length of service and other factors. The Organization's policy is to recognize the cost of compensated absences when actually paid as the amount of unpaid compensated absences at year end is immaterial.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes: CPD and CPDRE are exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and therefore the Organization has made no provision for income taxes in the accompanying financial statements. The Organization is not classified as a private foundation and there was no unrelated business income for the fiscal years ending December 31, 2018 and 2017. The Organization's Forms 990 for fiscal years 2016, 2017 and 2018 are subject to examination by the IRS, generally for three years after they are filed.

Donated Services: CPD receives a significant amount of donated services from unpaid volunteers who assist with the organizations various programs, fund-raising projects and with general and administrative functions. The value of these contributions has not been reflected in the financial statements as they did not meet the criteria for recognition.

Functional Allocation of Expenses: 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 include compensation and benefits, which are allocated on the basis of estimates of time and effort; occupancy costs, which are allocated based on square footage used; postage, printing, supplies, bank fees, computer support, dues, insurance, publicity, and repairs which are allocated based on management's estimates of the usage of each functional expense.

Change in Accounting Principle: On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. The implementation had no impact on previously reported net assets.

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 & 2017

NOTE B: CASH:

At December 31, 2017 the Organization's cash and time deposit accounts totaled \$3,309,544. The organization's checking and savings account balances (per bank) totaled \$3,079,558 at December 31, 2018. Of these checking and savings balances, \$1,333,856 was secured by federal depository insurance and the remaining \$1,745,702 was uncollateralized. It was the opinion of management that the solvency of the financial institution with balances in excess of FDIC limits was not of concern at that time.

NOTE C: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial Assets at Year End:

Cash & Cash Equivalents	\$	1,558,482
Certificates of Deposit		488,721
Unconditional Promises to Give, Net		499,651
Restricted Cash-Capital Campaign		1,013,127
Restricted Cash-NMTC		249,214
		<u>3,809,195</u>

Less those unavailable for general expenditures within one year due to:

Donor restricted to building improvements		(1,512,778)
Restricted to future years NMTC management fees and interest payments		<u>(249,214)</u>

Financial assets available to meet general expenditures within one year	\$	<u>2,047,203</u>
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The Organization strives to maintain liquid financial assets sufficient to cover 120 days of general expenditures. As part of this liquidity management the Organization invests cash in excess of daily requirements in savings and short-term certificate of deposit accounts.

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 & 2017

NOTE D: UNCONDITIONAL PROMISES TO GIVE:

Unconditional promises to give consist of the following:

Gross Capital Campaign Promises to Give	\$	1,320,433
Less outstanding pledge from CPDRE		(770,535)
Allowance for Uncollectable Promises to Give		<u>(26,600)</u>
		523,298
Less-Discount to Net Present Value		<u>(23,647)</u>
Net Unconditional Promises to Give	\$	<u>499,651</u>
Amounts Due In:		
Less than one year	\$	342,954
One to four years		<u>156,697</u>
Total Promises to Give	\$	<u>499,651</u>

Unconditional promises to give due in more than one year are reflected at the present value of the estimated future cash flows using a discount rate of 4.50%.

NOTE E: PROPERTY & EQUIPMENT:

Property & Equipment consists of the following at December 31, 2018.

	<u>2018</u>	<u>2017</u>
Land	\$ 120,489	\$ 120,489
Building & Improvements	6,498,569	1,579,433
Furniture & Equipment	<u>557,194</u>	<u>124,957</u>
	7,176,252	1,824,879
Less Accumulated Depreciation	(85,206)	(118,112)
Net Property & Equipment	\$ <u>7,091,046</u>	\$ <u>1,706,767</u>

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 & 2017

NOTE F: NEW MARKETS TAX CREDIT FINANCING:

In October 2018, the Organization entered into a debt transaction to access additional funds through the New Markets Tax Credit (NMTC) Program. These funds were used towards the improvements of CPD's Elmbrook Drive building. The NMTC Program permits taxpayers to claim federal tax credits for making Qualified Equity Investments (QEI) in a designated Community Development Entity (CDE). The CDE must use substantially all of the proceeds to make Qualified Low-Income Community Investments (QLICs). The tax credits are claimed over a seven-year period and equate to 39% of the QLICs. The Organization has partnered with an investor, US Bank CDC (NMTC Investor), to utilize the NMTC program. US Bank CDC established a special purpose entity called Twain Investment Fund 345, LLC (TWIN) (the Federal Investment Fund) to raise the capital for the transaction. TWIN was funded with \$2,265,900 of equity from US Bank CDC and \$4,917,300 from the Organization.

