

**EL PASO CENTER FOR CHILDREN, INC.
AND AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

C O N T E N T S

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	3
Consolidated Statements of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses	7
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10
Supplementary Information	27
Consolidating Worksheets	28
FEDERAL AND STATE AWARDS SECTION	30
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 <i>Government Auditing Standards</i>	31
Independent Auditor's Report On Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance and the State of Texas Uniform Grant Management Standards	33
Schedule of Findings and Questioned Costs	35
Schedule of Status of Prior Year Findings	37
Schedule of Expenditures of Federal and State Awards	38
Notes to Schedule of Expenditures of Federal and State Awards	40

600 SUNLAND PARK, 6-300
EL PASO, TX 79912

P 915 356-3700
F 915 356-3779
W GRP-CPA.COM



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
El Paso Center for Children, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of El Paso Center for Children, Inc. (a nonprofit organization) and affiliate, 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The financial statements of Southwestern Children's Home Trust (Affiliate) were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of El Paso Center for Children, Inc. and affiliate as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating worksheets on pages 28-29 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal and state awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *State of Texas Uniform Grant Management Standards*, is presented for purposes of additional analysis and is 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2019 on our consideration of El Paso Center for Children, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 El Paso Center for Children'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 El Paso Center for Children, Inc.'s internal control over financial reporting and compliance.

Gilson Reddock Patterson LLC

El Paso, Texas
August 23, 2019

FINANCIAL SECTION

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

ASSETS	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 699,427	\$ 427,976
Investments	1,681,628	1,861,926
Grants and fees receivable	742,751	879,438
Unconditional promise to give	30,360	30,360
Prepaid expenses and other receivables	38,254	17,148
Net investment in sales-type lease	192,859	205,438
Land, building and equipment, net	740,294	791,311
Total assets	<u>\$ 4,125,573</u>	<u>\$ 4,213,597</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 303,741	\$ 454,346
Accrued payroll, vacation and related expenses	136,765	97,472
Total liabilities	<u>440,506</u>	<u>551,818</u>
Net assets		
Without donor restrictions	3,604,707	3,581,419
With donor restrictions	80,360	80,360
Total net assets	<u>3,685,067</u>	<u>3,661,779</u>
Total liabilities and net assets	<u>\$ 4,125,573</u>	<u>\$ 4,213,597</u>

See accompanying notes to consolidated financial statements.

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
State grants and fees	\$ 3,291,548	\$ -	\$ 3,291,548
Federal grants and fees	1,158,377	-	1,158,377
Contributions	303,468	30,360	333,828
Donated supplies, food and services	416	-	416
Rental income	25,212	-	25,212
Net investment return	(92,515)	-	(92,515)
Miscellaneous	34,149	-	34,149
Special event revenue	10,254	-	10,254
Less cost of direct benefit to donors	(12,015)	-	(12,015)
Net special event revenue	(1,761)	-	(1,761)
Total revenue, support, and gains	4,718,894	30,360	4,749,254
Net assets released from restrictions	30,360	(30,360)	-
Total public support and revenues	4,749,254	-	4,749,254
Expenses			
Program services	3,938,922	-	3,938,922
Management and general	772,921	-	772,921
Fundraising	14,123	-	14,123
Total expenses	4,725,966	-	4,725,966
Change in net assets	23,288	-	23,288
Net assets, beginning of the year	3,581,419	80,360	3,661,779
Net assets, end of year	\$ 3,604,707	\$ 80,360	\$ 3,685,067

See accompanying notes to consolidated financial statements.

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
State grants and fees	\$ 3,003,912	\$ -	\$ 3,003,912
Federal grants and fees	473,096	-	473,096
Contributions	254,128	30,360	284,488
Donated supplies, food and services	16,875	-	16,875
Rental income	22,050	-	22,050
Net investment return	331,008	-	331,008
Miscellaneous	24,333	-	24,333
Total revenue, support and gains	<u>4,125,402</u>	<u>30,360</u>	<u>4,155,762</u>
Net assets released from restrictions	<u>33,000</u>	<u>(33,000)</u>	<u>-</u>
Total public support and revenues	<u>4,158,402</u>	<u>(2,640)</u>	<u>4,155,762</u>
Expenses			
Program services	3,063,460	-	3,063,460
Management and general	854,589	-	854,589
Fundraising	8,232	-	8,232
Total expenses	<u>3,926,281</u>	<u>-</u>	<u>3,926,281</u>
Change in net assets	232,121	(2,640)	229,481
Net assets, beginning of the year	<u>3,349,298</u>	<u>83,000</u>	<u>3,432,298</u>
Net assets, end of year	<u>\$ 3,581,419</u>	<u>\$ 80,360</u>	<u>\$ 3,661,779</u>

See accompanying notes to consolidated financial statements.

