

CHARLESTON ORPHAN HOUSE, INC. DBA
CAROLINA YOUTH DEVELOPMENT CENTER
NORTH CHARLESTON, SOUTH CAROLINA

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

**CAROLINA YOUTH DEVELOPMENT CENTER
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SEPTEMBER 30, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Charleston Orphan House, Inc.
North Charleston, South Carolina

We have audited the accompanying financial statements of Charleston Orphan House, Inc., DBA Carolina Youth Development Center (the "Center" or "CYDC") which comprise the statement of financial position as of September 30, 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.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 auditors 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 Charleston Orphan House, Inc. as of September 30, 2018, and the change 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.

Adjustments to Prior Period Financial Statements

The financial statements of Charleston Orphan House, Inc. as of September 30, 2017, were audited by other auditors whose opinion dated March 21, 2018, expressed an unmodified opinion on those statements. As part of our 2018 audit of the financial statements, we audited adjustments described in Note 18 that were applied to restate beginning net assets. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the financial statements of the Center other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2017 financial statements as a whole.

Glaser and Company, LLC

Charleston, South Carolina

February 14, 2019

**CAROLINA YOUTH DEVELOPMENT CENTER
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017**

	2018	2017
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 766,877	\$ 707,591
Receivables	266,790	148,477
Grant reimbursements receivable	61,391	19,985
Unconditional promises to give, net	48,750	33,750
Prepaid expenses	10,981	22,558
Total Current Assets	1,154,789	932,361
<u>Non-Current Assets</u>		
Commissioner's fund investments, at fair value	224,399	216,584
Property and equipment, net	3,825,989	3,774,829
Total Non-Current Assets	4,050,388	3,991,413
Total Assets	\$ 5,205,177	\$ 4,923,774
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable - trade	\$ 59,102	\$ 4,581
Accrued payroll and related liabilities	88,158	84,623
Miscellaneous accrued expenses	14,536	3,358
Lease payable, current portion	2,210	4,543
Deferred revenue	37,500	142,711
Total Current Liabilities	201,506	239,816
<u>Non-Current Liabilities</u>		
Lease payable, net of current portion	-	2,447
Total Liabilities	201,506	242,263
<u>Net Assets</u>		
Unrestricted	4,597,181	4,271,840
Temporarily restricted	327,575	330,756
Permanently restricted	78,915	78,915
Total Net Assets	5,003,671	4,681,511
Total Liabilities and Net Assets	\$ 5,205,177	\$ 4,923,774

See accompanying notes to financial statements.

**CAROLINA YOUTH DEVELOPMENT CENTER
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue								
Client fees	\$ 1,043,777	\$ -	\$ -	\$ 1,043,777	\$ 1,096,181	\$ -	\$ -	\$ 1,096,181
USDA food and nutritional services	49,954	-	-	49,954	53,223	-	-	53,223
In-kind revenue	17,217	-	-	17,217	5,838	-	-	5,838
Contributions from:								
Charleston County School District	37,431	-	-	37,431	28,562	-	-	28,562
United Way	74,722	-	-	74,722	31,904	45,000	-	76,904
Community-Based Prevention Services	398,116	-	-	398,116	390,575	-	-	390,575
Other donations	782,040	-	-	782,040	404,852	-	-	404,852
Grants:								
Federal government grants	145,778	-	-	145,778	50,129	-	-	50,129
State government grants	351,846	-	-	351,846	80,420	-	-	80,420
Local government grants	21,070	-	-	21,070	30,725	-	-	30,725
Foundation grants	10,520	71,297	-	81,817	102,353	180,990	-	283,343
Corporate grants	38,684	106,316	-	145,000	15,000	-	-	15,000
Other grants	86,344	-	-	86,344	50,018	-	-	50,018
Special events, net	398,293	-	-	398,293	119,454	-	-	119,454
Lease revenue	43,125	-	-	43,125	45,000	-	-	45,000
Miscellaneous income	8,905	-	-	8,905	84,489	-	-	84,489
Interest and dividend income	12,132	-	-	12,132	8,966	-	-	8,966
Income from Trustees' funds	-	-	-	-	300,000	-	-	300,000
Net unrealized and realized gain (loss) on investments	6,592	2,058	-	8,650	3,633	9,697	-	13,330
Loss on disposition of equipment	-	-	-	-	(3,075)	-	-	(3,075)
Total support and revenue	3,526,546	179,671	-	3,706,217	2,898,247	235,687	-	3,133,934
 Net assets released from restriction	 182,852	 (182,852)	 -	 -	 110,454	 (110,454)	 -	 -
 Total support and revenue and net assets released from restriction	 \$ 3,709,398	 \$ (3,181)	 \$ -	 \$ 3,706,217	 \$ 3,008,701	 \$ 125,233	 \$ -	 \$ 3,133,934

See accompanying notes to financial statements.