This capital raised by TWIN was used to make a \$7,000,000 QEI in a CDE, called DDF Oscar, LLC a subsidiary of US Bank CDC. The CDE then loaned these funds to CPDRE. in the form of two notes. The first note payable (QLICI Loan A), has a balance of \$4,917,300 as of December 31, 2018 and bears interest at 1.252400% per annum. The note matures on October 28, 2048. The note requires annual interest only payments through December 2024, at which time the note requires annual payments of principal and interest through the term of the note. This loan is eliminated in consolidation with the Note Receivable-NMTC.

The second note payable (QLICI Loan B), has a balance of \$1,919,029 as of December 31, 2018 and bears interest at 1.254200% per annum. The note matures on October 28, 2048. The note requires annual interest only payments through December 2024, at which time the note requires annual payments of principal and interest through the term of the note.

The NMTCs were allocated in this transaction pursuant to Section 45D of the IRC. After the seven-year NMTC compliance period expires, it is anticipated that US Bank CDC (the NMTC Investor) will exercise its put option to sell its ownership interest in the TWIN to the Organization for \$1,000. If the US Bank CDC does not exercise that put option, then the put and call agreement allows the Organization to exercise a call option to purchase the interest in the TWIN at an appraised fair value. Immediately after the exit transactions are completed, the Organization will be the holder of the Investment Fund's note payable and, as such the loan will be eliminated in the consolidated financial statements. It is anticipated that the loans will be discharged.

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 & 2017

Other assets and long-term liabilities related to the NMTC financing reflected on the consolidated schedule of financial position as of December 31, 2018 are as follows:

OTHER ASSETS		
Note Receivable-NMTC	\$ <u>4,940,971</u>	Eliminated in consolidation
 LONG-TERM LIABILITIES		
NMTC Loan A	4,940,971	Eliminated in consolidation
NMTC Loan B	<u>1,919,029</u>	
	\$ <u>6,860,000</u>	

Long-Term Debt outstanding at December 31, 2018 is as follows:

QLICI Loan B	\$ 1,919,029
Less Deferred Financing Costs, Net	(456,185)
	<u>1,462,844</u>
Net Long-Term Debt	\$ <u>1,462,844</u>

Aggregate annual maturities of long-term debt at December 31, 2018 are:

2019	\$ 0
2020	0
2021	0
2022	0
2023	0
future years	<u>1,919,029</u>
Total	\$ <u>1,919,029</u>

NOTE G: RESTRICTED NET ASSETS:

Net Assets with Donor Restrictions are as follows:

	BALANCE 12-31-17	ADDITIONS	RELEASES	BALANCE 12-31-18
Capital Campaign	<u>5,538,082</u>	<u>1,440,712</u>	<u>5,466,016</u>	<u>1,512,778</u>
	\$ <u>5,538,082</u>	\$ <u>1,440,712</u>	\$ <u>5,466,016</u>	\$ <u>1,512,778</u>

In September 2015 CPD purchased a building for its future use. In combination with the purchase of the building the CPD's board of directors initiated a "Capital Campaign" to raise funds to pay off the debt incurred to purchase the building and to raise funds to refurbish the building.