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services												
	Border Collaborative	Transitional Living	Therapeutic Homes	Specialized Foster Care	Emergency Shelter	Services to At-Risk Youth	Street Outreach	Rapid Rehousing	El Paso HOPES	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 27,338	\$ 16,547	\$ 159,579	\$ 125,073	\$ 280,205	\$ 406,204	\$ 104,605	\$ 63,116	\$ 28,605	\$ 1,211,272	\$ 397,370	\$ 5,018	\$ 1,613,660
Payroll Taxes	3,028	2,055	15,772	13,318	31,556	41,456	11,614	6,579	2,904	128,282	34,839	391	163,512
Employee benefits	5	4	17,446	8,313	8,584	40,097	4,827	32	1,982	81,290	39,115	125	120,530
Total salaries and related expenses	30,371	18,606	192,797	146,704	320,345	487,757	121,046	69,727	33,491	1,420,844	471,324	5,534	1,897,702
Professional fees	19,759	3,531	30,608	31,527	42,102	45,209	14,565	5,225	17,178	209,704	61,751	624	272,079
Foster parent payments	-	-	460,945	72,470	-	-	-	-	-	533,415	-	-	533,415
Supplies	11,084	27,352	10,554	5,349	42,897	38,545	7,392	3,740	-	146,913	62,649	2,775	212,337
Utilities	423	1,476	8,547	3,116	12,899	13,679	4,078	2,506	-	46,724	37,441	-	84,165
Maintenance and equipment	604	1,323	2,911	89	3,882	19,258	-	179	-	28,246	36,618	-	64,864
Travel and conference	-	1,228	7,778	2,235	2,594	18,835	2,049	1,041	352	36,112	12,487	-	48,599
Specific assistance	-	45	2,262	-	13,383	-	480	76,040	-	92,210	-	-	92,210
Client transportation	-	-	-	-	12,816	-	8,363	-	-	21,179	-	-	21,179
Subcontracted services	-	-	-	-	-	-	25,430	-	1,311,897	1,337,327	-	-	1,337,327
Maintenance allocation	360	3,040	4,768	3,180	13,600	10,019	1,390	2,507	-	38,864	38,346	-	77,210
Miscellaneous	726	487	3,768	1,333	5,250	5,289	1,704	855	-	19,412	9,260	5,190	33,862
Total expenses before depreciation	63,327	57,088	724,938	266,003	469,768	638,591	186,497	161,820	1,362,918	3,930,950	729,876	14,123	4,674,949
Direct depreciation	138	1,169	1,987	1,713	1,448	1,070	153	294	-	7,972	43,045	-	51,017
Total depreciation	138	1,169	1,987	1,713	1,448	1,070	153	294	-	7,972	43,045	-	51,017
Total expenses	\$ 63,465	\$ 58,257	\$ 726,925	\$ 267,716	\$ 471,216	\$ 639,661	\$ 186,650	\$ 162,114	\$ 1,362,918	\$ 3,938,922	\$ 772,921	\$ 14,123	\$ 4,725,966

See accompanying notes to consolidated financial statements.

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services									
	Therapeutic Homes	Specialized Foster Care	Emergency Shelter	Services to At-Risk Youth	Street Outreach	El Paso HOPES	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 144,503	\$ 50,415	\$ 263,799	\$ 341,282	\$ 14,431	\$ 23,344	\$ 837,774	\$ 300,289	\$ -	\$ 1,138,063
Payroll Taxes	15,619	5,949	32,228	37,958	2,239	2,670	96,663	27,765	-	124,428
Employee benefits	10,920	1,320	11,067	30,993	-	1,271	55,571	24,791	-	80,362
Total salaries and related expenses	171,042	57,684	307,094	410,233	16,670	27,285	990,008	352,845	-	1,342,853
Professional fees	36,456	4,383	26,008	36,924	1,108	16,059	120,938	39,430	-	160,368
Foster parent payments	347,962	16,422	-	-	-	-	364,384	-	-	364,384
Supplies	6,903	291	35,934	17,273	3,825	-	64,226	42,918	2,397	109,541
Occupancy	9,646	1,558	17,722	13,706	722	-	43,354	329,699	-	373,053
Travel and conference	5,762	13,444	3,227	9,042	522	2,454	34,451	254	1,742	36,447
Specific assistance	1,457	-	8,000	-	20	-	9,477	-	-	9,477
Client transportation	935	-	11,366	-	588	-	12,889	-	-	12,889
Grants to subrecipients	-	-	-	-	3,579	1,382,750	1,386,329	-	-	1,386,329
Maintenance allocation	3,117	680	8,611	5,705	154	-	18,267	38,632	-	56,899
Miscellaneous	1,823	262	8,424	2,422	157	3,236	16,324	5,335	4,093	25,752
Total expenses before depreciation	585,103	94,724	426,386	495,305	27,345	1,431,784	3,060,647	809,113	8,232	3,877,992
Direct depreciation	891	155	1,248	464	55	-	2,813	45,476	-	48,289
Total depreciation	891	155	1,248	464	55	-	2,813	45,476	-	48,289
Total expenses	\$ 585,994	\$ 94,879	\$ 427,634	\$ 495,769	\$ 27,400	\$ 1,431,784	\$ 3,063,460	\$ 854,589	\$ 8,232	\$ 3,926,281

See accompanying notes to consolidated financial statements.

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 23,288	\$ 229,481
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	51,017	48,289
Amortization	12,579	11,800
Unrealized (gain) loss on investments	263,557	(206,832)
Realized (gain) loss on sale of investments	(52,585)	(42,539)
(Increase) decrease in operating assets and liabilities:		
Grants and fees receivable	136,687	(418,082)
Prepaid expenses and other receivables	(21,106)	(1,752)
Accounts payable	(150,605)	188,608
Accrued payroll, vacation and related expenses	39,293	24,357
	<u>302,125</u>	<u>(166,670)</u>
Net cash flows provided by (used in) operating activities		
Cash flows from (used by) investing activities:		
Purchase of property and equipment	-	(127,421)
Purchase of investments	(644,578)	(880,045)
Proceeds from sale of investments	613,904	1,212,932
	<u>(30,674)</u>	<u>205,466</u>
Net cash flows provided by investing activities		
Net increase (decrease) in cash and cash equivalents	271,451	38,796
Beginning cash and cash equivalents	<u>427,976</u>	<u>389,180</u>
Ending cash and cash equivalents	<u>\$ 699,427</u>	<u>\$ 427,976</u>

See accompanying notes to consolidated financial statements.

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities - El Paso Center for Children, Inc. (the Center, we, us, our) is a nonprofit agency organized for the purpose of providing homes for dependent and neglected children and an array of support services for emotionally disturbed children, adolescents, and their families. We operate entirely in the County of El Paso.

We offer the following programs:

- *Therapeutic Homes and Specialized Foster Care*- Offers therapeutic foster care for children and adolescents with moderate to severe emotional and behavioral disturbances and survivors of human trafficking.
- *Emergency Shelter and Street Outreach*- Serves 10 to 17 year-old runaway and homeless youths and their families.
- *Services to At-Risk Youth* - Serves youth and families that are at risk of abuse, delinquency, or family separation.
- *El Paso HOPES* - Serves families with young children to help them create a safe and healthy environment for children to grow and thrive.
- *Rapid Rehousing* - Serves young adults with rental assistance, independence coaching, and other support to transition to self-sufficiency, and a healthy, productive adulthood.
- *Transitional Living Program* - Serves young adults in a group transitional living program (home) for females and individuals identified as LGBTQ+ who find themselves without a family support system.
- *Border Collaborative* - Hosts a community-wide multi-system collaborative in partnership with the Family Leadership Council. Efforts focus on awareness and outreach to support stronger families in our region and prevent child abuse.

