

**THE CHILDREN'S BEREAVEMENT CENTER
OF SOUTH TEXAS**

**FINANCIAL STATEMENTS WITH
COMPLIANCE REPORTING**

December 31, 2019 and 2018

DRAFT

THE CHILDREN’S BEREAVEMENT CENTER OF SOUTH TEXAS
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Children's Bereavement Center of South Texas
San Antonio, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of The Children's Bereavement Center of South Texas (CBCST), a non-profit corporation, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities (with comparative totals for 2018), functional expenses (with comparative totals for 2018), 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 we 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, 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.

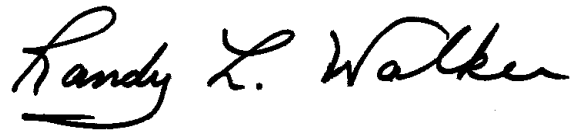
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CBCST 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 May 11, 2020 on pages 18-19, on our consideration of CBCST'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CBCST'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 CBCST's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Randy L. Walker". The signature is written in a cursive style with a prominent underline for the first letter of the last name.

San Antonio, Texas
May 11, 2020

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Financial Statements

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THE CHILDREN'S BEREAVEMENT CENTER OF SOUTH TEXAS
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	2019	2018
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 1,386,842	\$ 417,850
Accounts Receivable	285,934	411,455
Pledges Receivable, Net - Current	1,680,117	-
Prepaid Expenses	53,111	42,911
TOTAL CURRENT ASSETS	3,406,004	872,216
<u>LONG-TERM ASSETS</u>		
Investments	1,283,034	1,049,822
Property and Equipment, Net	2,725,934	2,572,061
Pledges Receivable, Net - Long-Term	347,674	-
TOTAL LONG-TERM ASSETS	4,356,642	3,621,883
TOTAL ASSETS	\$ 7,762,646	\$ 4,494,099
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 13,207	\$ 15,570
Accrued Expenses	58,071	49,948
Deferred Income	10,500	9,800
Note Payable	-	685,000
Line of Credit Payable	200,000	-
TOTAL LIABILITIES	281,778	760,318
<u>NET ASSETS</u>		
Without Donor Restrictions:		
Undesignated	826,192	769,471
Board-Designated	3,556,934	2,662,061
Total Without Donor Restrictions	4,383,126	3,431,532
With Donor Restrictions	3,097,742	302,249
TOTAL NET ASSETS	7,480,868	3,733,781
TOTAL LIABILITIES AND NET ASSETS	\$ 7,762,646	\$ 4,494,099

The accompanying notes are an integral part of these financial statements.

THE CHILDREN'S BEREAVEMENT CENTER OF SOUTH TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019
(with comparative totals for 2018)

	2019			2018 Total (Restated)
	Without Donor Restrictions	With Donor Restrictions	Total	
<u>OPERATING SUPPORT AND REVENUE</u>				
Grants and Foundations	\$ 568,131	\$ 190,668	\$ 758,799	\$ 823,531
General Contributions	680,623	-	680,623	737,364
Government Grants	470,917	-	470,917	367,562
Fundraising Contributions	286,785	-	286,785	223,025
In-Kind Contributions	284,800	-	284,800	391,682
Fundraising Events, Net of Direct Expenses of \$123,283 and \$76,912, respectively	18,176	-	18,176	37,646
Program Fees	17,267	-	17,267	28,571
Other Income	2,012	-	2,012	-
Net Assets Released from Restrictions	237,367	(237,367)	-	-
TOTAL OPERATING SUPPORT AND REVENUE	2,566,078	(46,699)	2,519,379	2,609,381
<u>OPERATING EXPENSES</u>				
Program Services	2,267,839	-	2,267,839	2,275,134
Supporting Services	495,517	-	495,517	375,873
TOTAL OPERATING EXPENSES	2,763,356	-	2,763,356	2,651,007
CHANGE IN NET ASSETS BEFORE NON- OPERATING ACTIVITY	(197,278)	(46,699)	(243,977)	(41,626)
<u>NON-OPERATING ACTIVITIES</u>				
Capital Campaign Contributions	-	3,924,579	3,924,579	9,454
Investment Income (Loss), Net	233,212	-	233,212	(19,213)
Supporting Services - Capital Campaign	(166,727)	-	(166,727)	-
Net Assets Released from Restrictions	1,082,387	(1,082,387)	-	-
TOTAL NON-OPERATING ACTIVITIES	1,148,872	2,842,192	3,991,064	(9,759)
CHANGE IN NET ASSETS AFTER NON- OPERATING ACTIVITIES	951,594	2,795,493	3,747,087	(51,385)
NET ASSETS, Beginning of Year (Restated)	3,431,532	302,249	3,733,781	3,785,166
NET ASSETS, End of Year	\$ 4,383,126	\$ 3,097,742	\$ 7,480,868	\$ 3,733,781

The accompanying notes are an integral part of these financial statements.