**CAROLINA YOUTH DEVELOPMENT CENTER
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Total support and revenue and net assets released from restriction - continued	\$ 3,709,398	\$ (3,181)	\$ -	\$ 3,706,217	\$ 3,008,701	\$ 125,233	\$ -	\$ 3,133,934
Expenses								
Program services:								
Auxiliary Services	475,250	-	-	475,250	431,706	-	-	431,706
Charleston Emergency Shelter / Ledford House	1,275,721	-	-	1,275,721	1,014,450	-	-	1,014,450
Callen-Lacey Center for Children	647,343	-	-	647,343	557,239	-	-	557,239
Big Brothers Big Sisters	247,570	-	-	247,570	237,555	-	-	237,555
Educational and Vocational Services	160,253	-	-	160,253	314,400	-	-	314,400
Total program services	<u>2,806,137</u>			<u>2,806,137</u>	<u>2,555,350</u>	<u>-</u>	<u>-</u>	<u>2,555,350</u>
Supporting services:								
Management and general	359,791	-	-	359,791	444,118	-	-	444,118
Fundraising	218,129	-	-	218,129	194,237	-	-	194,237
Total supporting services	<u>577,920</u>	<u>-</u>	<u>-</u>	<u>577,920</u>	<u>638,355</u>	<u>-</u>	<u>-</u>	<u>638,355</u>
Total expenses	<u>3,384,057</u>	<u>-</u>	<u>-</u>	<u>3,384,057</u>	<u>3,193,705</u>	<u>-</u>	<u>-</u>	<u>3,193,705</u>
Increase (decrease) in net assets	<u>325,341</u>	<u>(3,181)</u>	<u>-</u>	<u>322,160</u>	<u>(185,004)</u>	<u>125,233</u>	<u>-</u>	<u>(59,771)</u>
Net assets at beginning of year	4,271,840	330,756	78,915	4,681,511	1,115,137	3,547,230	78,915	4,741,282
Prior Period Adjustment	-	-	-	-	3,341,707	(3,341,707)	-	-
Net Assets at beginning of year, restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,456,844</u>	<u>205,523</u>	<u>78,915</u>	<u>4,741,282</u>
Net assets at end of year	<u>\$ 4,597,181</u>	<u>\$ 327,575</u>	<u>\$ 78,915</u>	<u>\$ 5,003,671</u>	<u>\$ 4,271,840</u>	<u>\$ 330,756</u>	<u>\$ 78,915</u>	<u>\$ 4,681,511</u>

See accompanying notes to financial statements.

