

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2019
(with comparable totals for 2018)**

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Holyfield & Thomas, LLC

Certified Public Accountants & Advisors

125 Butler Street • West Palm Beach, FL 33407
(561) 689-6000 • Fax (561) 689-6001 • www.holyfieldandthomas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Children's Place at Home Safe, Inc.
Lake Worth, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of The Children's Place at Home Safe, Inc. (a nonprofit organization d/b/a HomeSafe), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

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 The Children's Place at Home Safe, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year 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 December 12, 2019, on our consideration of The Children's Place at Home Safe, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 The Children's Place at Home Safe, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the June 30, 2018 financial statements, and our report dated December 14, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Holyfield & Thomas, LLC

West Palm Beach, Florida
December 12, 2019

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
STATEMENT OF FINANCIAL POSITION
As of June 30, 2019
(with comparable totals for 2018)

ASSETS	Without Donor Restrictions	With Donor Restrictions	2019 Totals	2018 Totals
Cash and cash equivalents	\$ 925,521	\$ 199,673	\$ 1,125,194	\$ 785,853
Accounts receivable	631,699	-	631,699	728,040
Pledges receivable, current portion	210,722	-	210,722	81,845
Mortgage receivable, current portion	-	1,660,309	1,660,309	2,000,000
Prepaid expenses	394,961	-	394,961	416,408
Total current assets	2,162,903	1,859,982	4,022,885	4,012,146
Pledges receivable	50,000	-	50,000	-
Mortgage receivable	-	1,730,856	1,730,856	3,231,013
Deposits	46,417	-	46,417	6,985
Investments	109,960	8,684,952	8,794,912	6,634,154
Investment in deferred compensation plan	39,594	-	39,594	-
Beneficial interest in trusts	-	160,981	160,981	154,776
Property and equipment, net	3,284,917	-	3,284,917	3,206,935
Total assets	\$ 5,693,791	\$ 12,436,771	\$ 18,130,562	\$ 17,246,009
LIABILITIES AND NET ASSETS				
Accounts payable	\$ 105,642	\$ -	\$ 105,642	\$ 135,911
Accrued expenses	467,591	-	467,591	446,309
Line of credit	-	-	-	-
Note payable	-	-	-	-
Other liabilities	44,599	-	44,599	37,580
Total current liabilities	617,832	-	617,832	619,800
Obligation under deferred compensation plan	39,594	-	39,594	-
Total liabilities	657,426	-	657,426	619,800
Net assets	5,036,365	12,436,771	17,473,136	16,626,209
Total liabilities and net assets	\$ 5,693,791	\$ 12,436,771	\$ 18,130,562	\$ 17,246,009

See accompanying notes to financial statements.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019
(with comparable totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Totals	2018 Totals
Revenues and support:				
Program service	\$ 7,724,839	\$ -	\$ 7,724,839	\$ 7,300,489
Grants	688,586	100,000	788,586	649,683
Contributions	500,230	-	500,230	558,823
Special event revenue	613,722	-	613,722	561,124
Investment income, net	6,118	332,136	338,254	225,228
Realized and change in unrealized gain	7,584	138,056	145,640	93,131
Change in value of beneficial interest in trusts	-	6,205	6,205	6,874
Other income	112	-	112	7,018
	<u>9,541,191</u>	<u>576,397</u>	<u>10,117,588</u>	<u>9,402,370</u>
Total revenues and support				
Net assets released from restrictions	<u>192,270</u>	<u>(192,270)</u>	<u>-</u>	<u>-</u>
	<u>9,733,461</u>	<u>384,127</u>	<u>10,117,588</u>	<u>9,402,370</u>
Expenses:				
Program services	8,012,585	-	8,012,585	7,696,701
Supporting services:				
Management and general	695,508	-	695,508	760,562
Fundraising	561,548	-	561,548	695,768
	<u>9,269,641</u>	<u>-</u>	<u>9,269,641</u>	<u>9,153,031</u>
Total expenses				
Gain (loss) on sale of assets	<u>(1,020)</u>	<u>-</u>	<u>(1,020)</u>	<u>4,633,309</u>
Change in net assets	462,800	384,127	846,927	4,882,648
Net assets, beginning	<u>4,573,565</u>	<u>12,052,644</u>	<u>16,626,209</u>	<u>11,743,561</u>
Net assets, end	<u>\$ 5,036,365</u>	<u>\$ 12,436,771</u>	<u>\$ 17,473,136</u>	<u>\$ 16,626,209</u>