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 & 2017

NOTE H: IN-KIND CONTRIBUTIONS:

CPD received in-kind contributions from various donors during the fiscal years 2018 and 2017. The estimated values of these in-kind contributions are as follows:

	<u>2018</u>		<u>2017</u>
Inventory	\$ 1,154,865	\$	868,133
Rent	203,187		203,188
	<u>\$ 1,358,052</u>	\$	<u>1,071,321</u>

NOTE I: OPERATING LEASES:

In November 2008 CPD was provided office and storage space on Skiles Street in Dallas, Texas on a rent-free basis from the Meadows Foundation. The storage space houses the resources for all three Rainbow Rooms. The lease expired in December 2018. The fair rental value of this space is \$182,520 annually, which is included in In-Kind Contributions and in rent expense in the statement of activities. CPD also receives the use of space in an office building on Stemmons Freeway at no charge. This space houses the "Stemmons" Rainbow Room. The fair rental value of this space is \$20,668 annually and this amount is included in In-Kind Contribution revenues and in rent expense in the statement of activities. The space was no longer used effective December 31, 2018.

NOTE J: EVALUATION OF SUBSEQUENT EVENTS:

The organization has evaluated subsequent events through April 29, 2019, the date which the financial statements were available to be issued.

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

SCHEDULE OF CONSOLIDATING FINANCIAL POSITION

DECEMBER 31, 2018

	COMMUNITY PARTNERS, INC	CPD REAL ESTATE HOLDINGS, INC.	ELIMINATIONS	COMBINED TOTALS
ASSETS				
Cash & Cash Equivalents	\$ 1,549,972	\$ 8,510	\$ 0	\$ 1,558,482
Certificate of Deposit	488,721	0	0	488,721
Unconditional Promises to Give, Net	1,113,489	0	(770,535)	342,954
Prepaid Expenses	83,042	0	0	83,042
Inventory	749,447	0	0	749,447
Restricted Cash - Capital Campaign	242,592	770,535	0	1,013,127
Unconditional promises to Give, Net, Less				
Current Portion	156,697	0	0	156,697
Property & Equipment, Net	5,791	7,085,255	0	7,091,046
Restricted Cash - NMTC	0	249,214	0	249,214
Note receivable-NMTC	4,940,971	0	(4,940,971)	0
Loan Costs (Net of Amortization)	0	456,185	0	456,185
TOTAL ASSETS	\$ 9,330,722	\$ 8,569,699	\$ (5,711,506)	\$ 12,188,915
LIABILITIES				
Accounts Payable & Accrued Expenses	\$ 54,615	\$ 0	\$ 0	\$ 54,615
Pledges Payable	0	770,535	(770,535)	0
Long-Term Debt	0	6,860,000	(4,940,971)	1,919,029
TOTAL LIABILITIES	\$ 54,615	\$ 7,630,535	\$ (5,711,506)	\$ 1,973,644
NET ASSETS				
Without Donor Restrictions	\$ 7,763,329	\$ 939,164	\$ 0	\$ 8,702,493
With Donor Restrictions	1,512,778	0	0	1,512,778
TOTAL NET ASSETS	\$ 9,276,107	\$ 939,164	\$ 0	\$ 10,215,271
TOTAL LIABILITIES & NET ASSETS	\$ 9,330,722	\$ 8,569,699	\$ (5,711,506)	\$ 12,188,915