**CAROLINA YOUTH DEVELOPMENT CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Program Services					Supporting Services			
	Auxiliary Services	Charleston Emergency Shelter/ Ledford House	Callen- Lacey Center for Children	Big Brothers Big Sisters	Educational and Enrichment	Total	General and Administrative	Fundraising	Total
Personnel									
Salaries	\$ 272,931	\$ 655,559	\$ 381,278	\$ 143,314	\$ 64,663	\$ 1,517,745	\$ 182,331	\$ 123,235	\$ 1,823,311
Employee benefits	26,913	77,642	28,282	23,488	3,065	159,390	6,789	3,489	169,668
Payroll taxes and insurance	33,170	87,853	42,600	17,069	5,814	186,506	19,153	13,176	218,835
Total personnel	333,014	821,054	452,160	183,871	73,542	1,863,641	208,273	139,900	2,211,814
Other functional expenses									
Auditing and accounting	2,098	12,725	4,941	4,941	1,584	26,289	4,941	4,941	36,171
Client allowances and incentives	-	19,702	15,108	36	26,494	61,340	-	-	61,340
Contracted services	6,846	22,726	12,631	5,554	419	48,176	11,332	8,105	67,613
Depreciation	14,308	136,127	35,769	4,769	-	190,973	42,920	4,769	238,662
Development	-	1,155	435	416	525	2,531	2,897	52	5,480
Dues and subscriptions	5,769	8,210	4,422	5,832	10,000	34,233	3,455	1,694	39,382
Food	-	60,305	34,757	632	319	96,013	809	-	96,822
Insurance	8,909	26,726	8,909	4,454	-	48,998	3,898	2,784	55,680
Maintenance and repairs	367	28,740	13,723	167	3,417	46,414	15,408	386	62,208
Medical	-	989	684	-	-	1,673	-	-	1,673
Miscellaneous	21,974	23,913	7,801	5,910	4,188	63,786	11,235	2,026	77,047
Other service fees	37,279	29,025	14,118	13,370	11,873	105,665	31,559	27,712	164,936
Postage	333	667	198	333	-	1,531	583	4,464	6,578
Program materials	-	-	-	1,751	22,950	24,701	-	579	25,280
Supplies	3,229	22,445	13,192	4,342	1,025	44,233	6,019	10,863	61,115
Telephone	6,763	7,670	6,018	1,033	971	22,455	1,107	790	24,352
Travel	28,581	7,521	5,010	4,266	2,507	47,885	3,461	1,806	53,152
Utilities	5,780	46,021	17,467	5,893	439	75,600	11,675	7,246	94,521
Software and licenses	-	-	-	-	-	-	219	12	231
Total other functional expenses	142,236	454,667	195,183	63,699	86,711	942,496	151,518	78,229	1,172,243
Total expenses	\$ 475,250	\$ 1,275,721	\$ 647,343	\$ 247,570	\$ 160,253	\$ 2,806,137	\$ 359,791	\$ 218,129	\$ 3,384,057

See accompanying notes to financial statements.

**CAROLINA YOUTH DEVELOPMENT CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Program Services					Supporting Services			
	Auxiliary Services	Charleston Emergency Shelter/ Ledford House	Callen- Lacey Center for Children	Big Brothers Big Sisters	Educational and Enrichment	Total	General and Administrative	Fundraising	Total
Personnel									
Salaries	\$ 233,955	\$ 581,193	\$ 322,782	\$ 140,923	\$ 132,666	\$ 1,411,519	\$ 219,378	\$ 115,961	\$ 1,746,858
Employee benefits	36,561	58,888	27,441	9,998	12,528	145,416	4,696	15,448	165,560
Payroll taxes and insurance	27,174	70,720	40,218	17,353	16,641	172,106	25,106	12,984	210,196
Total personnel	297,690	710,801	390,441	168,274	161,835	1,729,041	249,180	144,393	2,122,614
Other functional expenses									
Auditing and accounting	1,890	3,780	1,890	1,890	1,890	11,340	1,890	1,890	15,120
Client allowances and incentives	-	10,857	4,511	862	15,450	31,680	580	66	32,326
Contracted services	16,956	2,250	840	3,017	654	23,717	44,660	126	68,503
Depreciation	14,794	71,452	36,182	5,897	69,572	197,897	43,445	5,897	247,239
Development	-	-	3,142	7,571	-	10,713	663	6,172	17,548
Dues and subscriptions	4,300	17,550	9,611	9,730	3,270	44,461	5,508	2,060	52,029
Food	-	68,797	38,111	-	7,246	114,154	915	577	115,646
Insurance	7,820	20,574	9,653	3,316	6,105	47,468	3,426	1,959	52,853
Maintenance and repairs	1,721	11,766	5,091	-	2,738	21,316	3,002	-	24,318
Medical	-	879	50	-	-	929	26	-	955
Miscellaneous	17,365	11,503	3,706	11,647	4,513	48,734	15,911	1,111	65,756
Other service fees	15,093	27,094	19,998	6,133	11,185	79,503	52,303	15,578	147,384
Postage	370	1,132	351	347	200	2,400	217	1,774	4,391
Rent - equipment	485	1,375	-	189	269	2,318	918	135	3,371
Supplies	959	11,138	8,500	2,601	2,113	25,311	5,754	3,930	34,995
Telephone	7,246	6,697	6,405	965	2,249	23,562	1,274	651	25,487
Travel	36,085	9,982	5,438	7,769	5,019	64,293	2,316	829	67,438
Utilities	7,462	26,823	13,319	7,347	20,092	75,043	11,575	7,089	93,707
Software and licenses	1,470	-	-	-	-	1,470	555	-	2,025
Total other functional expenses	134,016	303,649	166,798	69,281	152,565	826,309	194,938	49,844	1,071,091
Total expenses	\$ 431,706	\$ 1,014,450	\$ 557,239	\$ 237,555	\$ 314,400	\$ 2,555,350	\$ 444,118	\$ 194,237	\$ 3,193,705

See accompanying notes to financial statements.