THE CHILDREN'S BEREAVEMENT CENTER OF SOUTH TEXAS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019
(with comparative totals for 2018)

	Program Services				Supporting Services			2019 Total	2018 Total
	CBC - RGV Initiative	CBC - Sutherland	CBC - San Antonio	Total Program Services	Fundraising	Management and General	Total Supporting Services		
EXPENSES									
Salaries and Related Expenses	\$ 304,742	\$ 196,050	\$ 678,446	\$ 1,179,238	\$ 215,940	\$ 146,168	\$ 362,108	\$ 1,541,346	\$ 1,352,885
In-Kind Goods and Services	17,269	-	267,248	284,517	-	283	283	284,800	391,682
Capital Campaign Expenses	-	-	-	-	166,727	-	166,727	166,727	-
Depreciation Expense	14,805	21,069	107,598	143,472	2,832	2,831	5,663	149,135	126,424
Office Rent Expense	54,080	60,624	1,797	116,501	374	325	699	117,200	119,247
Contractual Services	5,075	2,443	82,182	89,700	8,372	6,107	14,479	104,179	70,577
Repairs and Maintenance	4,549	12,632	32,628	49,809	7,403	7,761	15,164	64,973	57,216
Professional Fees	6,574	4,148	29,466	40,188	6,396	16,005	22,401	62,589	82,491
Supplies and Food	5,481	5,833	40,630	51,944	434	370	804	52,748	78,505
Student Stipends	355	3,488	38,505	42,348	375	375	750	43,098	38,103
Marketing and Public Relations	2,522	2,823	28,738	34,083	2,533	551	3,084	37,167	23,315
Travel	5,577	12,618	13,948	32,143	1,028	1,080	2,108	34,251	28,620
IT Expense	3,692	5,257	17,002	25,951	3,620	2,857	6,477	32,428	-
Recognition Expense	2,095	1,316	17,779	21,190	2,547	6,902	9,449	30,639	18,510
Utilities	-	10,891	10,779	21,670	3,422	3,953	7,375	29,045	21,917
Professional Development	3,254	2,967	11,583	17,804	4,641	4,365	9,006	26,810	25,130
Equipment Expense	6,253	7	14,670	20,930	3,261	2,274	5,535	26,465	24,978
Office Supplies	4,138	5,319	9,767	19,224	2,720	2,669	5,389	24,613	21,627
Telephone	8,333	6,368	5,682	20,383	1,705	2,314	4,019	24,402	20,043
Printing and Publications	3,382	1,369	13,522	18,273	3,668	931	4,599	22,872	52,000
Insurance - Liability	3,100	2,376	8,080	13,556	1,697	4,051	5,748	19,304	27,398
Symposiums and Trainings	86	-	11,666	11,752	-	-	-	11,752	-
Events	559	370	2,559	3,488	3,894	-	3,894	7,382	9,892
Dues, Fees and Subscriptions	2,072	410	2,927	5,409	1,262	-	1,262	6,671	38,380
Bank and Credit Card Fees	1,443	10	364	1,817	-	3,450	3,450	5,267	7,897
Postage and Shipping	599	62	1,788	2,449	539	1,232	1,771	4,220	7,316
Miscellaneous	-	-	-	-	-	-	-	-	2,954
Uncollectable Pledges	-	-	-	-	-	-	-	-	3,900
TOTAL EXPENSES	\$ 460,035	\$ 358,450	\$ 1,449,354	\$ 2,267,839	\$ 445,390	\$ 216,854	\$ 662,244	\$ 2,930,083	\$ 2,651,007

The accompanying notes are an integral part of these financial statements.