Principles of Consolidation - The consolidated financial statements include the financial position, statement of activities, functional expenses and cash flows of the Center and the affiliate, Southwestern Children's Home Trust because the Center has both control and an economic interest in the Trust. All significant inter-company accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as "El Paso Center for Children, Inc. and Affiliate."

The Southwestern Children's Home Trust (the Trust) is a separate nonprofit corporation, which operates for our benefit. Four of the five individual trustees of the Trust are appointed by the board of directors of El Paso Center for Children, Inc. The Trust holds and maintains investments out of which monthly contributions are distributed to us. The Trust investments are managed by a board of directors that has authority to make distributions to us or for our use.

Basis of Accounting Presentation - The accompanying consolidated financial statements are presented on the accrual basis of accounting and conform with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when they are earned. Expenses are recognized when the related liability for payments is incurred.

(Continued)

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets received and expended within the reporting period are reported in the Statement of Activities as support or revenue without donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when as restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which resource was restricted has been fulfilled, or both. When a restriction expires, 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. Net Assets with donor restrictions whose restriction are satisfied in the same year of the receipt are treated as net assets without donor restrictions.

Disclosures about the Fair Value of Financial Instruments - Due to the short-term nature of the accounts, certain assets and liabilities such as cash and cash equivalents, grants and fees receivable, unconditional promises to give, prepaid assets, accounts payables, and accrued liabilities are carried at values that we believe approximate fair value.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates, and those differences could be material.

Cash and Cash Equivalents - We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restrict by donors/grantors for long term purposes, to be cash and cash equivalents.

(Continued)

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments and Credit Risk - We manage deposit concentration risk by placing cash and cash equivalents and money market accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced any losses in any of these accounts. Investments of the Trust are made by diversified investment manager whose performance is monitored by their board. Although the fair value of investments are subject to fluctuation on a year-to-year basis, the Trust board believes that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

We maintain a cash account at a financial institution in El Paso, Texas, whose cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. We evaluated the balances held at the financial institution and do not believe we are exposed to any significant credit risk.

At December 31, 2018, the Center's cash balance on deposit was under insured by \$143,865. There was no cash balance on deposit under insured at December 31, 2017.

We routinely invest our surplus operating funds in money market mutual funds. These funds generally invest in highly liquid U.S. government and agency obligations. These money market funds are not insured or guaranteed by the U.S. government; however, we believe that credit risk related to these investments is minimal. The uninsured balances as December 31, 2018 and 2017 were \$254,141 and \$250,908, respectively.

In addition, the cash and equivalents included in the Southwestern Children's Home Trust investments are not FDIC insured. The cash and equivalents balances as of December 31, 2018 and 2017 were \$52,852 and \$68,545, respectively.

Credit risk associated with grants and fees receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies.

Investments - We record investment purchases at cost, or if donated, at fair value on the date of the donation. Thereafter, investments are reported at their fair values in the consolidated statements of financial position. Net investment income (loss) is reported in the statement of activities and consists of interest, dividend, and royalties income, realized and unrealized capital gain and losses, less external and direct internal investment expenses. Investment expenses for the year ended December 31, 2018 and 2017 were \$22,893 and \$22,188, respectively.

Fair Value Measurement - We report certain assets and liabilities at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

(Continued)

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorized the inputs as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that not active, inputs other than quoted prices that are the observable for the asset or liability, and market-corroborated inputs.

Level 3: Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Grants and Fees Receivable - Grants and fees receivable consist primarily of noninterest-bearing amounts due from government entities for services provided. We determine the allowance for uncollectible grants and fees receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. As of December 31, 2018 and 2017, we considered all grants and fees receivable to be fully collectible. Accordingly, there was no allowance for doubtful accounts related to grants and fees receivable.

Unconditional Promises to Give - We record unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value technique incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the state of activities. We determine the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review for subsequent collections. Promises to give are written off when deemed uncollectible. At December 31, 2018 and 2017, we considered unconditional promises to give to be fully collectible. Accordingly, there was no allowance for doubtful accounts related to unconditional promises to give.

(Continued)

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sales-type lease - The lease is considered a real estate sale-type lease and is accounted for under the installment method, whereby gain is deferred until payment is received. Unearned income on the lease is accounted for using the interest method.

Property and Equipment - We record property and equipment additions over \$5,000 at cost, or, if donated, at fair value on the date of donation. Depreciation and amortization are computed by using the straight-line basis over the estimated useful lives of the assets ranging from 5-30 years, or in the case of capitalized leased assets or leasehold improvement, the lesser of the useful life of the asset or the lease term. When assets are retired or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any gain or loss is included in the statements of activities. Cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

We report gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Property and equipment acquired by us are considered to be owned by us. However, federal and state funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets.

Analysis for Impairment - We review the carrying values of property and equipment for impairment whenever events or circumstances indicated that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, and impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2018 and 2017.

Accrued Leave - Our employees receive paid vacation days depending on length of service and other factors. Upon termination the employee is paid for vacation leave accrued but not used. The vacation accrual can be reasonably estimated, and accordingly, a liability for the year ended December 31, 2018 and 2017 was recorded in the accompanying consolidated financial statements in the amount of \$39,208 and \$27,705, respectively.

Support and Revenue Recognition - Our revenue comes primarily from federal and state grants and fees and contributions. Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Grants - Grants can be either contribution or exchange transactions. Grants that are exchange transactions recognize revenue when the expenses are incurred or service delivery has been made in accordance with the related agreement.

(Continued)

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contributions - Contributions are recognized when cash, securities or other assets, an unconditional promise to give or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or donor-restricted for specific purposes are reported as net assets with donor restrictions. When a donor-stipulated time restriction ends or a purpose restriction is accomplished, the net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the Statement of Activities as net assets released from restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the contributions is reported as net assets without donor restrictions.

