

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 & 2019

TABLE OF CONTENTS

	PAGE #
INDEPENDENT AUDITOR'S REPORT	1
Consolidated Statements of Financial Position as of December 31, 2020 & 2019	2
Consolidated Statement of Activities for the Year Ended December 31, 2020	3
Consolidated Statement of Activities for the Year Ended December 31, 2019	4
Consolidated Statements of Cash Flows for the Years Ending December 31, 2020 & 2019	5
Consolidated Statement of Functional Expenses for the Year Ended December 31, 2020	6
Consolidated Statement of Functional Expenses for the Year Ended December 31, 2019	7
Notes to the Financial Statements	8-16
Schedule of Consolidating Financial Position	17
Schedule of Consolidating Activities	18

WILLIAM C SPORE, PC
CERTIFIED PUBLIC ACCOUNTANTS
200 N. RUFÉ SNOW DRIVE, STE 116
KELLER, TX 76248
817-421-6619

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of Child Protective Services Community Partners, Inc. (a nonprofit organization), which comprise the statements of financial position as September 30, 2020, and 2019, and the related statements of activities, functional expenses, and cash flows 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit 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 I plan and perform the audit 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, I 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.

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Protective Services Community Partners, Inc. as of September 30, 2020, and 2019, 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.

William C. Spore, PC
Certified Public Accountants
Keller, TX

June 18, 2021

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2020 & 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash & Cash Equivalents	\$ 2,779,971	\$ 1,433,658
Certificate of Deposit	496,001	494,803
Unconditional Promises to Give, Net	16,728	282,134
Prepaid Expenses	50,120	88,350
Inventory	701,890	613,495
Restricted Cash - Capital Campaign	660,215	441,425
Unconditional promises to Give, Net, Less Current Portion	12,363	3,205
Property & Equipment, Net	7,061,373	7,260,050
Restricted Cash - NMTC	194,135	212,714
Beneficial Interest in CFT	1,172,596	1,026,722
TOTAL ASSETS	\$ <u>13,145,392</u>	\$ <u>11,856,556</u>
LIABILITIES		
Accounts Payable & Accrued Expenses	\$ 45,958	\$ 43,035
PPP Loan Payable	169,800	0
Long-Term Debt, Net	1,493,426	1,478,135
TOTAL LIABILITIES	\$ <u>1,709,184</u>	\$ <u>1,521,170</u>
NET ASSETS		
Without Donor Restrictions	\$ 9,402,167	\$ 8,581,900
With Donor Restrictions	2,034,041	1,753,486
TOTAL NET ASSETS	\$ <u>11,436,208</u>	\$ <u>10,335,386</u>
TOTAL LIABILITIES & NET ASSETS	\$ <u>13,145,392</u>	\$ <u>11,856,556</u>

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUES, GAINS & OTHER SUPPORT			
Contributions	\$ 2,768,426	\$ 68,446	\$ 2,836,872
Contribution-In Kind	192,516	0	192,516
Title IV-B Grant	2,656	0	2,656
Cares Act Grant	10,000	0	10,000
Special Events (Net of Expenses)	54,160	0	54,160
Federated Campaigns	5,482	0	5,482
Kids-In-Crisis Funding	0	204,648	204,648
Capital Campaign	0	9,449	9,449
Investment Income	1,448	145,874	147,322
Net Assets Released from Restrictions	147,862	(147,862)	0
TOTAL REVENUE & PUBLIC SUPPORT	<u>3,182,550</u>	<u>280,555</u>	<u>3,463,105</u>
PROGRAM AND SUPPORTING SERVICES			
Rainbow Room	1,640,262	0	1,640,262
Kids in Crisis	100,802	0	100,802
Spirit of Christmas	13,920	0	13,920
Storyline	4,161	0	4,161
Total Program Services	<u>1,759,145</u>	<u>0</u>	<u>1,759,145</u>
General & Administrative	225,797	0	225,797
Fund Raising	462,912	0	462,912
TOTAL EXPENSES	<u>2,447,854</u>	<u>0</u>	<u>2,447,854</u>
INCOME FROM OPERATIONS	<u>734,696</u>	<u>280,555</u>	<u>1,015,251</u>
NON OPERATING ACTIVITIES:			
Interest Income	49,410	0	49,410
Rent Income	122,076	0	122,076
Interest Expense	(85,915)	0	(85,915)
TOTAL NON OPERATING INCOME	<u>85,571</u>	<u>0</u>	<u>85,571</u>
CHANGE IN NET ASSETS	820,267	280,555	1,100,822
NET ASSETS-BEGINNING OF YEAR	<u>8,581,900</u>	<u>1,753,486</u>	<u>10,335,386</u>
NET ASSETS-END OF YEAR	<u>\$ 9,402,167</u>	<u>\$ 2,034,041</u>	<u>\$ 11,436,208</u>