See accompanying notes to financial statements.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019
(with comparable totals for 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from program services	\$ 7,821,180	\$ 7,424,723
Cash received from government grants and contracts	788,586	649,683
Cash received from contributions and support	619,980	1,001,546
Cash paid to suppliers and employees	(8,873,831)	(8,723,070)
Other income	112	7,018
Interest and dividends received	192,530	86,321
Interest paid	(1,571)	(7,699)
Net cash provided by operating activities	<u>546,986</u>	<u>438,522</u>
Cash flows from investing activities:		
Proceeds from sale of property and equipment	8,800	5,013,974
Purchase of property and equipment	(201,327)	(1,070,579)
Collection of mortgage receivable	2,000,000	-
Proceeds from sale of investments	106,463	714,598
Purchase of investments	(2,121,581)	(4,602,511)
Net cash provided by (used in) investing activities	<u>(207,645)</u>	<u>55,482</u>
Cash flows from financing activities:		
Payment on note payable	-	(359,923)
Net cash used in financing activities	<u>-</u>	<u>(359,923)</u>
Net change in cash and cash equivalents	339,341	134,081
Cash and cash equivalents, beginning	<u>785,853</u>	<u>651,772</u>
Cash and cash equivalents, end	<u>\$ 1,125,194</u>	<u>\$ 785,853</u>

See accompanying notes to financial statements.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019
(with comparable totals for 2018)

	<u>2019</u>	<u>2018</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 846,927	\$ 4,882,648
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Donated assets	(84,238)	(105,162)
Interest from mortgage receivable	(160,152)	(157,713)
Realized and change in unrealized gain	(145,640)	(93,131)
Change in value of beneficial interest in trusts	(6,205)	(6,874)
Bad debt	1,002	36,277
Depreciation	197,763	229,721
Loss (gain) on sale of assets	1,020	(4,633,309)
Decrease (increase) in certain assets:		
Accounts receivable	96,341	124,234
Pledges receivable	(179,879)	59,296
Prepaid expenses	21,447	10,875
Deposits	(39,432)	-
Increase (decrease) in certain liabilities:		
Accounts payable	(30,269)	38,291
Accrued expenses	21,282	24,306
Other liabilities	7,019	29,063
Net cash provided by operating activities	<u>\$ 546,986</u>	<u>\$ 438,522</u>

See accompanying notes to financial statements.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019
(with comparable totals for 2018)

	Program Services								2019 Totals	2018 Totals
	Enhanced Group Home	SafetyNet	Healthy Beginnings	Specialized Therapeutic Group Homes	Independent Living Program	Total Program Services	Management and General	Fundraising		
Personnel expenses:										
Salaries and wages	\$ 304,648	\$ 171,667	\$ 2,095,694	\$ 2,385,083	\$ 45,681	\$ 5,002,773	\$ 301,396	\$ 300,426	\$ 5,604,595	\$ 5,333,717
Payroll taxes	21,111	12,554	152,334	172,345	3,288	361,632	23,866	21,215	406,713	390,183
Employee benefits	39,743	25,765	289,092	392,649	9,643	756,892	94,723	21,769	873,384	865,666
Total personnel expenses	365,502	209,986	2,537,120	2,950,077	58,612	6,121,297	419,985	343,410	6,884,692	6,589,566
Advertising	-	-	100	-	-	100	1,924	799	2,823	78,110
Appreciation	222	115	-	993	-	1,330	20,532	7,703	29,565	25,283
Bad debt expense	-	-	-	-	-	-	-	1,002	1,002	36,277
Individual assistance	8,432	14,000	25,537	82,176	16,747	146,892	6,000	325	153,217	73,150
Insurance	14,592	4,388	80,745	130,806	1,609	232,140	29,356	5,997	267,493	268,110
Other expenses	3,242	452	1,617	18,658	1,273	25,242	19,724	822	45,788	122,317
Professional fees	13,767	15,447	66,301	164,698	1,297	261,510	64,684	33,595	359,789	427,293
Recruiting and retention	-	35	5,299	154	-	5,488	18,221	45	23,754	15,975
Rent	30,936	175	114,033	94,302	64	239,510	14,914	22,612	277,036	147,778
Repairs and maintenance	22,042	7,801	27,506	98,483	15,036	170,868	28,377	6,874	206,119	225,090
Service charges	-	36	-	-	-	36	6,668	7,223	13,927	19,154
Supplies	25,840	5,564	63,306	152,068	1,771	248,549	14,884	54,502	317,935	323,913
Travel and entertainment	3,555	5,292	63,086	24,281	13	96,227	6,157	67,942	170,326	188,623
Utilities	21,626	6,415	103,022	138,369	12,370	281,802	29,782	6,828	318,412	382,671
Depreciation	5,779	1,726	28,146	117,848	28,095	181,594	14,300	1,869	197,763	229,721
Total expenses	\$ 515,535	\$ 271,432	\$ 3,115,818	\$ 3,972,913	\$ 136,887	\$ 8,012,585	\$ 695,508	\$ 561,548	\$ 9,269,641	\$ 9,153,031