**CAROLINA YOUTH DEVELOPMENT CENTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	2018	2017
<u>Cash Flows from Operating Activities:</u>		
Change in Net Assets	\$ 322,160	\$ (59,771)
Adjustments to reconcile change in Net Assets to net cash provided by operating activities:		
Depreciation	238,663	247,239
Net realized and unrealized gain on investments	(6,592)	(13,330)
Net realized loss on disposition of property and equipment	-	3,075
(Increase) Decrease in assets:		
Unconditional promises to give	(15,000)	-
Receivables	(159,719)	55,102
Prepaid expenses and other assets	11,577	10,186
Increase (Decrease) in liabilities:		
Accounts payable	54,521	(5,574)
Accrued payroll	3,535	325
Miscellaneous accrued expenses	11,178	(12,339)
Deferred revenue	(105,211)	107,086
Net Cash Provided by Operating Activities	355,112	331,999
<u>Cash Flows from Investing Activities:</u>		
Net (purchases) proceeds from investments	(1,223)	(3,118)
Purchases of property and equipment	(289,823)	(35,688)
Net Cash Used for Investing Activities	(291,046)	(38,806)
<u>Cash Flows from Financing Activities:</u>		
Payments on lease obligation	(4,780)	(4,737)
Net Cash Used for Financing Activities	(4,780)	(4,737)
Net Increase in Cash and Cash Equivalents	59,286	288,456
Cash and Cash Equivalents, Beginning of Year	707,591	419,135
Cash and Cash Equivalents, End of Year	\$ 766,877	\$ 707,591
<u>Supplemental Disclosures:</u>		
Cash paid for interest	\$ 6,925	\$ 6,926

See accompanying notes to financial statements.

**CAROLINA YOUTH DEVELOPMENT CENTER
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

1. NATURE OF OPERATIONS

Nature of Activities

The legal name of the organization is the Charleston Orphan House, Inc., but the popular name is referred to herein is the Carolina Youth Development Center (the “Center” or “CYDC”). Founded in 1790 as the Charleston Orphan House, Carolina Youth Development Center’s mission is to empower and equip our community’s most vulnerable children by providing a safe environment, educational support, and career readiness, in collaboration with families and community partners. Our vision is that all children will have loving and stable families and a nurturing community empowering them to lead successful lives.

CYDC provided prevention and intervention services for children in Charleston, Berkeley and Dorchester counties who are at risk for or who have been abused, neglected or abandoned. Services are based out of CYDC’s 16 acre campus in North Charleston, South Carolina and 30+ acre campus know as Callen-Lacey Center for Children in Moncks Corner, South Carolina.

Child Focused Services

Residential Services

CYDC operates three residential care facilities to provide temporary and/or long-term foster care for children suffering from the impact of emotional, physical and/or sexual abuse. The three facilities are known as the Charleston Emergency Shelter (CES), the Ledford House and the Callen-Lacey Center for Children (CCLC). Not only are children provided a safe environment to live and grow, but CYDC also provides significant assessment and support services designed to address each child’s individual educational, emotional, physical and social needs. In close partnership with the South Carolina Department of Social Services, CYDC works to transition the child back to the family home or to a more permanent home environment. Sometimes there is no placement option, in which case CYDC becomes the child’s home and family. This program has been continuously accredited by the Council on Accreditation (COA) since 1980.

Big Brothers Big Sisters

CYDC is the local affiliate of Big Brothers Big Sisters. Big Brothers Big Sisters (BBBS) is a nationally acclaimed program matching children (littles) from families facing adversity to caring adult role models (bigs). These adult mentors shape the lives of these children by providing them with the companionship and guidance, creating a more stable and diverse care structure. BBBS operates under the traditional community-based model, and supported youth in the tri-county area during the audit year.

Educational and Enrichment services

CYDC is a partner of the Children’s Defense Fund and offers a summer Freedom Schools program to provide enrichment through a model curriculum that supports children and families around five essential components: high quality academic enrichment, parent and family involvement, civic engagement and social action, intergenerational leadership development, and nutrition, health and mental health. Freedom Schools program boosts student motivation to read, generates more positive attitudes toward learning, and connects the needs of children and families to the resources of their communities.