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUES, GAINS & OTHER SUPPORT			
Contributions	\$ 935,344	\$ 0	\$ 935,344
Contribution-In Kind	913,167	0	913,167
Title IV-B Grant	17,505	0	17,505
Special Events (Net of Expenses)	681,395	0	681,395
Federated Campaigns	7,168	0	7,168
Kids-In-Crisis Funding	122,445	0	122,445
Capital Campaign	0	651,533	651,533
Investment Income	7,103	26,722	33,825
Net Assets Released from Restrictions	437,547	(437,547)	0
TOTAL REVENUE & PUBLIC SUPPORT	<u>3,121,674</u>	<u>240,708</u>	<u>3,362,382</u>
PROGRAM AND SUPPORTING SERVICES			
Rainbow Room	2,448,725	0	2,448,725
Kids in Crisis	122,861	0	122,861
Spirit of Christmas	13,328	0	13,328
Storyline	3,769	0	3,769
Total Program Services	<u>2,588,683</u>	<u>0</u>	<u>2,588,683</u>
General & Administrative	248,203	0	248,203
Fund Raising	463,819	0	463,819
TOTAL EXPENSES	<u>3,300,705</u>	<u>0</u>	<u>3,300,705</u>
INCOME FROM OPERATIONS	<u>(179,031)</u>	<u>240,708</u>	<u>61,677</u>
NON OPERATING ACTIVITIES:			
Interest Income	49,409	0	49,409
Rent Income	94,944	0	94,944
Interest Expense	(85,915)	0	(85,915)
TOTAL NON OPERATING INCOME	<u>58,438</u>	<u>0</u>	<u>58,438</u>
CHANGE IN NET ASSETS	(120,593)	240,708	120,115
NET ASSETS-BEGINNING OF YEAR	<u>8,702,493</u>	<u>1,512,778</u>	<u>10,215,271</u>
NET ASSETS-END OF YEAR	<u>\$ 8,581,900</u>	<u>\$ 1,753,486</u>	<u>\$ 10,335,386</u>

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Years Ending December 31, 2020 & 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 1,100,822	\$ 120,115
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation & Amortization - Non Cash	278,099	264,226
Contributions Restricted to Capital Campaign	(9,449)	(651,533)
(Increase) Decrease in Inventory	(88,395)	135,952
(Increase) Decrease in Prepaid Expenses	38,230	(5,308)
Increase (Decrease) in Payables & Accrued Expenses	2,923	(11,580)
NET CASH PROVIDED BY OPERATIONS	<u>1,322,230</u>	<u>(148,128)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property & Equipment	(64,131)	(417,939)
Interest Added to Principle of Certificate of Deposit	(1,198)	(6,082)
Purchase of Beneficial Interest in CFT	0	(1,000,000)
Beneficial Interest Investment Gains added to Principle	(145,874)	(26,722)
NET CASH USED BY INVESTING ACTIVITIES	<u>(211,203)</u>	<u>(1,450,743)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of Unconditional Promises to Give- Capital Campaign	265,697	865,845
Change in Restricted Cash	(200,211)	608,202
Borrowings on Long-Term Debt	169,800	0
NET CASH USED BY FINANCING ACTIVITIES	<u>235,286</u>	<u>1,474,047</u>
NET INCREASE (DECREASE) IN CASH	1,346,313	(124,824)
CASH - BEGINNING OF YEAR	<u>1,433,658</u>	<u>1,558,482</u>
CASH - END OF YEAR	\$ <u>2,779,971</u>	\$ <u>1,433,658</u>
SUPPLEMENTAL DISCLOSURES		
Cash Paid for Interest Expense	\$ <u>85,915</u>	\$ <u>85,915</u>