See accompanying notes to financial statements.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

1. Organization and Summary of Significant Accounting Policies

Organization and Nature of Activities: Since 1979, The Children's Place at Home Safe, Inc. (d/b/a "HomeSafe") has been serving Palm Beach County and South Florida's most vulnerable citizens – victims of child abuse and domestic violence. HomeSafe offers comprehensive prevention and intervention programs to prepare children and families for safer, more productive lives. It is nationally accredited by the Council on Accreditation (COA) and certified by Nonprofits First, signifying compliance with standards of excellence in operations and management. Annually, HomeSafe serves more than 14,000 children and families. HomeSafe is the only agency in Palm Beach County offering a complete array of mental health services for victims of childhood trauma through Enhanced Group Care and Specialized Therapeutic Group Care via residential programs. HomeSafe is the exclusive entry agency (for newborns to age 5) for Healthy Beginnings, a program of the Children's Services Council of Palm Beach County.

Financial Statement Presentation: In accordance with FASB ASC 958-605, *Revenue Recognition*, contributions received are recorded as with or without donor restricted support depending on the existence and/or nature of any donor restrictions. Under the standard, contributions that are initially restricted as to time or use are required to be reported as support with donor restrictions and are later reclassified to net assets without donor restrictions upon expiration of the time or use restriction.

Under FASB ASC 958-205, *Presentation of Financial Statements*, HomeSafe reports information regarding its financial position and activities according to two classes of net assets described as follows:

Net Assets Without Donor Restrictions: includes those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Changes in net assets arising from exchange transaction (except income and gains on assets that are restricted by donors or by law) are included in the unrestricted net assets.

Net Assets With Donor Restrictions: are those subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other event specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Basis of Accounting: The financial statements of HomeSafe have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

1. Organization and Summary of Significant Accounting Policies, continued

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

Cash and Cash Equivalents: Cash and cash equivalents consist of cash held in checking and money market accounts, other than those held as a part of HomeSafe's investment portfolio.

Accounts Receivable: Accounts receivable consists of amounts due to HomeSafe under Medicaid, various state and local grants, promises to give from United Way, and other agencies. As of June 30, 2019, provisions for doubtful accounts were deemed unnecessary because the amounts are considered to be fully collectible.

Unconditional Promises to Give: Pledges receivable in the accompanying Statement of Financial Position consist of donors' unconditional promises to give which are recognized at their net realizable value at the time the promises are received.

Prepaid Expenses: Prepaid expenses represent costs incurred that benefit future periods. These costs include the following:

Prepaid insurance	\$ 373,361
Prepaid contracts and licenses	<u>21,600</u>
	<u>\$ 394,961</u>

Property and Equipment and Depreciation: Property and equipment are recorded at cost for financial reporting purposes and depreciated using the straight-line method over the following useful lives:

Buildings and leasehold improvements	25-30 years
Furniture and equipment	5-15 years
Vehicles	5 years
Donated property	5-39 years

Generally, all expenditures for land, buildings and equipment in excess of \$2,500 are capitalized. Exceptions to this policy result from requirements under grant agreements to capitalize property and equipment expenditures below the \$2,500 threshold. Expenditures for maintenance, repairs, and minor renewals are charged to operations as incurred. Donated assets are recorded at their fair market value as unrestricted contributions, in the absence of donor-imposed restrictions, at the date of donation.

Impairment of Long-Lived Assets: In accordance with the provision of FASB ASC 360-10, *Property, Plant, and Equipment*, HomeSafe reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

1. Organization and Summary of Significant Accounting Policies, continued

Investments: Investments are comprised of money market accounts, certificates of deposit, publicly-traded mutual funds, commodities, common stocks, and corporate bonds. The funds are invested for long-term investment return. Under FASB ASC 958-320, *Investments - Debt and Equity Securities*, investments in marketable securities with readily-determinable fair values are reported at their fair values in the Statement of Financial Position, with the amount of unrealized gains or losses on investments not previously recognized shown in the Statement of Activities. Investment income includes interest and dividends of \$352,682, including \$160,152 related to mortgage receivable, and investment fees of \$14,428.