The Bakker Career Center and CYDC Center for Life are located on the North Charleston campus and provide educational and job skills training as well as enrichment activities like music, art and recreation to CYDC residents and youth in the community. Without family support to provide these experiences, residents and neighboring youth count on CYDC to guide and develop them. Programming includes partnerships with local job training programs, artists, volunteer mentors and area businesses.

**CAROLINA YOUTH DEVELOPMENT CENTER
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

1. NATURE OF OPERATIONS – CONTINUED

Family-Focused Services

Community-Based Prevention Services

Community-Based Prevention Services is our partnership program with Charleston and Berkeley County Departments of Social Services to provide timely, integrated, culturally competent family strengthening and voluntary case management services to families who have been assessed as having sufficient risk factors that could potentially result in harm to children if left unaddressed. The program aims to eliminate or significantly reduce identified risk factors for child abuse and neglect, while enhancing protective factors in families. The result is the development of a plan that stabilizes and strengthens families. An additional goal is to improve community networks that build support systems for families in need.

Family Engagement Services

In partnership with the National Youth Advocate Program, CYDC facilitates Family Engagement Services, designed to empower families whose children are involved in the child welfare system and to assist those families in developing plans to ensure the safety and well-being of their children.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

In accordance with ASC 958-205, *Presentation of Financial Statements*, the Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets

Net assets without donor imposed restrictions and currently available for program and supporting services, including amounts designated by the Board.

Temporarily Restricted Net Assets

Net assets subject to donor imposed stipulations that may or will be met by actions of the Center and/or the passage of time.

Permanently Restricted Net Assets

Net assets subject to donor imposed stipulations that they be maintained permanently but may permit the Center to use all or part of the income earned on related investments for general or specific purposes.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Basis of Accounting

The accounts of the Center are maintained, and the financial statements are prepared, on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

**CAROLINA YOUTH DEVELOPMENT CENTER
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Center considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

CYDC's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 8 for discussion of fair value measurements.

Investment income and gains are reported as unrestricted unless otherwise stipulated by donors. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. Unrealized gains and losses are included in the change in net assets.

- *Interest Rate Risk – Investments*
Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Center's Investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.
- *Credit Risk – Investments*
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Center's credit risk policy mitigates potential for loss of principal by purchasing only high investment grade fixed-income securities.
- *Concentration of Credit Risk – Investments*
Concentration of credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Center's investment policy addresses credit risk by allocating its assets among a number of asset classes, which may include cost equivalents, and domestic and international fixed income securities.

Fair Value Measurements

Financial Accounting Standards Board (FASB) ASC Topic 820, "Fair Value Measurements and Disclosures (ASC 820) and defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. ASC 820 was effective for the Center's financial assets and liabilities for the years ended September 30, 2018 and 2017.

Property and Equipment and Depreciation

CYDC capitalizes all expenditures for property and equipment in excess of \$2,500. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line and double declining balance methods based on the items' estimated useful lives ranging from 3 to 39 years.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are charged to programs and supporting services on the basis of time and expense analyses. Management and general expenses and fundraising expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of CYDC.

**CAROLINA YOUTH DEVELOPMENT CENTER
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Receivables

Receivables are stated at unpaid balances less amounts determined by management to be uncollectible. It is CYDC's policy to charge off an uncollectible receivable when management determines the receivable will not be collected based on experience, third-party contracts, and other circumstances. Accounts are considered delinquent when they are sixty days past due. Interest is not charged on past due accounts. At September 30, 2018 and 2017, no allowance was deemed necessary.

CYDC uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. As of September 30, 2018 and 2017, no allowance was deemed necessary.

Deferred Revenue

Payment received in advance of performance of services or delivery of goods' is reported as deferred revenue. Deferred revenue as of September 30, 2018 is comprised of lease payments.

Designation of Unrestricted Net Assets

It is the policy of the Board of Directors of the Center to review program needs from time to time and to designate appropriate sums of unrestricted net assets to assure adequate financing of program services.

Reclassification

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

Revenue Recognition

Unrestricted Revenue and Support - The majority of CYDC's revenue is derived from providing services to clients through government programs. Revenue is recognized once a client's paperwork has been properly approved by the referral agency and the service is provided.