Donated supplies, food, & services - Contributed goods are recorded at fair value at the date of donation. Donated professional services, which are defined as donations of services that would have to be purchased in order for us to operate if not donated, are recorded at the respective fair values of the services received. The value of donated services included in the consolidated statement of activities and in the consolidated statement of functional expenses as professional fees for the Specialized Foster Care program for the year ended December 31, 2018 was \$250. The value of donated services included in the consolidated statement of activities and in the consolidated statement of functional expenses as professional fees for the STAR program, HOPES program, and management and general for the year ended December 31, 2017 totaled \$10,405. The expenses related to donated supplies, food, and services are excluded from billing to granting agencies.

Fees - Fees and contract services are recognized when the service is performed.

Operating revenues and expenses are directly related to client assistance in the area of shelter and support services.

Functional Allocation of Expenses - The cost of program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of the expenses by function. Direct expenses of a particular program are charged to that program while indirect expenses are allocated to the various programs based upon the two indirect cost rate allocations that we have adopted.

1. **Maintenance:** Maintenance costs are first allocated to each direct service and administration based on the percentage of building square footage that each program occupies.
2. **Administration:** Administrative costs are then allocated to each direct service program based on the percentage of total allowable direct costs (including maintenance) that each program represents.

Advertising - Advertising costs are expenses as incurred, and the total amounts expensed for the years ended December 31, 2018 and 2017 were \$22,503 and \$5,336, respectively.

(Continued)

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal Income Taxes - Both us and the Trust are organized as Texas nonprofit corporations and have been recognized by the IRS as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Each entity is annual required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Trust did not have any unrelated business income in 2018 and 2017.

During the year ended December 31, 2017, we engaged in unrelated business activities related to accounting fees the organization charged other nonprofit entities. However, the accompanying financial statements do not reflect a provision or liability for federal or state income taxes since there was no taxable income generated after related deductions. Such unrelated business activities were not provided in 2018.

The IRS Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2015, 2016 and 2017 are subject to examination by the IRS, generally for three years after they were filed.

Uncertain Tax Positions - We have adopted FASB ASC 740-10-25, Accounting for Uncertainty in Income Taxes. We will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. We continually evaluate expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. Our evaluation on December 31, 2018 revealed no uncertain tax positions that would have a material impact on the financial statements. We do not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

Change in Accounting Principle - On August 18, 2016, 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 income. We have implemented ASU 2016-14 and have adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented. The new standards change the following aspects of our financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net assets class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 2)

(Continued)

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The changes have the following effect on net assets at December 31, 2017:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 3,581,419	\$ -
Temporarily restricted net assets	30,360	-
Permanently restricted net assets	50,000	-
Net assets without donor restrictions	-	3,581,419
Net assets with donor restrictions	-	80,360
	<u>\$ 3,661,779</u>	<u>\$ 3,661,779</u>

In addition, certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of the following:

Financial Assets:

Cash and cash equivalents	\$ 699,427
Grants and fees receivable	742,751
Unconditional promises to give	30,360
Net investment in sales-type lease	13,422
	<u>1,485,960</u>

Donor imposed restrictions:

Programs and perpetual in nature	<u>(80,360)</u>
----------------------------------	-----------------

Financial assets available to meet cash needs
for general expenditures within one year

\$ 1,405,600

As part of our liquidity management plan, we submit grant reports in a timely manner to ensure funds are available as needed. In addition, we can request funding from our affiliate to cover any shortfalls that occur.

(Continued)

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

3. INVESTMENTS

The investments held by the Trust at December 31, 2018 and 2017, are as follows:

	2018		
	Fair Value	Cost	Unrealized Gain(Loss)
Equity Mutual Funds	\$ 992,899	\$ 1,025,867	\$ (32,968)
Fixed Income Mutual Funds	375,801	379,279	(3,478)
Alternative Investments Mutual Funds	104,184	110,234	(6,050)
Real Asset Mutual Funds	147,342	156,857	(9,515)
Mineral Interest	61,402	3	61,399
Total	\$ 1,681,628	\$ 1,672,240	\$ 9,388
	2017		
	Fair Value	Cost	Unrealized Gain(Loss)
Equity Mutual Funds	\$ 1,169,181	\$ 1,004,266	\$ 164,915
Fixed Income Mutual Funds	389,297	374,442	14,855
Alternative Investments Mutual Funds	53,864	52,530	1,334
Real Asset Mutual Funds	162,491	153,740	8,751
Mineral Interest	87,093	3	87,090
Total	\$ 1,861,926	\$ 1,584,981	\$ 276,945

The Trust invests in various investment securities which are exposed to risks such as interest rate, market, and credit risks. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we believe that the investments policies and guidelines are prudent for the long-term welfare of the organization.

A significant portion of the Trust investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values.

(Continued)

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

4. FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis at December 31, 2018 are as follows:

	Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Mutual funds	\$ 992,899	\$ 992,899	\$ -	\$ -
Fixed Income Mutual Funds	375,801	375,801	-	-
Alternative Investments Mutual Funds	104,184	104,184	-	-
Real Asset Mutual Funds	147,342	147,342	-	-
Mineral interest	61,402	-	-	61,402
Total	\$ 1,681,628	\$ 1,620,226	\$ -	\$ 61,402

Fair value of assets measured on a recurring basis at December 31, 2017 are as follows:

	Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Mutual funds	\$ 1,169,181	\$ 1,169,181	\$ -	\$ -
Fixed Income Mutual Funds	389,297	389,297	-	-
Alternative Investments Mutual Funds	53,864	53,864	-	-
Real Asset Mutual Funds	162,491	162,491	-	-
Mineral interest	87,093	-	-	87,093
Total	\$ 1,861,926	\$ 1,774,833	\$ -	\$ 87,093

(Continued)

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

4. FAIR VALUE MEASUREMENTS (Continued)

We use appropriate valuation techniques based on the available inputs to measure the fair value of our investments. The mutual funds' fair values are provided by the financial institution that manages the investments. Mutual funds are classified as Level 1. The value of Investment in mineral interest is based on a cash flow analysis over a multiyear period. Mineral interest are classified as Level 3.