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

	<u>PROGRAM SERVICES</u>	<u>GENERAL & ADMINISTRATIVE</u>	<u>FUND- RAISING</u>	<u>TOTAL</u>
Rainbow Room Distributions to Clients	\$ 360,300	\$ 0	\$ 0	\$ 360,300
Rainbow-Room-Supplies & Services	28,078	0	0	28,078
Kids in Crisis-Specific Assistance	100,802	0	0	100,802
Spirit of Christmas-Supplies and Services	13,920	0	0	13,920
Storyline-Supplies & Services	4,161	0	0	4,161
Caseworker Appreciation	16,670	0	0	16,670
Salaries	682,531	92,637	254,281	1,029,449
Payroll Taxes	56,375	7,688	21,354	85,417
Fringe Benefits	69,709	9,506	26,405	105,620
Bank & Credit Card Fees	10,425	55	2,281	12,761
Computer Support	34,708	14,372	0	49,080
Conferences & Education	0	5,116	0	5,116
Depreciation	210,034	18,088	49,977	278,099
Development Expenses	0	0	79,992	79,992
Dues & Subscriptions	430	1,517	1,087	3,034
Insurance	20,041	7,862	3,044	30,947
Travel, Meals & Entertainment	468	0	0	468
Postage & Shipping	1,481	740	5,184	7,405
Printing & Publications	2,034	620	4,337	6,991
Professional Services	4,800	600	600	6,000
Publicity & Promotional	0	7,999	0	7,999
Repair & Maintenance	74,951	19,822	0	94,773
Supplies & Materials	4,555	13,158	2,067	19,780
Telephone	9,908	5,723	4,185	19,816
Utilities	52,764	20,294	8,118	81,176
TOTAL EXPENSES	\$ <u>1,759,145</u>	\$ <u>225,797</u>	\$ <u>462,912</u>	\$ <u>2,447,854</u>

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	<u>PROGRAM SERVICES</u>	<u>GENERAL & ADMINSTRATIVE</u>	<u>FUND- RAISING</u>	<u>TOTAL</u>
Rainbow Room Distributions to Clients	\$ 1,247,485	\$ 0	\$ 0	\$ 1,247,485
Rainbow-Room-Supplies & Services	45,856	0	0	45,856
Kids in Crisis-Specific Assistance	122,861	0	0	122,861
Spirit of Christmas-Supplies and Services	13,328	0	0	13,328
Storyline-Supplies & Services	3,769	0	0	3,769
Caseworker Appreciation	23,500	0	0	23,500
Salaries	584,849	92,150	206,408	883,407
Payroll Taxes	42,011	6,270	14,422	62,703
Fringe Benefits	59,041	8,821	20,323	88,185
Bank & Credit Card Fees	14,498	0	4,615	19,113
Computer Support	23,936	15,957	0	39,893
Conferences & Education	0	6,119	0	6,119
Depreciation	195,407	17,782	51,037	264,226
Development Expenses	0	0	117,033	117,033
Dues & Subscriptions	431	3,861	0	4,292
Insurance	51,644	20,016	7,906	79,566
Travel, Meals & Entertainment	560	576	0	1,136
Postage & Shipping	651	325	2,279	3,255
Printing & Publications	5,235	2,559	21,018	28,812
Professional Services	5,286	660	661	6,607
Publicity & Promotional	5,641	2,391	15	8,047
Repair & Maintenance	58,107	20,705	0	78,812
Supplies & Materials	9,727	17,261	3,611	30,599
Telephone	8,588	7,261	4,295	20,144
Utilities	66,272	25,489	10,196	101,957
TOTAL EXPENSES	\$ <u>2,588,683</u>	\$ <u>248,203</u>	\$ <u>463,819</u>	\$ <u>3,300,705</u>

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 & 2019

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, 2020, and 2019 and for the years 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, 2020 & 2019

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, 2020, is \$4,940,971

Debt Issuance Costs: Debt issuance costs of \$458,734 were capitalized and expensed over the term of the related debt agreement. Accumulated amortization totaled \$33,131 at December 31, 2020. Related amortization expense for the year ended December 31, 2020, was \$15,291. 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, 2020 & 2019

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, 2020, and 2019. The Organization's Forms 990 for fiscal years 2018, 2019 and 2020 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.

NOTE B: CASH:

At December 31, 2020, the Organization's cash and time deposit accounts totaled \$4,130,322. The organization's checking and savings account balances (per bank) totaled \$3,989,410 at December 31, 2020. Of these checking and savings balances, \$1,223,216 was secured by federal depository insurance and the remaining \$2,766,194 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.