Contributions: All contributions are considered available for the general programs of HomeSafe, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increase in net assets with donor restrictions. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.

In-kind Contributions and Contributed Services: In-kind contributions are reflected as contributions at their estimated fair value at date of donation. Non-monetary contributions are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. HomeSafe recognizes the fair value of contributed services received if such services (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. In addition, HomeSafe receives services from a large number of volunteers who give significant amounts of their time to HomeSafe's programs, fundraising campaigns, and management; however, such services do not meet the criteria for financial statement recognition and are therefore not included herein. The total amount of in-kind contributions received during the year ended June 30, 2019, amounted to \$229,855. This amount is recognized as both revenue, under the caption of contributions, and as property and equipment (\$84,238) in the Statement of Financial Position, and various expenses (\$145,617) in the Statement of Functional Expenses.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and activities benefited.

Advertising Costs: Advertising costs are expensed as incurred. Total expense for the year ended June 30, 2019 was \$2,823, and consisted of advertising and marketing expenses.

Income Taxes: HomeSafe is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as publicly-supported organizations that is not private foundations under Section 509(a) of the Code. Income determined to be unrelated business taxable income (UBTI) would be taxable. There was no UBTI for the year ended June 30, 2019.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

1. Organization and Summary of Significant Accounting Policies, continued

Income Taxes, continued: HomeSafe follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. This pronouncement seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. It prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. An entity may only recognize or continue to recognize tax positions that meet a “more likely than not” threshold. HomeSafe assesses its income tax positions based on management’s evaluation of the facts, circumstances and information available at the reporting date. HomeSafe uses the prescribed more likely than not threshold when making its assessment. HomeSafe has not accrued any interest expense or penalties related to tax positions. There are currently no open Federal or State tax years under audit.

Prior Year Summarized Information: The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with HomeSafe’s financial statements for the year ended June 30, 2018, from which the summarized information was derived. Certain 2018 amounts may have been reclassified to conform to 2019 classifications. Such reclassifications would have no effect on the change in net assets as previously reported.

Recent Accounting Pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenues from Contracts with Customers* (Topic 606) and has modified the standard thereafter. This standard replaces existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. ASU No. 2014-09 is effective for annual reporting periods in fiscal years that begin after December 15, 2018. Management is currently evaluating the standard and does not anticipate it will have a material impact on HomeSafe’s financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). ASU 2016-02 replaces existing leasing rules with a comprehensive lease measurement and recognition standard and expanded disclosure requirements. ASU 2016-02 will require lessees to recognize most leases on their statement of financial position as liabilities, with corresponding “right-of-use” assets. The standard is effective for annual reporting periods in fiscal years that begin after December 15, 2020. Management is currently evaluating the magnitude on HomeSafe’s financial statements.

Recently Adopted Accounting Pronouncements: In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements for Not-for-Profit Entities*, which changes the current guidance for net asset classification, Board designations, investment return, underwater endowment funds, expenses, liquidity and presentation of operating cash flows. HomeSafe has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively.

**THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2019

1. Organization and Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued:

The new standards change the following aspects of HomeSafe's financial statements:

- The temporarily restricted and permanently restricted net asset class have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 4).
- A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 changed the beginning net assets for the year ended June 30, 2019, follows:

As originally stated:

Unrestricted	\$ 4,573,565
Temporarily restricted	10,072,187
Permanently restricted	<u>1,980,457</u>
Total beginning net assets, July 1, 2018	<u>\$ 16,626,209</u>

As restated:

Without donor restrictions	\$ 4,573,565
With donor restrictions	<u>12,052,644</u>
Total beginning net assets, July 1, 2018	<u>\$ 16,626,209</u>

2. Program Services

The following is a description of current HomeSafe programs:

<i>Enhanced Group Home</i>	Provides an intensive, community-based, licensed residential group home setting for children and adolescent boys, ages 12 through 17, who have a combination of emotional and behavioral problems and/or delinquency involvement. The program provides mental health and supportive services designed to meet the behavioral health treatment needs of victims of childhood trauma. Also integrated into programming is a comprehensive life skills component. The program was terminated on December 31, 2018 and transitioned to the Specialized Therapeutic Group Homes program.
<i>SafetyNet</i>	Offers a full spectrum of services for victims of domestic violence, including year-round adult, teen and child support groups, individual therapy, crisis intervention, preventive education and court advocacy.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