Asset measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	<u>Mineral Interest</u>
January 1, 2017	\$ 80,912
Unrealized gain	<u>6,181</u>
December 31, 2017	<u>\$ 87,093</u>
January 1, 2018	\$ 87,093
Unrealized loss	<u>(25,691)</u>
December 31, 2018	<u>\$ 61,402</u>

5. UNCONDITIONAL PROMISE TO GIVE

Unconditional promises to give as of December 31, 2018 and 2017, are net assets with donor restrictions. These unconditional promises to give are to be received during the next fiscal year and are deemed to be fully collectible by management.

	<u>2018</u>	<u>2017</u>
United Way	<u>\$ 30,360</u>	<u>\$ 30,360</u>
Receivable in current year	<u>\$ 30,360</u>	<u>\$ 30,360</u>

(Continued)

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

6. SALES-TYPE LEASE RECEIVABLE

On December 22, 2003 we, as lessor, signed a lease agreement with the Young Women’s Christian Association of El Paso, Texas for the main building and the land it occupies at 3700 Altura, El Paso, Texas, for an initial period of twenty-two years with an option on the part of the lessee to extend the lease for a period of three years for a total of twenty-five years. Certain provisions of the building lease allow the lessee to purchase the building for \$1 at the end of the 25-year lease term. We have recorded the lease as a real estate sale.

	<u>2018</u>	<u>2017</u>
Present value of minimum lease payments	\$ 352,264	\$ 376,504
Less deferred gain	<u>(159,405)</u>	<u>(171,066)</u>
Net book value of real estate assets sold	<u>\$ 192,859</u>	<u>\$ 205,438</u>

The composition of the net investment in sales-type lease at December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Total minimum lease payments to be received	\$ 480,000	\$ 528,000
Less: Amount representing interest	<u>(127,736)</u>	<u>(151,496)</u>
Present value of future minimum lease payments	352,264	376,504
Deferred gain	<u>(159,405)</u>	<u>(171,066)</u>
Net investment in sales-type lease	<u>\$ 192,859</u>	<u>\$ 205,438</u>

At December 31, 2018 future minimum lease payments receivable under the lease are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2019	\$ 48,000
2020	48,000
2021	48,000
2022	48,000
2023	48,000
2024 - 2028	<u>240,000</u>
Future lease payments	<u>\$ 480,000</u>

The portion of interest income recognized in the statement of activities amounted to \$23,760 and \$25,271 for the years ended December 31, 2018 and 2017, respectively.

(Continued)

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

7. BUILDING AND EQUIPMENT

The following is a summary of the changes in building and equipment for the year ended December 31, 2018:

Asset Cost	Balance December 31, 2017	Additions	Disposals and Reclassifications	Balance December 31, 2018	Estimated Useful Lives
Land	\$ 258,581	\$ -	\$ -	\$ 258,581	
Building and improvements	1,664,580	-	95,995	1,760,575	5-30 years
Furniture, fixtures and equipment	<u>166,517</u>	-	<u>(95,995)</u>	<u>70,522</u>	5-10 years
Total at historic cost	2,089,678	-	-	2,089,678	
Less accumulated depreciation	<u>(1,298,367)</u>	<u>(51,017)</u>	-	<u>(1,349,384)</u>	
Capital assets, net of depreciation	<u>\$ 791,311</u>	<u>\$ (51,017)</u>	<u>\$ -</u>	<u>\$ 740,294</u>	

Depreciation expense recorded for 2018 and 2017 was \$51,017 and \$48,289, respectively.

8. NET ASSETS WITH DONOR RESTRICTIONS AND NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	2018	2017
Subject to expenditure for specified purpose:		
Emergency Shelter	\$ 23,460	\$ 23,460
Therapeutic Homes	<u>6,900</u>	<u>6,900</u>
Total for specified purpose	30,360	30,360
Perpetual in nature	<u>50,000</u>	50,000
Total net assets with donor restrictions	<u>\$ 80,360</u>	<u>\$ 80,360</u>

Net assets were released from donor restrictions during 2018 either by incurring expenses satisfying the restricted purpose or due to expiration of time is as follows:

	2018	2017
Emergency Shelter	\$ 23,460	\$ 25,500
Therapeutic Homes	<u>6,900</u>	<u>7,500</u>
	<u>\$ 30,360</u>	<u>\$ 33,000</u>

(Continued)

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

9. PENSION PLAN

On September 1, 1993, a simplified employee pension (individual retirement account) plan was adopted. The SEP-IRA plan covers all employees who have completed one year of service and who have attained the age of 18. Contributions to the plan are based upon 5% of wages of eligible employees. Annual pension costs for 2018 and 2017 were \$42,866 and \$35,658, respectively.

10. TAX-DEFERRED ANNUITY PLAN

We offer to our employees a tax-deferred annuity plan (the Plan) qualified under Section 403(b) of the Internal Revenue Code. All employees are eligible to participate not withstanding years of service. The Plan is 100% funded by the employee and there is no match by us. We have a fiduciary responsibility to ensure that the employee contributions are received and properly remitted to the plan administrator.

11. LEASE COMMITMENTS

We entered into a three year operating lease agreement for a vehicle in 2014. The agreement expired in 2017. During 2017, we entered into two new three year operating lease agreements for two vehicles. These agreements will expire in 2020.

We have entered into five year operating lease agreements for office equipment which would expire in 2016; however, the lease was renewed for another five years in February 2016. The renewed agreement expires in 2020.

A summary of future minimum lease payments are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2019	\$ 23,303
2020	<u>9,257</u>
Future minimum lease payments	<u>\$ 32,560</u>

Total lease expenses for 2018 and 2017 were \$23,696 and \$18,805, respectively.

(Continued)

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

12. RELATED PARTY TRANSACTIONS

We purchase insurance coverage from a company at which a former board member is employed. This board member resigned from the board in June 2018. Insurance coverage was obtained through a competitive process, and, in our opinion the coverage obtained was the most favorable to the us. During the fiscal years ended December 31, 2018 and 2017, we paid the insurance agency \$70,869 and \$60,421, respectively, for insurance coverage.

The use of the facilities where we operate was donated by Southwestern Children's Home Trust (Affiliate) which owns the real property. During the fiscal years ending December 31, 2018 and 2017, we both recognized \$554,855 and \$473,943, respectively, of in-kind rent as revenues and expenses in the consolidating worksheet. In addition, we received financial support in the form of grants from the Southwestern Children's Home Trust in the amounts of \$65,398 and \$356,962 during the fiscal years ended December 31, 2018 and 2017, respectively. These transactions were eliminated in the Consolidating Worksheet.