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 & 2019

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	\$	2,779,971
Certificates of Deposit		496,001
Unconditional Promises to Give, Net		29,091
Restricted Cash-Capital Campaign		660,215
Restricted Cash-NMTC		194,135
		<u>4,159,413</u>

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

Donor restricted to building improvements	(689,306)
Donor restricted to Kids-in-Crisis program	(103,694)
Donor restricted to salaries and wages	(68,446)
Restricted to future years NMTC management fees and interest payments	<u>(194,135)</u>

Financial assets available to meet general expenditures within one year	\$	<u>3,103,832</u>
-------------------------------------------------------------------------	----	------------------

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.

NOTE D: PAYCHECK PROTECTION PLAN LOAN:

During the fiscal year, the organization received an SBA Paycheck Protection Program loan (PPP loan) in the amount of \$169,800. The loan proceeds could be spent for payroll and other eligible expenses. The loan is non-recourse, and the interest rate cannot be more than 4%.

The SBA will forgive the amount of a PPP loan that was used prior to December 31, 2020, provided that a borrower can document that the loan was used during such period to pay the following expenses: (1) payroll costs, (2) mortgage interest, (3) rent and (4) utilities. At the date of these financial statement the organization had not yet applied for the loan forgiveness.

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 & 2019

NOTE E: UNCONDITIONAL PROMISES TO GIVE:

Unconditional promises to give consist of the following:

Gross Capital Campaign Promises to Give	\$	105,620
Less outstanding pledge from CPDRE		0
Allowance for Uncollectable Promises to Give		<u>(74,900)</u>
		30,720
Less-Discount to Net Present Value		<u>(1,629)</u>
Net Unconditional Promises to Give	\$	<u>29,091</u>
Amounts Due In:		
Less than one year	\$	16,728
One to four years		<u>12,363</u>
Total Promises to Give	\$	<u>29,091</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 f: PROPERTY & EQUIPMENT:

Property & Equipment consists of the following at December 31, 2020.

	<u>2020</u>	<u>2019</u>
Land	\$ 120,489	\$ 120,489
Building & Improvements	6,544,390	6,498,569
Furniture & Equipment	<u>993,444</u>	<u>975,133</u>
	7,658,323	7,594,191
Less Accumulated Depreciation	(596,950)	(334,141)
Net Property & Equipment	\$ <u>7,061,373</u>	\$ <u>7,260,050</u>

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 & 2019

NOTE G: BENEFICIAL INTEREST IN COMMUNITIES FOUNDATION OF TEXAS:

The Organization is the beneficiary under a fund (The Fund) administered by the Communities Foundation of Texas (CFT). The fund was established in November 2019 when CPD contributed \$1,000,000 to establish the endowment fund. The beneficial interest of this fund is included in the statement of financial position of at the fair value of the trust's assets, which totaled \$1,172,596 at December 31, 2020. The Organization has granted CFT variance powers which gives the CFT's Board of Trustees the power to use the Fund for other purposes in certain circumstances. The Fund is subject to the Foundation's investment and spending policies which currently result in a distribution 5% of the average quarterly value of the Fund's assets during the twelve quarters immediately preceding the disbursement. Distributions from the Fund and changes in value of the Fund are reported as investment income in the statement of activities. There were no cash payments from the fund in 2020.

NOTE H: 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, 2020, 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, 2020, 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.

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 & 2019

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 TWAIN 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 TWAIN 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.

Other assets and long-term liabilities related to the NMTC financing reflected on the consolidated schedule of financial position as of December 31, 2020, 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, 2020, is as follows:

QLICI Loan B	\$ 1,919,029
Less Deferred Financing Costs, Net	(425,603)
Net Long-Term Debt	\$ <u>1,493,426</u>

Aggregate annual maturities of long-term debt at December 31, 2020, are:

2021	\$ 0
2022	0
2023	0
2024	0
2025	0
future years	<u>1,919,029</u>
Total	\$ <u>1,919,029</u>

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 & 2019

NOTE I: RESTRICTED NET ASSETS:

Net Assets with Donor Restrictions are as follows:

	BALANCE 12-31-19	TRANSFERS	ADDITIONS	RELEASES	BALANCE 12-31-20
Capital Campaign	726,764	0	9,449	(46,908)	689,305
Kids-In-Crisis	0	0	204,648	(100,954)	103,694
Salary & Wage Contrib.	0	0	0	0	0
Beneficial Interest in CF	1,026,722	0	145,874	0	1,172,596
	<u>\$ 1,753,486</u>	<u>\$ 0</u>	<u>\$ 359,971</u>	<u>(147,862)</u>	<u>\$ 1,965,595</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.