2. Program Services, continued

<i>Healthy Beginnings</i>	Program screens, assesses and provides early intervention services to at-risk children from birth to age five throughout Palm Beach County. It ensures identified needs are addressed through referrals to appropriate providers in the county.
<i>Specialized Therapeutic Group Homes</i>	Provides an intensive, community-based, licensed residential group home setting for children and adolescents, ages 8 through 17, who have a moderate to severe emotional trauma. The program includes an array of mental health services that provide trauma-sensitive, innovative treatment to effectively respond to the complex and acute psychiatric and behavior issues brought about by the physical, sexual and emotional childhood trauma. Also integrated into programming is a comprehensive life skills component.
<i>Independent Living Housing Program (Pond Place)</i>	Provides safe, affordable housing for clients, ages 18-23, who have "aged out" of foster care. In return for an apartment, clients make a low monthly contribution. Clients must maintain their Post-secondary Education Services & Support (PESS) eligibility and follow the rules set by HomeSafe to stay in the program. A licensed clinical therapist works with clients on an individualized treatment plan.

3. Concentration of Credit Risk

HomeSafe uses several financial institutions to maintain its cash, which at times may exceed FDIC insured limits. HomeSafe has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on such cash. As of June 30, 2019, HomeSafe had approximately \$918,500 uninsured deposits held in banks.

HomeSafe also holds investments in various accounts with financial and brokerage institutions. As of June 30, 2019, approximately 96% of HomeSafe's investments were held by one institution. Investment securities are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

4. Liquidity and Availability of Resources

Financial assets available for general expenditure within one year, that is, without donor or other restrictions limited their use within one year of the Statement of Financial Position comprise the following:

Cash and cash equivalents	\$ 1,125,194
Accounts receivable	631,699
Pledges receivable	210,722
Investments	<u>8,794,912</u>
Total financial assets available within one year	10,762,527
Amounts unavailable for general expenditures within one year due to:	
Restricted by donor for the Sylvester Family Campus	(6,114,652)
Endowed amounts unavailable for expenditures within one year	<u>(2,570,300)</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 2,077,575</u>

In addition to financial assets currently available to meet general expenditures over the next 12 months, HomeSafe anticipates collecting sufficient support and revenue from its contracts with various state and local agencies and from its historically consistent stream of contributions to cover general expenditures not covered by donor-restricted resources.

Some of HomeSafe's net assets with donor restrictions are available for general expenditure within one year of June 30, 2019 because the restrictions on the net assets are expected to be met by conducting the normal program activities of HomeSafe in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

HomeSafe's endowment funds consist of donor-restricted contributions to be maintained in perpetuity and contributions restricted for the purpose of providing support to HomeSafe. The endowment is subject to annual appropriations determined at the discretion of the Board of Directors as described in Note 14. Although HomeSafe does not intend to spend from this endowment (other than amounts appropriated for general expenditures as part of the Board's annual approval and appropriation), these amounts could be made available if necessary.

Furthermore, management believes HomeSafe has sufficient financial assets, plus a \$700,000 line of credit, of which may be drawn upon in the event of unanticipated financial distress or an immediate liquidity need (see Note 11).

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

5. Fair Value Measurements

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, requires assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

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

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Inputs that are unobservable for the asset or liability.

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

Fair Value of Financial Instruments: The following methods and assumptions were used by HomeSafe in estimating fair value of financial instruments that are not disclosed under ASC 820.

Cash equivalents and liabilities – The carrying amount reported approximates fair value due to the short-term duration of the instrument.

Accounts and Pledges receivable – The carrying amount approximates fair value due to the short-term of the receivables.

Mortgage receivable – Valued at the present value of estimated future cash flows, which approximate fair value due to an imputed interest rate used that approximates market rates.

Items Measured at Fair Value on a Recurring Basis: The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2019.

Investments:

Money market accounts – Valued the reported brokerage amounts.

Certificates of deposit – Valued at the quoted market prices by the custodian as of the close of business at year ended June 30, 2019.

Mutual funds – Valued at the quoted market prices or net asset value (NAV) by the custodian as of the close of business at year ended June 30, 2019.

Commodities – Valued at the quoted market prices by the custodian as of the close of business at year ended June 30, 2019.

Equity, Real Estate, and Fixed income securities – Valued at the quoted market prices by the custodian as of the close of business at year ended June 30, 2019.