13. CONTINGENT LIABILITIES

We participates in numerous federal, state and local grants which are subject to additional audit and review by the granting agencies. These grants have complex compliance requirements and should federal, state, or local audits discover areas of material noncompliance, those funds may be subject to refund if so determined by the grantor. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. In our opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying consolidated financial statements for such contingencies.

We have purchased certain small equipment with federal awards. If the equipment is not used for its intended purpose during its depreciable life, title may revert to the grantor.

We are subject to licensing requirements and periodic inspections by State personnel for both the emergency shelter and the therapeutic homes program. The State may suspend the license if we fail to meet certain requirements or inspections.

14. CONCENTRATION OF REVENUE, SUPPORT, AND GAINS

During the years ended December 31, 2018 and 2017, we received revenue of \$4,449,925 and \$3,477,008, respectively, from government grants and fees. This constitutes approximately 94% in 2018 and 83% in 2017 of total revenue, support, and gains. The loss of this funding could have a material impact on our ability to continue to provide the current level of services to the community.

(Continued)

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

15. LITIGATION

During the normal course of business, we may be subject to various legal claims. As of December 31, 2018, we are not aware of any claims which would have a material adverse effect on the financial statements.

16. SUBSEQUENT EVENTS

Subsequent events were evaluated through August 23, 2019, which is the date the financial statements were available to be issued.

17. NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The requirements of this ASU will be effective for periods beginning after December 15, 2018. The new guidance establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from exchange transactions including certain funding from government agencies. We are evaluating the impact this standard will have on our financial reporting.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU requires that a lease liability and related right-of-use asset representing the lessee’s right to use or control the asset be recorded on the statement of financial position for certain leases that previously were classified as operating leases. The ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. We are evaluating the impact this standard will have on our financial reporting.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230)*. This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in the ASU do not provide a definition of restricted cash or restricted cash equivalents. The ASU is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. We are evaluating the impact this standard will have on our financial reporting.

In June 2018, Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* was issued. The requirements of this ASU should be applied on a modified prospective basis. The amendments in the update help to clarify and improve the scope and the accounting guidance for contribution received and contributions made and should assist entities in evaluation whether transaction should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional. The ASU is effective for fiscal years beginning after December 15, 2018. We are evaluating the impact this standard will have on our financial reporting.

(Continued)

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

18. RECLASSIFICATION

Certain amounts in the December 31, 2017 consolidated financial statements have been reclassified to conform to the current year consolidated financial statement presentation.

SUPPLEMENTARY INFORMATION

**EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATING WORKSHEET
December 31, 2018**

	El Paso Center for Children as of 12/31/2018	Southwestern Children's Home Trust as of 12/31/2018	Combined Balance as of 12/31/2018	Total Eliminations as of 12/31/2018	Consolidated Balance as of 12/31/2018
<u>ASSETS</u>					
Cash and cash equivalents	646,575	52,852	699,427	-	699,427
Investments	-	1,681,628	1,681,628	-	1,681,628
Grants and fees receivable	742,751	-	742,751	-	742,751
Unconditional promise to give	30,360	-	30,360	-	30,360
Prepaid expenses and other receivables	38,254	-	38,254	-	38,254
Net investment in sales-type lease	192,859	-	192,859	-	192,859
	1,650,799	1,734,480	3,385,279	-	3,385,279
Land, building and equipment, net	106,693	633,601	740,294	-	740,294
	106,693	633,601	740,294	-	740,294
Total assets	1,757,492	2,368,081	4,125,573	-	4,125,573
<u>LIABILITIES & NET ASSETS</u>					
Accounts payable	303,741	-	303,741	-	303,741
Accrued payroll, vacation and related expenses	136,765	-	136,765	-	136,765
Total liabilities	440,506	-	440,506	-	440,506
Net assets	1,316,986	2,368,081	3,685,067	-	3,685,067
Total liabilities and net assets	1,757,492	2,368,081	4,125,573	-	4,125,573
<u>SUPPORT AND REVENUES</u>					
State grants and fees	3,291,548	-	3,291,548	-	3,291,548
Federal grants and fees	1,158,377	-	1,158,377	-	1,158,377
Contributions	399,226	-	399,226	(65,398)	333,828
Donated supplies, food and services	555,271	-	555,271	(554,855)	416
Rental income	21,711	558,595	580,306	(555,094)	25,212
Net investment return	26,993	(119,508)	(92,515)	-	(92,515)
Miscellaneous	34,149	-	34,149	-	34,149
Special event revenue	10,254	-	10,254	-	10,254
Less cost of direct benefit to donors	(12,015)	-	(12,015)	-	(12,015)
Total Support and Revenues	5,485,515	439,087	5,924,602	(1,175,347)	4,749,254
			-		-
			-		-
<u>EXPENSES</u>					
Salaries	1,613,660	-	1,613,660	-	1,613,660
Payroll taxes	163,512	-	163,512	-	163,512
Employee benefits	120,530	-	120,530	-	120,530
Professional fees	266,633	5,446	272,079	-	272,079
Foster parent payments	533,415	-	533,415	-	533,415
Grants and donations	-	620,253	620,253	(620,253)	-
Supplies	212,337	-	212,337	-	212,337
Rent	554,974	-	554,974	(555,094)	(120)
Utilities	84,165	-	84,165	-	84,165
Maintenance and equipment	64,864	-	64,864	-	64,864
Travel and conference	48,599	-	48,599	-	48,599
Specific assistance	92,210	-	92,210	-	92,210
Client transportation	21,179	-	21,179	-	21,179
Subcontracted services	1,337,327	-	1,337,327	-	1,337,327
Maintenance allocation	77,210	-	77,210	-	77,210
Miscellaneous	24,602	9,380	33,982	-	33,982
Depreciation	19,062	31,955	51,017	-	51,017
Total Expenses	5,234,280	667,034	5,901,313	(1,175,347)	4,725,966
Change in net assets	251,235	(227,947)	23,288	-	23,288
Net assets, beginning of the year	1,065,751	2,596,028	3,661,779	-	3,661,779
Net assets, end of year	1,316,986	2,368,081	3,685,067	-	3,685,067