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

SCHEDULE OF CONSOLIDATING ACTIVITIES

For the Year Ended December 31, 2018

	<u>COMMUNITY PARTNERS, INC</u>		<u>CPD REAL ESTATE HOLDINGS INC</u>			
	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>ELIMINATIONS</u>	<u>COMBINED TOTALS</u>
REVENUES, GAINS AND OTHER SUPPORT						
Contributions	\$ 678,656	\$ 0	\$ 0	\$ 0	\$ 0	\$ 678,656
Contribution-In Kind	1,358,052	0	0	0	0	1,358,052
Title IV-B Grant	17,285	0	0	0	0	17,285
Special Events (Net of Expenses)	722,290	0	0	0	0	722,290
Federated Campaigns	5,043	0	0	0	0	5,043
Kids-In-Crisis Funding	123,000	0	0	0	0	123,000
Capital Campaign	0	1,440,712	0	0	0	1,440,712
Rent Income	0	0	8,509	0	(8,509)	0
Interest Income	11,763	0	0	0	0	11,763
Net Assets Released from Restrictions	5,466,016	(5,466,016)	0	0	0	0
TOTAL REVENUES	<u>8,382,105</u>	<u>(4,025,304)</u>	<u>8,509</u>	<u>0</u>	<u>(8,509)</u>	<u>4,356,801</u>
PROGRAM & SUPPORTING SERVICES EXPENSES						
Rainbow Room Distributions to Clients	1,263,504	0	0	0	0	1,263,504
Rainbow-Room-Supplies & Services	28,392	0	0	0	0	28,392
Kids in Crisis-Specific Assistance	133,691	0	0	0	0	133,691
Spirit of Christmas-Supplies and Services	16,268	0	0	0	0	16,268
Storyline-Supplies & Services	3,462	0	0	0	0	3,462
Caseworker Appreciation	13,931	0	0	0	0	13,931
Salaries	800,293	0	0	0	0	800,293
Payroll Taxes	56,002	0	0	0	0	56,002
Fringe Benefits	90,630	0	0	0	0	90,630
Bank & Credit Card Fees	16,436	0	0	0	0	16,436
Computer Support	29,985	0	0	0	0	29,985
Conferences & Education	3,690	0	0	0	0	3,690
Depreciation & Amortization	5,632	0	2,549	0	0	8,181
Development Expenses	80,371	0	0	0	0	80,371
Dues & Subscriptions	4,422	0	0	0	0	4,422

	<u>COMMUNITY PARTNERS, INC</u>		<u>CPD REAL ESTATE HOLDINGS INC</u>			
	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>ELIMINATIONS</u>	<u>COMBINED TOTALS</u>
EXPENSES - CONTINUED						
Future Building Capital Campaign	6,094	0	0	0	0	6,094
Future Building Operating Costs & Taxes	62,474	0	0	0	0	62,474
Insurance	3,030	0	0	0	0	3,030
Interest Expense	0	0	14,796	0	0	14,796
Travel, Meals & Entertainment	897	0	0	0	0	897
Moving Expense	0	0	7,116	0	0	7,116
Postage & Shipping	5,192	0	0	0	0	5,192
Printing & Publications	9,010	0	0	0	0	9,010
Professional Services	5,800	0	12,000	0	0	17,800
Publicity & Promotional	8,097	0	0	0	0	8,097
Rent & Storage	211,696	0	0	0	(8,509)	203,187
Repair & Maintenance	6,365	0	0	0	0	6,365
Supplies & Materials	19,992	0	0	0	0	19,992
Telephone	11,233	0	0	0	0	11,233
Utilities	14,771	0	0	0	0	14,771
TOTAL EXPENSES	<u>2,911,360</u>	<u>0</u>	<u>36,461</u>	<u>0</u>	<u>(8,509)</u>	<u>2,939,312</u>
CONTRIBUTION TO/FROM RELATED ORGANIZATION	<u>(967,116)</u>	<u>0</u>	<u>967,116</u>	<u>0</u>	<u>0</u>	<u>0</u>
CHANGE IN NET ASSETS	4,503,629	(4,025,304)	939,164	0	0	1,417,489
NET ASSETS, BEGINNING	3,259,700	5,538,082	0	0	0	8,797,782
NET ASSETS, ENDING	<u>\$ 7,763,329</u>	<u>\$ 1,512,778</u>	<u>\$ 939,164</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,215,271</u>

WILLIAM C. SPORE, P.C.
Certified Public Accountants
200 N. Rufe Snow Drive, Ste 116, Keller, TX 76248
817-421-6619

To the Board of Directors
Child Protective Services Community Partners, Inc.

In planning and performing my audit of the financial statements of Child Protective Services Community Partners, Inc. as of and for the year ending December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, I considered the Child Protective Services Community Partners, Inc.'s internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization'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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. I did not identify any deficiencies in internal control that I consider to be material weaknesses.

This communication is intended solely for the information and use of management and Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

William C. Spore, PC
Certified Public Accountants

April 29, 2019