Support is recognized as revenue when it is received or unconditionally pledged. Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Promises to Give - Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Donated Services - Donated services are recognized as contributions, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills and are performed by people with those skills, and (c) would otherwise be purchased by CYDC.

**CAROLINA YOUTH DEVELOPMENT CENTER
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Donated Assets - Donations of property and equipment, marketable securities, and other non-cash donations are recorded as contributions at their estimated fair value at the date of donation. Noncash donations are only recorded if the donation is for a product that CYDC needs and would have to purchase. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long these donated assets must be maintained, CYDC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Income Taxes

CYDC is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The FASB provides guidance on the Center’s evaluation of accounting for uncertainty in income taxes. Management evaluated the Center’s tax position and concluded that the Center had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recent Accounting Pronouncements and Proposed Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (“ASU”) 2016-14 Not-for Profit Entities (Topic 958) – Presentation of Not-for-Profit Entities. The amendments in the update make certain improvements that address many of the identified issues of current financial reporting for not-for-profits. A second phase of the project is expected to address more protracted issues identified by the FASB. The update addresses some of the current financial reporting challenges as follows: 1) reduces complexity in reporting donor imposed restrictions; 2) improves transparency and utility in assessing a not-for-profit’s liquidity; 3) enhances the consistency of reporting of not-for-profit expenses by nature and function; and 4) unifies the preparation of the direct-method of cashflow statement preparation. The amendments in this update go into effect for annual financial statements issued for years beginning after December 15, 2017.

Recent Accounting Pronouncements and Proposed Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02 Leases (Topic 842). The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. When measuring assets and liabilities arising from a lease, a lessee (and a lessor) should include payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The amendments in this Update are effective for fiscal years beginning after December 15, 2019.

**CAROLINA YOUTH DEVELOPMENT CENTER
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3. CONCENTRATION OF CREDIT RISK

The Center's operations are concentrated in an industry that operates in a heavily regulated environment. The operations are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, South Carolina Department of Social Services (SCDSS). Such administrative directives, rules and regulations are subject to change. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. Reimbursement rates provided to CYDC are at the discretion of the SCDSS.

Customers

During the years ended September 30, 2018 and 2017, CYDC received approximately 37% and 38%, respectively, of its revenue, gains, and other support from the SCDSS. Related accounts receivable are approximately \$45,464 and \$30,814 as of September 30, 2018 and 2017, respectively.

Cash and Cash Equivalents

The Organization maintains its cash balances at various financial institutions located in the state of South Carolina. These cash funds were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at September 30, 2018 and 2017. At September 30, 2018, \$219,768 of the Center's cash balances exceeded federally insured limits.

Investments

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of cash deposits at a brokerage firm. The accounts at the brokerage firm contain cash and securities. Balances are insured up to \$500,000, with a limit of \$250,000 for cash, by the Securities Investor Protection Corporation (SIPC). At, September 30, 2018 and 2017 the Center was fully insured.

4. RECEIVABLES

Receivables are composed of the following at September 30:

	<u>2018</u>	<u>2017</u>
SC Department of Social Services	\$ 45,464	\$ 30,814
Family Group Conferencing	869	1,913
US Department of Agriculture	3,770	4,094
Strengthening Families	72,486	66,656
Gala	135,815	-
Miscellaneous	8,386	45,000
	<u> </u>	<u> </u>
Total	<u>\$ 266,790</u>	<u>\$ 148,477</u>

No allowance for doubtful accounts is deemed necessary as management expects to collect all receivables within one year.

**CAROLINA YOUTH DEVELOPMENT CENTER
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5. GRANT REIMBURSEMENTS RECEIVABLE

Grant reimbursements receivable are composed of the following at September 30:

	<u>2018</u>	<u>2017</u>
Mid - Atlantic Network of Youth and Family Services	\$ -	\$ 10,418
SC Department of Public Safety	<u>61,391</u>	<u>9,567</u>
Total	<u>\$ 61,391</u>	<u>\$ 19,985</u>

6. UNCONDITIONAL PROMISES TO GIVE

The Center has received promises to give and the amounts still owed are recorded at their net realizable value based on the nature of the promise and expected receipt date. The unconditional promises to give consist primarily of pledges from organizations and individuals located in the Charleston, Berkeley, and Dorchester Counties.