Beneficial Interest in Trusts – Valued at the present value of estimated future cash flows, using the life expectancy of the income beneficiary and discounted at a rate approximating current market rates.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

5. Fair Value Measurements, continued

The following table sets forth by level, within the fair value hierarchy, HomeSafe's assets measured at fair value on a recurring basis as of June 30, 2019:

	Assets at Fair Value as of June 30, 2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market accounts	\$ 1,876,823	\$ -	\$ -	\$ 1,876,823
Certificates of deposit	4,263,473	-	-	4,263,473
Mutual funds	109,960	-	-	109,960
Commodities	71,752	-	-	71,752
Equity securities	1,508,283	-	-	1,508,283
Real estate securities	44,954	-	-	44,954
Fixed income securities	<u>919,667</u>	<u>-</u>	<u>-</u>	<u>919,667</u>
	8,794,912	-	-	8,794,912
Beneficial interest in trusts	<u>-</u>	<u>-</u>	<u>160,981</u>	<u>160,981</u>
	<u>\$ 8,794,912</u>	<u>\$ -</u>	<u>\$ 160,981</u>	<u>\$ 8,955,893</u>

The table below sets forth a summary of changes in the fair value of HomeSafe's Level 3 assets, beneficial interest in trusts, for the year ended June 30, 2019.

Balance, beginning of year	\$ 154,776
Change in value	6,205
Contributions (settlements)	<u>-</u>
Balance, end of year	<u>\$ 160,981</u>

FASB ASC 820-10 requires disclosure of quantitative information about the unobservable inputs used to measure Level 3 assets and liabilities. The following table provides information about the beneficial interest in trusts:

<u>Valuation Techniques</u>	<u>Fair Value</u>	<u>Unobservable Inputs</u>
Discounted cash flows	\$ 160,981	Discount rate; life expectancy of income beneficiary

HomeSafe had no other financial instruments with recurring fair value measurements.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
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NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

6. Accounts Receivable

Accounts receivable are deemed to be fully collectible by management and consist of the following as of June 30, 2019:

Medicaid/Managed Care	\$ 135,766
State of Florida, Office of Attorney General	17,678
Palm Beach County	3,846
City of West Palm Beach	10,125
Children's Services Council	265,976
ChildNet, Inc.	53,934
Other Community Based Care Agencies	<u>144,374</u>
Total accounts receivable	<u>\$ 631,699</u>

7. Pledges Receivable

Contributions are recognized in the period an unconditional promise to give is received. Pledges receivable are recorded at face value if due in less than one year, or at net realizable value, discounted as appropriate to reflect the estimated timing of receipt for contributions, if due more than one year after the date of receipt.

Pledges receivable consisted of the following amounts as of June 30, 2019:

Receivable in less than one year	\$ 210,722
Receivable in one to five years	<u>50,000</u>
Total pledges receivable	<u>\$ 260,722</u>

Management elected not to discount pledges receivable greater than one year as the amount is not considered material to the financial statements.

8. Mortgage Receivable

In 2018, HomeSafe received a mortgage receivable as a result of the sale of its Sylvester Family Campus. The mortgage is due in October 2020 and has no stated interest rate. However, in order to reflect the time value of money, the receivable recorded in the financial statements reflects future cash flows discounted at an imputed interest rate of 4.25%, which was HomeSafe's incremental borrowing rate at the time of the sale. Mortgage receivable consists of the following amounts as of June 30, 2019:

Receivable in less than one year	\$ 1,660,309
Receivable in one to five years	<u>1,730,856</u>
Total mortgage receivable	<u>\$ 3,391,165</u>

The amount of imputed interest income for the year ended June 30, 2019 was \$160,152 as is included with investment income in the Statement of Activities.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
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NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

9. Property and Equipment

Property and equipment consist of the following as of June 30, 2019:

Land	\$ 1,316,555
Buildings and leasehold improvements	3,392,233
Furniture and equipment	1,351,803
Vehicles	193,395
Donated property	98,060
Construction in progress	<u>251,198</u>
	6,603,244
Less accumulated depreciation	<u>3,318,327</u>
Property and equipment, net	<u>\$ 3,284,917</u>

Construction in progress consisted of costs related to the Sylvester Campus project, which encompasses the development of a new Sylvester Campus Building located at Lyons Road, in West Palm Beach. Construction in progress also includes permitting and zoning expenses related to the 47th Place Project.