In November 2019 CPD established an endowment fund for building operating costs by transferring \$1,000,000 from the capital campaign fund to the endowment fund.

NOTE J: FAIR VALUE MEASUREMENTS:

GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. GAAP requires the Agency to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

Valuation Techniques – Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended December 31, 2020, and 2019.

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 & 2019

Beneficial Interest in Communities Foundation of Texas Fund – Valued using the fair value of the assets held in the fund as reported by the trustee as of December 31, 2020. The Agency considers the measurement of its beneficial interest in the community foundation fund to be a Level 3 measurement within the hierarchy because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, the Organization will never receive those assets or have the ability to direct the trustee to redeem them.

Recurring Measurements:	Level 3	
	2020	2019
Beneficial Interest in Communities Foundation of Texas	\$ <u>1,172,595</u>	\$ <u>1,026,722</u>

The activity for the beneficial interest in community foundation fund, which is measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs), is as follows:

	2020	2019
Balance, Beginning of Year	\$ 1,026,722	\$ 0
Contributions	0	1,000,000
Change in Value	145,874	26,722
Balance, End of Year	\$ 1,172,596	\$ 1,026,722

The change in value of the beneficial interest in Communities Foundation of Texas fund is included in investment income in the statement of activities.

NOTE J: IN-KIND CONTRIBUTIONS:

CPD received in-kind contributions from various donors during the fiscal years 2020 and 2019. The estimated values of these in-kind contributions are as follows:

NOTE K: EVALUATION OF SUBSEQUENT EVENTS:

The organization has evaluated subsequent events through June 18, 2021, the date which the financial statements were available to be issued.

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

SCHEDULE OF CONSOLIDATING FINANCIAL POSITION

DECEMBER 31, 2020

	COMMUNITY PARTNERS, INC	CPD REAL ESTATE HOLDINGS, INC.	ELIMINATIONS	COMBINED TOTALS
ASSETS				
Cash & Cash Equivalents	\$ 2,779,923	\$ 49	\$ 0	\$ 2,779,972
Certificate of Deposit	496,001	0	0	496,001
Unconditional Promises to Give, Net	12,363	0	0	12,363
Prepaid Expenses	50,120	0	0	50,120
Inventory	701,890	0	0	701,890
Restricted Cash - Capital Campaign	660,215	0	0	660,215
Unconditional promises to Give, Net, Less				
Current Portion	16,728	0	0	16,728
Property & Equipment, Net	31,433	7,029,940	0	7,061,373
Restricted Cash - NMTC	0	194,135	0	194,135
Beneficial Interest in CFT	1,172,595	0	0	1,172,595
Note receivable-NMTC	4,940,971	0	(4,940,971)	0
Loan Costs (Net of Amortization)	0	425,603	0	425,603
TOTAL ASSETS	\$ 10,862,239	\$ 7,649,727	\$ (4,940,971)	\$ 13,570,995
LIABILITIES				
Accounts Payable & Accrued Expenses	\$ 45,958	\$ 0	\$ 0	\$ 45,958
PPP Loan Payable	169,800	0	0	169,800
Long-Term Debt	0	6,860,000	(4,940,971)	1,919,029
TOTAL LIABILITIES	\$ 215,758	\$ 6,860,000	\$ (4,940,971)	\$ 2,134,787
NET ASSETS				
Without Donor Restrictions	\$ 8,612,440	\$ 789,727	\$ 0	\$ 9,402,167
With Donor Restrictions	2,034,041	0	0	2,034,041
TOTAL NET ASSETS	\$ 10,646,481	\$ 789,727	\$ 0	\$ 11,436,208
TOTAL LIABILITIES & NET ASSETS	\$ 10,862,239	\$ 7,649,727	\$ (4,940,971)	\$ 13,570,995

CHILD PROTECTIVE SERVICES COMMUNITY PARTNERS, INC.