Unconditional promises to give at September 30 are scheduled to be received within one year and consist of:

	<u>2018</u>	<u>2017</u>
Promises to give due in less than 1 year	\$ 48,750	\$ 33,750
Less: allowance for uncollectible promises to give	<u>-</u>	<u>-</u>
Unconditional promises to give, net	<u>\$ 48,750</u>	<u>\$ 33,750</u>

7. COMMISSIONERS' FUND INVESTMENTS

The Commissioners' Fund (the Fund) consists of certain funds held by an investment manager in a combined trust fund. CYDC is entitled to use the corpus and income of the trust fund subject to any donor's restrictions and limitations which may exist with respect to the use of such funds. However, also included in the Fund are several other sub-funds which contain board designated and undesignated funds.

The Investments are composed of the following assets at September 30:

	<u>2018</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains</u>
Money market	\$ 37,074	\$ 37,074	\$ -
Mutual funds - fixed income	<u>204,949</u>	<u>224,399</u>	<u>19,450</u>
	<u>\$ 242,023</u>	<u>\$ 261,473</u>	<u>\$ 19,450</u>

**CAROLINA YOUTH DEVELOPMENT CENTER
NOTES TO THE FINANCIAL STATEMENTS
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7. COMMISSIONERS' FUND INVESTMENTS - CONTINUED

	2017		
	Cost	Fair Value	Unrealized Gains
Money market	\$ 34,584	\$ 34,584	\$ -
Mutual funds - fixed income	198,816	216,584	17,768
	\$ 233,400	\$ 251,168	\$ 17,768

Of the \$261,473 held at September 30, 2018, \$78,915 was permanently restricted, \$116,212 was temporarily restricted, and the remainder was unrestricted. Of the \$251,168 held at September 30, 2017, \$78,915 was permanently restricted, \$119,408 was temporarily restricted, and the remainder was unrestricted.

Interest and dividend income on investments for year ended September 30, 2018 and 2017 were \$12,132 and \$8,440, respectively. Investment fees relating to the investments were \$3,220 and \$2,988 for the year ended September 30, 2018 and 2017, respectively, and are included on miscellaneous expenses under the management and general function. Net realized and unrealized gains on investments for the year ended September 30, 2018 and 2017 were \$8,650 and \$13,320, respectively.

8. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The CYDC has adopted the provisions of FASB ASC 820 Fair Value Measurements and Disclosures for its financial assets and liabilities and is required to provide additional disclosures. FASB ASC 820 clarifies that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The CYDC utilizes market data or assumptions that market participants would use in pricing the asset or liability. FASB ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Prices for certain cash equivalents, such as money market mutual funds and investment securities are readily available in the active markets in which those securities are traded, and the resulting fair values are categorized as Level 1.

The CYDC does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 3 during the years ended September 30, 2018 and 2017.

There were no changes during the years ended September 30, 2018 and 2017 to the CYDC's valuation techniques used to measure asset and liability fair values on a recurring basis.

**CAROLINA YOUTH DEVELOPMENT CENTER
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8. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES - CONTINUED

The following tables sets forth by level within FASB ASC 820's fair value hierarchy, the CYDC's financial assets and liabilities accounted for at fair value on a recurring basis as of September 30, 2018 and 2017. As required by FASB ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The CYDC's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

<u>Description</u>	2018		
	Level 1:	Level 2:	Level 3:
	Quoted Market Prices In Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Other Unobservable Inputs
Mutual funds - fixed income	\$ 224,399	\$ -	\$ -
Total	<u>\$ 224,399</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Description</u>	2017		
	Level 1:	Level 2:	Level 3:
	Quoted Market Prices In Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Other Unobservable Inputs
Mutual funds - fixed income	\$ 216,584	\$ -	\$ -
Total	<u>\$ 216,584</u>	<u>\$ -</u>	<u>\$ -</u>

The CYDC has \$766,877 and \$707,591 respectively, of cash including cash held in brokerage accounts, as of September 30, 2018 and 2017, which are not classified as a Level as prescribed within FASB ASC 820.

The determination of the fair value above incorporates various factors required under FASB ASC 820. These factors include not only the credit standing of the counterparties involved and the impact of credit enhancements, but also the impact of the CYDC's nonperformance risk on its liabilities.