THE CHILDREN'S BEREAVEMENT CENTER OF SOUTH TEXAS
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
		(Restated)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in Net Assets from Operations	\$ 3,747,087	\$ (51,385)
Adjustments to Reconcile Net Change to Net Cash		
Provided (Used) by Operations:		
Depreciation	149,135	126,424
Unrealized (Gain) Loss on Investments	(187,404)	31,833
Decrease (Increase) in Assets:		
Accounts Receivable	125,521	(317,221)
Pledges Receivable, Net	(2,027,791)	-
Prepaid Expenses	(10,200)	7,656
(Decrease) Increase in Liabilities:		
Accounts Payable	(2,363)	(16,067)
Accrued Expenses	8,123	2,186
Deferred Income	700	500
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,802,808	(216,074)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of Investments	(45,808)	(11,892)
Purchase of Property and Equipment	(303,008)	(812,262)
NET CASH USED BY INVESTING ACTIVITIES	(348,816)	(824,154)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
(Payments) Borrowings on Debt	(685,000)	685,000
Borrowings on Line of Credit	200,000	-
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	(485,000)	685,000
NET INCREASE (DECREASE) IN CASH FLOWS	968,992	(355,228)
CASH AND CASH EQUIVALENTS, Beginning of Year	417,850	773,078
CASH AND CASH EQUIVALENTS, End of Year	\$ 1,386,842	\$ 417,850
<u>SUPPLEMENTAL DISCLOSURE</u>		
Interest Paid	\$ 37,401	\$ -

The accompanying notes are an integral part of these financial statements.

THE CHILDREN'S BEREAVEMENT CENTER OF SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The accompanying statements of The Children's Bereavement Center of South Texas have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Organization and Nature of Activities

The Children's Bereavement Center of South Texas (CBCST) was organized in Texas on February 20, 1997 as a 501(c)(3) non-profit corporation. CBCST provides support groups, counseling, and community awareness programs, and it produces educational material directed towards children who have experienced trauma from the death of a loved one. CBCST's mission is to foster healing for grieving youth, their families and the community through peer support programs, counseling, training, education and outreach.

In February 2017, CBCST opened The Children's Bereavement Center of Rio Grande Valley to provide support groups, counseling, and community awareness programs for children in the Rio Grande Valley who have experienced trauma from the death of a loved one.

In August 2018, CBCST opened Paloma Place in Floresville, Texas to assist with the response efforts for the church shooting in Sutherland Springs.

Basis of Presentation

CBCST is required to report information regarding its financial position and activities according to two classes of net assets:

- Net Assets Without Donor Restrictions – Net assets available for use in the general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board of Directors (the Board) are reported as net assets without donor restrictions, board-designated.
- Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions that are more restrictive than CBCST's mission and purpose. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purposes for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, CBCST considers all highly liquid savings and securities with a maturity of three months or less to be cash equivalents.

THE CHILDREN’S BEREAVEMENT CENTER OF SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (continued)

Contributions and Grants

CBCST reports contributions and grants as restricted support if they are received with donor stipulations that limit the use of the donated assets or funds. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Income Taxes

CBCST is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, as such, qualifies for the maximum charitable contribution deduction by donors. As of December 31, 2019, the tax years that remain subject to examination by taxing authorities begin with 2016.

Property and Equipment

Purchased property and equipment are stated at cost. Donated assets are recorded at estimated market value at the date of donation. CBCST capitalizes all property and equipment with a cost greater than or equal to \$5,000 and a useful life of at least three years. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Building	39 years
Computer Equipment and Software	3 to 10 years
Furniture and Equipment	3 to 10 years
Vehicles	5 years
Website	5 years

Pledges Receivable

CBCST recognizes promises to give, also known as pledges, in the financial statements when there is sufficient evidence in the form of verifiable documentation that a promise was made and received.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2020. A lessee will be required to recognize on the statements of financial position the assets and liabilities for leases with lease terms of more than twelve months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Recently Adopted Accounting Pronouncements

In 2016, the FASB issued Accounting Standards Update (ASU) 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This update was followed up in 2018 by ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* and ASU 2018-09, *Codification Improvements*. These pronouncements provide guidance regarding the reporting and disclosure requirements of investments, effective for periods beginning after December 15, 2018. CBCST adopted these new pronouncements effective January 1, 2019. The change was applied retrospectively, but there is no cumulative effect on beginning net assets as of this date.