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATING WORKSHEET
December 31, 2017

	El Paso Center for Children as of 12/31/2017	Southwestern Children's Home Trust as of 12/31/2017	Combined Balance as of 12/31/2017	Total Eliminations as of 12/31/2017	Consolidated Balance as of 12/31/2017
<u>ASSETS</u>					
Cash and cash equivalents	359,431	68,545	427,976	-	427,976
Investments	-	1,861,926	1,861,926	-	1,861,926
Grants and fees receivable	879,438	-	879,438	-	879,438
Unconditional promise to give	30,360	-	30,360	-	30,360
Prepaid expenses and other receivables	17,148	-	17,148	-	17,148
Net investment in sales-type lease	205,438	-	205,438	-	205,438
	<u>1,491,815</u>	<u>1,930,471</u>	<u>3,422,286</u>	<u>-</u>	<u>3,422,286</u>
Land, building and equipment, net	125,754	665,557	791,311	-	791,311
	<u>125,754</u>	<u>665,557</u>	<u>791,311</u>	<u>-</u>	<u>791,311</u>
Total assets	<u>1,617,569</u>	<u>2,596,028</u>	<u>4,213,597</u>	<u>-</u>	<u>4,213,597</u>
<u>LIABILITIES & NET ASSETS</u>					
Accounts payable	454,346	-	454,346	-	454,346
Accrued payroll, vacation and related expenses	97,472	-	97,472	-	97,472
Total liabilities	<u>551,818</u>	<u>-</u>	<u>551,818</u>	<u>-</u>	<u>551,818</u>
Net assets	<u>1,065,751</u>	<u>2,596,028</u>	<u>3,661,779</u>	<u>-</u>	<u>3,661,779</u>
Total liabilities and net assets	<u>1,617,569</u>	<u>2,596,028</u>	<u>4,213,597</u>	<u>-</u>	<u>4,213,597</u>
<u>SUPPORT AND REVENUES</u>					
State grants and fees	3,003,912	-	3,003,912	-	3,003,912
Federal grants and fees	473,096	-	473,096	-	473,096
Contributions	641,450	-	641,450	(356,962)	284,488
Donated supplies, food and services	490,818	-	490,818	(473,943)	16,875
Rental income	22,050	473,943	495,993	(473,943)	22,050
Miscellaneous	24,333	-	24,333	-	24,333
Net investment return	26,078	304,930	331,008	-	331,008
Total Support and Revenues	<u>4,681,737</u>	<u>778,873</u>	<u>5,460,610</u>	<u>(1,304,848)</u>	<u>4,155,762</u>
<u>EXPENSES</u>					
Salaries	1,138,063	-	1,138,063	-	1,138,063
Payroll taxes	124,428	-	124,428	-	124,428
Employee Bbenefits	80,362	-	80,362	-	80,362
Professional fees	156,099	4,269	160,368	-	160,368
Foster parent payments	364,384	-	364,384	-	364,384
Grants and donations	-	830,905	830,905	(830,905)	-
Supplies	109,541	-	109,541	-	109,541
Occupancy	844,002	2,994	846,996	(473,943)	373,053
Travel and conference	36,447	-	36,447	-	36,447
Specific assistance	9,477	-	9,477	-	9,477
Client transportation	12,889	-	12,889	-	12,889
Subcontracted services	1,386,329	-	1,386,329	-	1,386,329
Maintenance allocation	56,899	-	56,899	-	56,899
Miscellaneous	25,752	-	25,752	-	25,752
Depreciation	16,274	32,015	48,289	-	48,289
Total Expenses	<u>4,360,946</u>	<u>870,183</u>	<u>5,231,129</u>	<u>(1,304,848)</u>	<u>3,926,281</u>
Change in net assets	320,791	(91,310)	229,481	-	229,481
Net assets, beginning of the year	744,960	2,687,338	3,432,298	-	3,432,298
Net assets, end of year	<u>1,065,751</u>	<u>2,596,028</u>	<u>3,661,779</u>	<u>-</u>	<u>3,661,779</u>

FEDERAL AND STATE AWARDS SECTION

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
El Paso Center for Children, Inc.

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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of El Paso Center for Children, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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 August 23, 2019.

The financial statements of the Southwestern Children's Home Trust (Affiliate) were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Southwestern Children's Home Trust (Affiliate).

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered El Paso Center for Children, 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of El Paso Center for Children, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of El Paso Center for Children, Inc.'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. However, material weakness may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Gibson Ruddock Patterson LLC

El Paso, Texas
August 23, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE
STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS

To the Board of Directors
El Paso Center for Children, Inc.

Report on Compliance for Each Major Federal and State Program

We have audited El Paso Center for Children, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of Texas Uniform Grant Management Standards that could have a direct and material effect on each of El Paso Center for Children, Inc.'s major federal and state program for the year ended December 31, 2018. El Paso Center for Children, Inc.'s major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of El Paso Center for Children, Inc.'s compliance.

Opinion on Each Major Federal and State Program

In our opinion, El Paso Center for Children, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Gibson Ruddlelock Patterson LLC

El Paso, Texas
August 23, 2019

EL PASO CENTER FOR CHILDREN, INC.

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2018

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Were significant deficiencies in internal controls disclosed? None reported

Were material weaknesses in internal control disclosed? No

Was any noncompliance disclosed that is material to the financial statements of the auditee, which would be required to be reported in accordance with Government Auditing Standards: No

Federal and State Awards

Internal Control over major federal and state award programs:

Were significant deficiencies in internal control over major programs disclosed? Federal - None reported
State - None reported

Were material weaknesses in internal control over major programs disclosed? Federal - No
State - No

Type of auditor's report issued on compliance for the major federal and state awards programs: Unmodified

Were there any audit findings that the auditor is required to disclose under Title 2 CFR 200.516 Audit findings paragraph (a) and the State of Texas Uniform Grant Management Standards? Federal Programs - No
State Programs - No

Dollar threshold used to distinguish between Type A and Type B Programs: Federal Programs - \$750,000
State Programs - \$300,000

Did auditee qualify as low-risk auditee under 2 CFR 200.520 Criteria for a low-risk auditee and the State of Texas Uniform Grant Management Standards? Federal Programs - No
State Programs - Yes

Major Federal Programs: **Continuum of Care Program, CFDA 14.267**

Victims of Crime Act Formula Grant Program, CFDA 16.575

Major State Program: **Healthy Outcomes through Prevention and Early Support Program, Contract #24125807**

EL PASO CENTER FOR CHILDREN, INC.