SCHEDULE OF CONSOLIDATING ACTIVITIES

For the Year Ended December 31, 2020

	<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	\$ 2,768,426	\$ 68,446	\$ 0	\$ 0	\$ 0	\$ 2,836,872
Contribution-In Kind	192,516	0	0	0	0	192,516
Title IV-B Grant	2,656	0	0	0	0	2,656
Cares Act Grant	10,000	0	0	0	0	10,000
Special Events (Net of Expenses)	54,160	0	0	0	0	54,160
Federated Campaigns	5,482	0	0	0	0	5,482
Kids-In-Crisis Funding	0	204,648	0	0	0	204,648
Capital Campaign	0	9,449	0	0	0	9,449
Investment Income	1,448	145,874	0	0	0	147,322
Net Assets Released from Restrictions	147,862	(147,862)	0	0	0	0
TOTAL REVENUES	<u>3,182,550</u>	<u>280,555</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,463,105</u>
PROGRAM & SUPPORTING SERVICES EXPENSES						
Rainbow Room Distributions to Clients	360,300	0	0	0	0	360,300
Rainbow-Room-Supplies & Services	28,078	0	0	0	0	28,078
Kids in Crisis-Specific Assistance	100,802	0	0	0	0	100,802
Spirit of Christmas-Supplies and Services	13,920	0	0	0	0	13,920
Storyline-Supplies & Services	4,161	0	0	0	0	4,161
Caseworker Appreciation	16,670	0	0	0	0	16,670
Salaries	1,029,449	0	0	0	0	1,029,449
Payroll Taxes	85,417	0	0	0	0	85,417
Fringe Benefits	105,620	0	0	0	0	105,620
Bank & Credit Card Fees	12,706	0	55	0	0	12,761
Computer Support	49,080	0	0	0	0	49,080
Conferences & Education	5,116	0	0	0	0	5,116
Depreciation & Amortization	8,839	0	269,260	0	0	278,099
Development Expenses	79,992	0	0	0	0	79,992
Dues & Subscriptions	3,034	0	0	0	0	3,034

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

	<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						
Insurance	30,947	0	0	0	0	30,947
Travel, Meals & Entertainment	468	0	0	0	0	468
Postage & Shipping	7,405	0	0	0	0	7,405
Printing & Publications	6,991	0	0	0	0	6,991
Professional Services	6,000	0	0	0	0	6,000
Publicity & Promotional	7,999	0	0	0	0	7,999
Rent & Storage	45,821	0	0	0	(45,821)	0
Repair & Maintenance	94,773	0	0	0	0	94,773
Supplies & Materials	19,780	0	0	0	0	19,780
Telephone	19,816	0	0	0	0	19,816
Utilities	81,176	0	0	0	0	81,176
TOTAL EXPENSES	<u>2,224,360</u>	<u>0</u>	<u>269,315</u>	<u>0</u>	<u>(45,821)</u>	<u>2,447,854</u>
INCOME FROM OPERATIONS	<u>958,190</u>	<u>280,555</u>	<u>(269,315)</u>	<u>0</u>	<u>45,821</u>	<u>1,015,251</u>
NON OPERATING ACTIVITIES:						
Interest Income	49,410	0	0	0	0	49,410
Rent Income	103,994	0	63,903	0	(45,821)	122,076
Interest Expense	0	0	(85,915)	0	0	(85,915)
Contribution to/from Related Organization	0	0	0	0	0	0
TOTAL NON OPERATING INCOME	<u>153,404</u>	<u>0</u>	<u>(22,012)</u>	<u>0</u>	<u>(45,821)</u>	<u>85,571</u>
CHANGE IN NET ASSETS	1,111,594	280,555	(291,327)	0	0	1,100,822
NET ASSETS, BEGINNING	7,500,846	1,753,486	1,081,054	0	0	10,335,386
NET ASSETS, ENDING	<u>\$ 8,612,440</u>	<u>\$ 2,034,041</u>	<u>\$ 789,727</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,436,208</u>

WILLIAM C SPORE, PC
CERTIFIED PUBLIC ACCOUNTANTS
200 N. RUFÉ SNOW DRIVE, STE 116
KELLER, TX 76248
817-421-6619

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

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

I 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 Child Protective Services Community Partners, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2020 and 2019 and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued my report thereon dated June 18, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Child Protective Services Community Partners, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Child Protective Services Community Partners, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Child Protective Services Community Partners, Inc.

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 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Protective Services Community Partners, Inc.'s financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

William C Spore, PC

Certified Public Accountants
Keller, Texas

June 18, 2021