THE CHILDREN'S BEREAVEMENT CENTER OF SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (continued)

Recently Adopted Accounting Pronouncements (continued)

In 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This pronouncement clarifies and improves the scope and the accounting guidance for contributions received and contributions made in order to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to other guidance and (2) determining whether a contribution is conditional. CBCST adopted this new pronouncement effective January 1, 2019. The change was applied retrospectively, but there is no cumulative effect on beginning net assets as of this date.

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This new pronouncement provides guidance regarding revenue recognition effective for reporting periods beginning after December 15, 2018. The pronouncement affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets. The core principle of this update is that the entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services.

Fundraising and program fees revenue from exchange transactions is deferred from recognition until the event has occurred. Revenue is recorded at the close of the event when the performance obligation has been completed. Revenue is accrued for fundraising events that have been planned but have not occurred as of year-end. Any amounts received in excess of the benefit provided to the attendees is recorded as a contribution. Consideration is variable depending upon the nature of the event.

CBCST adopted the requirements of the new guidance as of January 1, 2018, utilizing the full retrospective method of transition. Adoption of the new guidance resulted in changes to accounting policies for revenue recognition for fundraising events revenue as detailed below for the year ended December 31, 2018. The new guidance was applied as follows using the practical expedients which are provided in Topic 606: special events that began and ended in the same year were not restated, and the actual, rather than estimated, consideration was used to determine the transaction price for fundraising events.

CBCST adjusted the 2018 financial statements from the amounts previously reported to adopt the new guidance. The following are the line items from the statement of financial position as of December 31, 2018, that were restated, the adjustments, and the restated amounts:

	<u>As Previously Reported</u>		<u>Adjustments</u>		<u>As Adjusted</u>
Current Liabilities					
Deferred Income	\$ 90,050	\$	(80,250)	\$	\$ 9,800
Net Assets					
Undesignated	\$ 689,221	\$	80,250	\$	\$ 769,471

Following are the line items from the statement of activities for the year ended December 31, 2018, that were restated, the adjustments, and the restatement amounts:

	<u>As Previously Reported</u>		<u>Adjustments</u>		<u>As Adjusted</u>
Operating Support and Revenue					
Fundraising Contributions	\$ -	\$	223,025	\$	\$ 223,025
Fundraising Events, Net	\$ 262,871	\$	(225,225)	\$	\$ 37,646

THE CHILDREN'S BEREAVEMENT CENTER OF SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (continued)

Recently Adopted Accounting Pronouncements (continued)

Following are the line items from the statement of cash flows for the year ended December 31, 2018, that were restated, the adjustments, and the restatement amounts:

Cash Flows	As Previously Reported	Adjustments	As Adjusted
Change in Net Assets from Operations	\$ (49,185)	\$ (2,200)	\$ (51,385)
Deferred Income	\$ (1,700)	\$ 2,200	\$ 500

Contract Balances - Exchange Transactions

Contract balances for exchange transactions related to deferred income were as follows for the years ended December 31:

	2019	2018
Beginning of Year	\$ 9,800	\$ 9,300
End of Year	\$ 10,500	\$ 9,800

Functional Allocation of Expenses

The costs of providing the various programs and general and administrative expenses have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related expenses, which are allocated on the basis of estimates of time and effort, as well as depreciation expense, contractual services, office rent expense and other operating expenses, which are allocated on the basis of square footage or some other reasonable basis.

Accounts Receivable

Accounts receivable consists of unconditional gifts from donors and reimbursements from state and local agencies that management considers to be fully collectible. Therefore, no allowance for doubtful accounts has been established. CBCST had accounts receivable of \$285,934 and \$411,455 at December 31, 2019 and 2018, respectively.

Advertising Costs

Advertising costs are expensed as incurred and are included in marketing and public relations expense in the statement of functional expenses. Advertising expense for the years ended December 31, 2019 and 2018 was \$37,167 and \$23,315, respectively.

NOTE 2 – RETIREMENT PLAN

CBCST has a retirement plan, which is available to all employees. Employee contributions are matched by CBCST up to 3% of the employee's annual compensation. Employer contributions to the plan were \$21,882 and \$6,620 for the years ended December 31, 2019 and 2018, respectively.