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2018

SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENT FINDINGS

There are no current year findings.

FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

There are no current year findings or questioned costs.

EL PASO CENTER FOR CHILDREN, INC.

SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2018

FINANCIAL STATEMENT FINDINGS

There were no prior year findings.

FEDERAL STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no prior year findings or questioned costs.

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Audit Period Expenditures
U.S. Department of Health and Human Services			
Runaway and Homeless Youth (Basic Center Program)	93.623	90CY6905-01-00/ 90CY6905-02-00	\$ 194,927
Border Youth Street Outreach Program	93.557	90YO2290-01-00/ 90YO2290-02-00	159,879
Transitional Living for Homeless Youth (Female and LGBTQ+ Therapeutic TLP)	93.550	90CX7251-01-00	66,401
Border Collaborative to Strengthen and Preserve Families	93.670	90CA1856-01-00	<u>71,060</u>
Total U.S. Department of Health and Human Services			<u>492,267</u>
U.S. Department of Housing and Urban Development			
Community of Care Program	14.267	TX0456L6T031600	155,939
<u>Passed through City of El Paso</u> Community Development Block Grant (Runaway Shelter)	14.218	43 rd and 44 th Year	52,075
<u>Passed through Opportunity Center for Homeless</u> Emergency Solutions Grant Program (Runaway Shelter)	14.231	Memorandum of Understanding	<u>21,194</u>
Total U.S. Department of Housing and Urban Services			<u>229,208</u>
U.S. Department of Justice			
<u>Passed through Texas Office of the Governor - Criminal Justice Division (CJD)</u>			
Victims of Crime Act Formula Grant Program - Youth Shelter and Victim's Services	16.575	2016-VA-GX-0033	236,204
Victims of Crime Act Formula Grant Program - Building Capacity - Specialized Foster Care Program	16.575	2016-VA-GX-0033	<u>200,698</u>
Total for U.S. Department of Justice			<u>436,902</u>
Total Federal Awards			<u><u>\$ 1,158,377</u></u>

See accompanying notes to Schedule of Expenditures of Federal and State Awards.

EL PASO CENTER FOR CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2018

State Grantor/Pass-Through Grantor/Program Title	State Award Number	Audit Period Expenditures	Amount Provided to Subrecipients
Texas Department of Family and Protective Services			
Services to At-Risk Youth (STAR)	24555393	\$ 775,176	\$ -
Healthy Outcomes through Prevention and Early Support Program (HOPES)	24125807	128,695	1,311,897
Total for Texas Department of Family and Protective Services		<u>903,871</u>	<u>1,311,897</u>
Texas Department of Housing and Community Affairs			
<u>Passed Through El Paso Human Services</u>			
Emergency Solutions Grants Program	42170002817	23,800	-
Total State Awards		<u>\$ 927,671</u>	<u>1,311,897</u>

See accompanying notes to Schedule of Expenditures of Federal and State Awards.

EL PASO CENTER FOR CHILDREN, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED DECEMBER 31, 2018

1. GENERAL

The accompanying schedule of expenditures of federal and state awards includes the federal and state award activity of the El Paso Center for Children, Inc., under programs of the federal and state government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance) and the State of Texas *Uniform Grant Management Standards*. Because the schedule presents only a selected portion of the operations of the El Paso Center for Children, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the El Paso Center for Children, Inc.

2. BASIS OF ACCOUNTING

Accounting and Financial Reporting - The schedule of expenditures of federal and state awards is presented using the accrual basis of accounting, which reflects the flow of economic resources measurement focus and requires recognition of revenue when earned and expenses when incurred.

Period of performance - The period of performance for federal and state grants for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal and state project period extended 90 days beyond the federal and state project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, Part 3, OMB Compliance Supplement - April 2018, and Subpart C - Post-Award Requirements of the Uniform Grant Management Standards.

Matching - Matching contributions for the Continuum of Care Program and for the Victims of Crime Act Formula Grant Program were \$54,228 and \$84,224, respectively, for the year ended December 31, 2018.

Program Income - Program income was not generated from any of the federal and state awards.

Non-Cash Assistance - El Paso Center for Children, Inc. did not receive any federal and state awards in the form of non-cash assistance during the year.

(Continued)

EL PASO CENTER FOR CHILDREN, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED DECEMBER 31, 2018

3. RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF STATE AWARDS TO THE STATEMENT OF ACTIVITIES

Amount of expenditures of state awards	\$ 2,239,568
Plus state awards not subject to single audit requirements (not included in SEFA):	
Texas Department of Family and Protective Services - Therapeutic Family Homes	904,528
Texas Department of Family and Protective Services - Emergency Shelter	145,203
Child Welfare Board	<u>2,249</u>
 Amount of Government grants and fees on the consolidated statement of activities	 <u>\$ 3,291,548</u>

4. INDIRECT COST RATE

The Center did not elect to use the 10% de minimis indirect cost rate but used the indirect cost rate assigned by the Department of Health and Human Services and allowed by the granting agency.

5. INSURANCE COVERAGE

During 2018 El Paso Center for Children, Inc. had the following insurance coverage in effect:

- Commercial General Liability Coverage each occurrence \$1,000,000 with a general aggregate of \$3,000,000.
- Commercial Crime Coverage with an aggregate amount of \$100,000.
- Professional Liability Coverage each occurrence \$1,000,000 with an aggregate limit of \$3,000,000.
- Directors & Officers and Fidelity Liability with an aggregate limit of \$1,000,000.
- Automobile Liability with a single limit of \$1,000,000 (each accident).
- Workers Compensation and Employers Liability with a single limit of \$500,000 (each accident).
- Employee Benefits Administration Errors and Omission Coverage with an aggregate limit of \$1,000,000.