HomeSafe leases land in Lake Worth from Palm Beach County for \$1 a year under a lease that expires in 2025. Buildings were constructed on this land in prior years. Upon termination of the lease, HomeSafe must remove all personal property, removable fixtures, and equipment from the premises and surrender the premises to the County. Buildings and improvements for this property total \$1,546,362. Accumulated depreciation on these buildings and improvements was \$983,467 as of June 30, 2019.

10. Beneficial Interest in Trusts

HomeSafe has been named the remainder beneficiary of various charitable remainder trusts. Each of the charitable remainder trusts provides for the periodic payment of distributions of trust assets to the grantor's beneficiaries during their lifetime. Upon the death of the beneficiaries, a percentage of the remaining principal in the trusts will be distributed to HomeSafe.

HomeSafe is also the income beneficiary of a perpetual trust, whose assets are held by the Community Foundation for Palm Beach and Martin Counties (the "Foundation") as an endowed component fund ("Fund"). Under the terms of the Fund, the Foundation's Board of Directors has a variance power to modify any restriction or condition on the distribution of funds for any specific charitable purpose or to specified organizations, if in their sole judgement (without the approval of any trustee, custodian, or agent), such restriction or conditions becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community or the area served by the Foundation. The Fund is subject to the Foundation's investment and spending policies. During the year ended June 30, 2019, HomeSafe did not receive any distributions from the Fund.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

10. Beneficial Interest in Trusts, continued

HomeSafe reports the fair value of the beneficial interest in charitable remainder trusts in the Statement of Financial Position at the expected future cash flows discounted at rates ranging from 7.50% to 9%. The expected future cash flow is based on the fair market value of the trusts' principal as of June 30, 2019, along with the life expectancies of the income beneficiaries. HomeSafe reports the fair value of the beneficial interest in Fund in the Statement of Financial Position at the amount reported to HomeSafe by the Foundation. Changes in the value of beneficial interest in trusts have been reported in the Statement of Activities as increases (decreases) in net assets with donor restrictions.

11. Line of Credit

HomeSafe has a \$700,000 secured line of credit extended by a local bank. The line of credit is secured by a mortgage on HomeSafe's property located in Palm Beach County, Florida and is due and payable on June 17, 2024. The line of credit carried interest on the unpaid principal balance at the bank's prime rate, or 5.50% as of June 30, 2019. There was no outstanding balance on the line of credit as of June 30, 2019.

12. Commitments and Contingencies

Leases: HomeSafe conducts its operations from facilities that are leased under operating leases expiring at various dates through 2022. Additionally, HomeSafe leases office equipment under operating leases expiring in 2020. Future minimum lease payments under operating leases are as follows:

2019	\$ 122,645
2020	74,160
2021	40,534
2022	<u>6,829</u>
Total	<u>\$ 244,168</u>

Rent expense under operating leases amounted to \$277,036, which includes \$135,193 of in-kind rent, for the year ended June 30, 2019.

Contingencies: HomeSafe is currently receiving, and has received in the past, grants, Medicaid, and other third-party reimbursement funds, which are subject to special compliance audits by the grantor and other agencies that provided these reimbursements. These audits may result in disallowed expense amounts.

Disallowed amounts, if any, constitute a contingent liability of HomeSafe. HomeSafe believes any contingent liabilities that may exist are not material, and, therefore, are not reflected in the financial statements.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
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NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

13. Net Assets with Donor Restrictions

Unexpended net assets with donor restrictions as of June 30, 2019 were as follows:

Subject to expenditures for a specific purpose:	
HomeSafe programs	\$ 199,673
Sylvester Family Campus	<u>6,114,652</u>
Total purpose restricted	<u>6,314,325</u>
Subject to the passage of time:	
Mortgage receivable	3,391,165
Beneficial interest in trusts	<u>110,981</u>
Total time restricted	<u>3,502,146</u>
Subject to endowment spending policy and appropriation:	
Sylvester Endowment (HomeSafe programs)	7,205
Sylvester Endowment (property and plant renewal)	7,329
Expressive Arts Endowment	282,724
Jim Moran Endowment (Pond Place)	<u>273,042</u>
Total endowed restricted	<u>570,300</u>
Perpetual in nature:	
Sylvester Endowment (HomeSafe programs)	1,000,000
Sylvester Endowment (property and plant renewal)	1,000,000
Beneficial interest in trust	<u>50,000</u>
Total perpetual restricted	<u>2,050,000</u>
Total net assets with donor restrictions	<u>\$ 12,436,771</u>