THE CHILDREN'S BEREAVEMENT CENTER OF SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 3 – IN-KIND CONTRIBUTIONS

CBCST receives significant support from the public in the form of in-kind services. For the years ended December 31, 2019 and 2018, total hours provided by volunteers with specialized skills were 8,899 and 13,735, respectively. In-kind services included program facilitation and counseling, community outreach, secretarial, fundraising, and grant writing. The total value of these services amounted to \$223,365 and \$338,441 for the years ended December 31, 2019 and 2018, respectively.

Many other unpaid volunteers have made contributions of their time to CBCST during the years ended December 31, 2019 and 2018. The value of this contributed time is not reflected in the accompanying financial statements since it is not susceptible to objective measurement or valuation.

During the years ended December 31, 2019 and 2018, CBCST also received in-kind rent and donations of goods valued at \$61,435 and \$53,241, respectively.

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were for the following purposes at December 31:

	<u>2019</u>	<u>2018</u>
Capital Campaign	\$ 2,842,192	\$ -
CBC-RGV Initiative	75,989	165,675
Grief Support	75,000	-
Sibling Group	63,893	34,875
School-Based Groups	22,168	-
Individual and Group Counseling	18,500	-
Wonders and Worries/START Center	-	101,699
Total	\$ <u>3,097,742</u>	\$ <u>302,249</u>

NOTE 5 – BOARD-DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS

Board-designated net assets without donor restrictions were for the following purposes at December 31:

	<u>2019</u>	<u>2018</u>
Future Operations	\$ 775,000	\$ 775,000
Short-Term Reserve Fund	56,000	-
Investment in Fixed Assets	2,725,934	1,887,061
Total	\$ <u>3,556,934</u>	\$ <u>2,662,061</u>

NOTE 6 – NOTE PAYABLE

In December 2018, CBCST entered into a note agreement for \$685,000 to purchase a new building. The note bears interest of 5 percent per annum and matures in December 2019. Interest-only payments are due in quarterly installments beginning March 14, 2019. The note is secured by all present and future rent and other income and receipts from the property. The note was fully paid in December 2019. Interest expense capitalized for the years ended December 31, 2019 and 2018 was \$34,393 and \$-0-, respectively.

THE CHILDREN'S BEREAVEMENT CENTER OF SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 7 – PROGRAM SERVICES

CBCST's purpose is to help children and families who have experienced the death of someone significant in their lives. In addition to on-going support groups and counseling, CBCST provides training, crisis intervention, and consultation services to individuals, schools, churches, and various types of community agencies. The following tables reflect statistics of services provided to the public at large during the years ended December 31, 2019 and 2018. A "unit of service" is based on a mental health hour of 50 minutes of service provided to an individual or family by CBCST. Units of service may include direct and indirect support services provided to an individual or family.

Services provided for the year ended December 31, 2019:

	Unduplicated Participants	Program Service Visits	Units of Service
Peer support program			
Children and youth served	711	3,826	9,182
Adult caregivers served	552	2,711	6,506
Total peer support program	1,263	6,537	15,688
Individual and family counseling program			
Children and youth served	640	4,435	5,322
Adult caregivers served	332	1,060	1,272
Telephone calls and consultants	2,199	735	368
Total served under counseling program	3,171	6,230	6,962
Family assessments			
Children and youth served	1,113	1,232	2,307
Adult caregivers served	757	774	1,393
Total family assessments	1,870	2,006	3,700
Camps and external groups			
Pre-camp assessment, adults	31	32	58
Pre-camp assessment, children	51	52	94
Camp participants	141	515	4,753
External groups	96	571	571
Total camps and external groups	* 319	1,170	5,476
Family workshops and activities	390	390	1,170
Total bereavement program services	* 2,840	* 15,273	* 32,568
Community outreach services			
Training, education and outreach	5,178	139	10,401
Total for all programs and services	* 8,018	* 15,412	* 42,969

* Total omits duplicate participants

THE CHILDREN'S BEREAVEMENT CENTER OF SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 7 – PROGRAM SERVICES (continued)

Services provided for the year ended December 31, 2018:

	Unduplicated Participants	Program Service Visits	Units of Service
Peer support program			
Children and youth served	704	3,908	9,379
Adult caregivers served	546	2,734	6,562
Total peer support program	1,250	6,642	15,941
Individual and family counseling program			
Children and youth served	419	2,875	3,450
Adult caregivers served	158	940	1,128
Telephone calls and consultants	1,660	944	472
Total served under counseling program	2,237	4,759	5,050
Family assessments			
Children and youth served	902	982	1,768
Adult caregivers served	735	756	1,361
Total family assessments	1,637	1,738	3,129
Camps and external groups			
Pre-camp assessment, adults	42	43	77
Pre-camp assessment, children	30	31	56
Camp participants	136	442	3,672
Wonders & Worries	127	471	471
External groups	55	197	197
Total camps and external groups	* 390	1,184	4,473
Family workshops and activities	300	300	900
Total bereavement program services	* 2,464	* 13,027	* 27,487
Community outreach services			
Training, education and outreach	10,884	10,884	35,254
Total for all programs and services	* 13,348	* 23,911	* 62,741

* Total omits duplicate participants

NOTE 8 – CONCENTRATION OF CREDIT RISK

CBCST maintains its cash and investment balances in several accounts at multiple financial institutions. The Federal Deposit Insurance Corporation insures cash balances up to \$250,000 per bank, while the Securities Investor Protection Corporation insures the balances in investment accounts up to \$500,000. At December 31, 2019 and 2018, CBCST's uninsured cash and investment balances totaled \$1,407,439 and \$583,797, respectively, without consideration of reconciling items.

THE CHILDREN'S BEREAVEMENT CENTER OF SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 9 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Building - 205 W. Olmos	\$ 2,114,437	\$ 2,088,184
Building - 215 W. Olmos	669,935	669,935
Construction in Progress	217,036	-
Furniture and Equipment	476,913	470,304
Land	177,748	177,748
Vehicles	45,996	45,996
Computer Equipment and Software	42,934	37,074
Database	47,250	-
Website	34,985	34,985
	<u>3,827,234</u>	<u>3,524,226</u>
Less Accumulated Depreciation	<u>(1,101,300)</u>	<u>(952,165)</u>
Total Property and Equipment, Net	<u>\$ 2,725,934</u>	<u>\$ 2,572,061</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$149,135 and \$126,424, respectively.

NOTE 10 – INVESTMENTS

The fair value of investments was as follows at December 31:

	<u>2019</u>	<u>2018</u>
Cash/Money Market Accounts	\$ 379	\$ 347
Equities	921,072	710,606
Fixed Income	361,583	338,869
Total	<u>\$ 1,283,034</u>	<u>\$ 1,049,822</u>

Investment income (loss) totaled \$233,212 and \$(19,213) for the years ended December 31, 2019 and 2018, respectively. Investment income (loss) is reported net of fees of \$1,477 and \$1,261 for the years ended December 31, 2019 and 2018, respectively.

NOTE 11 – OPERATING LEASE COMMITMENTS

CBCST has several non-cancelable operating leases for copiers and office equipment that expire on various dates through September 2023. Lease payments range from \$120 to \$1,055 per month for a period of 36-63 months. Total office equipment lease expense for the years ended December 31, 2019 and 2018 was \$22,724 and \$20,623, respectively.

Additionally, CBCST has lease agreements for office space at multiple locations that expire on various dates through April 2028. Lease payments range from \$2,450 to \$4,500 for a period of 15-120 months. Total rent expense under these agreements for the years ended December 31, 2019 and 2018 was \$123,061 and \$116,947, respectively.

THE CHILDREN'S BEREAVEMENT CENTER OF SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 11 – OPERATING LEASE COMMITMENTS (continued)

The total future required minimum lease payments for these operating leases are as follows:

Years Ending December 31,	
2020	\$ 93,900
2021	69,030
2022	71,910
2023	71,745
2024	65,250
Thereafter	<u>232,500</u>
Total	<u>\$ 604,335</u>

NOTE 12 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The following reflects CBCST's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor-stipulated restrictions and internal designations that are amounts set aside for operating and other reserves that could be drawn upon if the Board approves that action.

	2019	2018
Cash and Cash Equivalents	\$ 1,386,842	\$ 417,850
Investments	1,283,034	1,049,822
Accounts Receivable	285,934	411,455
Pledge Receivables, Net - Current	1,680,117	-
Total Financial Assets	4,635,927	1,879,127
Board Designations:		
Future Operations	(775,000)	(775,000)
Short-Term Reserve Fund	(56,000)	-
Donor Restrictions	(3,097,742)	(302,249)
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	\$ 707,185	\$ 801,878

CBCST's primary sources of cash flows are grants and contributions from foundations, individuals and corporations. CBCST has a consistent inflow of cash throughout the year to cover normal operating expenses.