In October 2017, HomeSafe sold its Sylvester Family Campus (the "Facility") for \$10,500,000. That Facility was originally developed with restricted funds that were deemed satisfied once the Facility was completed and placed in service. However, in order to sell the Facility, the donor was required to terminate a previously recorded Declaration of Restrictions, and agree to various terms that allow HomeSafe to acquire and develop one or two replacement campuses. The proceeds from this sale are reported as net assets with donor restrictions in the Statement of Financial Position, until such time as a new facility is placed in service and the related restrictions deemed satisfied.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

14. Endowments

HomeSafe's endowments consist of several individual funds established for a variety of purposes. The endowments are donor-restricted to be held for a specific purpose or in perpetuity and earnings on the endowments are temporarily restricted based on the donors' intent. FASB ASC 958, *Not-for-Profit Entities*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and Board-designated endowment funds), whether or not the organization is subject to UPMIFA.

The State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA), which became effective July 1, 2012, and provides a) consistent investment and spending standards to all forms of charitable funds, b) strengthens the concept of prudent investing, c) abandons historic dollar value as a floor for expenditures and provides more flexibility to the organization in making decisions about whether to expend any portion of an endowment fund, and d) provides a process for the release or modification of restrictions on a gift instrument. The adoption by HomeSafe of the provisions of the new law did not have a significant change in its management and investment policies of endowments.

As a result of this standard, HomeSafe classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

HomeSafe has adopted conservative investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments, while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, HomeSafe relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). HomeSafe utilizes the services of a financial advisor who provides input into the investment strategy policy.

HomeSafe's annual appropriations are determined at the discretion of the Board of Directors unless specific instructions are provided by the endowment donors.

THE CHILDREN'S PLACE AT HOME SAFE, INC.
d/b/a HOMESAFE
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

14. Endowments, continued

The changes in endowment net assets for the year ended June 30, 2019 are as follows:

Endowment net assets, beginning	\$ 2,448,274
Investment return:	
Investment income	69,492
Investment expenses	(14,378)
Realized and change in unrealized gains	116,912
Appropriation for expenditure	<u>(50,000)</u>
Endowment net assets, ending	<u>\$ 2,570,300</u>

15. Retirement Plan

Defined Contribution Plan

Eligible employees of HomeSafe may participate in an Internal Revenue Code 403(b) retirement savings plan. In addition to employee deferrals, the plan also allows for HomeSafe to make discretionary matching contributions to eligible participants. HomeSafe contributed \$101,956 to this plan during the year ended June 30, 2019.

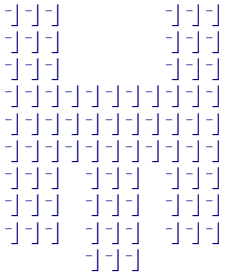
Deferred Compensation Plan

HomeSafe offers certain executive employees selected by the Board of Directors a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan permits the Board of Directors to approve discretionary contributions for selected executives and to defer such amounts on their behalf under the plan. For the year ended June 30, 2019 the Board of Directors did not approve any discretionary contributions.

In addition, covered employees may defer additional amounts through salary reduction agreements. Both HomeSafe contributions and covered employee contributions are subject to statutory limits. All deferred compensation under the plan is not available to covered employees until: a) reach the age of 60; b) termination; c) death; or d) an unforeseeable emergency. All amounts of compensation deferred under the plan, all property, and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the covered employee or other beneficiary) solely the property and rights of the HomeSafe, subject to the claims of the HomeSafe's creditors.

16. Subsequent Events

HomeSafe has evaluated subsequent events through December 12, 2019, which is the date the financial statements were available to be issued, and determined there were no further disclosures required to be presented in these financial statements.



Holyfield & Thomas, LLC

Certified Public Accountants & Advisors

125 Butler Street • West Palm Beach, FL 33407

(561) 689-6000 • Fax (561) 689-6001 • www.holyfieldandthomas.com

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
The Children's Place at Home Safe, Inc.
Lake Worth, Florida

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 Place at Home Safe, Inc. (d/b/a HomeSafe) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Children's Place at Home Safe, 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 The Children's Place at Home Safe, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Children's Place at Home Safe, 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 deficiencies, significant deficiencies, or material weaknesses. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Children's Place at Home Safe, Inc.'s financial statements are free of 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 in the effectiveness of The Children's Place at Home Safe, Inc.'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 Children's Place at Home Safe, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, the audit committee, Board of Directors, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Holyfield & Thomas, LLC

West Palm Beach, Florida
December 12, 2019