NOTE 13 – LINE OF CREDIT

During December 2018, CBCST entered into an agreement with Frost Bank for a line of credit of \$600,000. The line bears interest at 4.75% per annum and has an extended due date of December 26, 2020. The line is partially secured by \$300,000 of CBCST's investment accounts. The line of credit had a balance of \$200,000 and \$-0- at December 31, 2019 and 2018, respectively. Interest expense for the years ended December 31, 2019 and 2018 was \$3,008 and \$-0-, respectively.

The line of credit balance was fully paid in January 2020.

THE CHILDREN'S BEREAVEMENT CENTER OF SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 14 – PRIOR PERIOD RECLASSIFICATIONS

The following reclassifications between accounts were made to the financial statements for the year ended December 31, 2018: \$18,510 from marketing and public relations expense to recognition expense, and \$21,627 from supplies and food expense to office supplies expense. The reclassifications had no effect on the previously reported change in net assets.

NOTE 15 – FAIR VALUE OF FINANCIAL INSTRUMENTS

CBCST adopted the provisions of ASC 820, “*Fair Value Measurements and Disclosures*” (formerly SFAS 157). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, and establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The adoption of ASC 820 did not affect CBCST’s financial position or results of operations. The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority.
- Level 2 valuations are based on quoted prices in markets that are not active.
- Level 3 valuations are based on inputs that are unobservable and supported by little or no market activity.

CBCST’s current assets and liabilities as presented in the statements of financial position are Level 1. CBCST does not have Level 2 or Level 3 assets or liabilities. The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

CBCST’s financial instruments also include investments. The fair values of investments are based on quoted market prices for those or similar investments.

NOTE 16 – SUBSEQUENT EVENTS

During February 2020, CBCST entered into an agreement with Frost Bank for a line of credit of \$3,500,000. The line bears interest at the lesser of a rate equal to the Prime Rate per annum or 5.5% per annum and has a due date of February 12, 2023. The line of credit is secured by all of CBCST’s capital campaign pledges receivable and the 215 W. Olmos building (subject to a negative pledge clause).

Due to COVID-19 “shelter-in-place” restrictions imposed by the City of San Antonio in March 2020, CBCST closed offices to clients, staff and visitors. Administrative support staff transitioned immediately to work remotely. After developing procedures to allow counseling staff to protect clients’ Protected Health Information (PHI), counselors initiated individual counseling services via telehealth platforms. Management is evaluating current economic conditions and anticipates CBCST’s revenues from contributions and investments to decrease for the year ending December 31, 2020. Management is taking steps to reduce expenses over the same period in an effort to minimize financial losses for the year.

Additionally, CBCST applied for and was granted a Paycheck Protection Program loan in April 2020 to assist with payroll, rent and utilities.

CBCST has evaluated subsequent events through May 11, 2020, which is the date the financial statements were available to be issued.

THE CHILDREN'S BEREAVEMENT CENTER OF SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 17 – PLEDGES RECEIVABLE

In accordance with *Accounting for Contributions Received and Contributions Made*, pledges have been reduced by management's estimate of the uncollectible portion of these pledges and discounted to their present value using a risk-free rate of return of 10% as of December 31, 2019, in the year in which the pledge was made.

Pledges receivable consisted of the following at December 31, 2019:

Pledges Restricted For:	
Capital Campaign	\$ 2,064,410
Less Unamortized Discount	<u>(36,619)</u>
Net Pledges Receivable	\$ <u>2,027,791</u>
Amount Due In:	
Less than One Year	\$ 1,680,117
One to Three Years	<u>347,674</u>
Total	\$ <u>2,027,791</u>

There were no pledges receivable at December 31, 2018.

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Other Reporting Required

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

Board of Directors
The Children's Bereavement Center of South Texas
San Antonio, Texas

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 The Children's Bereavement Center of South Texas (CBCST), a nonprofit organization, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 11, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CBCST'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 CBCST's internal control. Accordingly, we do not express an opinion on the effectiveness of CBCST'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, 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CBCST'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 CBCST's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



San Antonio, Texas
May 11, 2020

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