9. LEASING ACTIVITIES

CYDC has a non-cancelable operating lease agreement with the Charleston County School District (the District). Under the agreement, the District will lease a portion of the CYDC's property on which the District has constructed a Special Day School. The District is responsible for maintenance, repairs, District may renew the lease four times for five years each. The annual lease amount will be adjusted to the fair market rental rate prior to each renewal term. Lease revenue for the years ended September 30, 2018 and 2017 was \$45,000. Deferred revenue associated with the lease is \$37,500 and \$35,625 for the years ended September 30, 2018 and 2017, respectively. Minimum lease payments receivable from the District are \$45,000 each year through the end of fiscal year September 2037.

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10. PROPERTY AND EQUIPMENT

Property and equipment, net, consists of the following at September 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 667,557	\$ 667,557
Buildings and improvements	6,144,921	6,136,702
Office equipment and furniture	303,006	745,915
Vehicles	160,764	160,764
Construction in progress	160,500	-
	<u>7,436,748</u>	<u>7,710,938</u>
Total cost excluding leased property and equipment	7,436,748	7,710,938
Accumulated depreciation	(3,614,295)	(3,943,877)
	<u>3,822,453</u>	<u>3,767,061</u>
Net property and equipment excluding leased equipment	3,822,453	3,767,061
Leased equipment	21,163	21,163
Accumulated depreciation	(17,627)	(13,395)
	<u>3,536</u>	<u>7,768</u>
Net leased equipment	3,536	7,768
	<u>\$ 3,825,989</u>	<u>\$ 3,774,829</u>

Depreciation expense for the years ended September 30, 2018 and 2017, was \$238,663 and \$247,239, respectively.

Land and buildings valued at \$648,000 and \$323,000, respectively, were donated by the City of Charleston to CYDC during the year ended September 30, 1988. The deed contains a reverter clause which states "for so long as said property is used as a site for a residential children's treatment center operated by a non-profit organization." The CYDC has and continues to utilize this property as a core part of its mission, and considers any trigger of this reverter clause as highly remote.

11. RETIREMENT PLAN

During 2009, CYDC established a salary deferral plan under Section 403(b) of the Internal Revenue Code. This plan became effective on January 31, 2009, and replaced the 401(k) plan that was previously in effect. The salary deferral plan under Section 401(k) of the Internal Revenue Code was in effect through January 30, 2009. Under the terms of both the old plan and the new plan, CYDC matches up to 50% of the first 5% of all eligible participants' compensation. An employee becomes eligible to receive matching contributions in the salary deferral plan after attaining 21 years of age and completing 12 months and 1,000 hours of service. Participants become fully vested in the employer's contributions to the plan after five years of service at a rate of 25% per year in years two through five. In 2010, CYDC established another salary deferral plan under Section 457 of the Internal Revenue Code with the same matching provisions as in the Section 403(b) plan. The only material difference is that an employee can contribute a greater amount to the Section 457 plan than the Section 403(b) plan. Total expense recorded for the years ended September 30, 2018 and 2017 for the CYDC's match under the 403(b) plan and the 457 plan was \$13,537 and \$7,608, respectively.

**CAROLINA YOUTH DEVELOPMENT CENTER
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12. COMPENSATED ABSENCES

All regular full-time and permanent part-time employees of CYDC who work a minimum of 20 hours per week are granted vacation benefits in varying amounts depending on length of service with CYDC. Annual leave benefits are earned after an employee has completed a minimum of three months of employment. Employees may carry over a maximum of 80 hours of vacation leave each year.

Accumulated vacation leave is recorded as an expense and a liability as benefits accrue to employees. The value of accumulated vacation leave is estimated to be \$42,386 and \$41,207 at September 30, 2018 and 2017, respectively.

13. LEASE COMMITMENTS

CYDC has multiple lease agreements for copiers, fax machines and a phone system which have been classified as capital leases. Future minimum payments by year in the aggregate under the capital leases consisted of the following as of September 30, 2018:

2019	\$	2,210
		2,210
Total minimum capital lease payments	\$	2,210

On July 24, 2015, CYDC signed an operating lease agreement with Pitney Bowes for a postage machine. The lease calls for minimum quarterly payments of \$621 per quarter through December 2020. Future minimum payments by year in the aggregate under the operating lease consisted of the following as of September 30, 2018:

2019	\$	15,620
2020		13,757
2021		6,568
Thereafter		-
Total minimum lease payments	\$	35,945

Lease expense for the year ended September 30, 2018 and 2017 was \$4,780 and \$3,371, respectively.

14. RELATED PARTIES

During the years ended September 30, 2018 and 2017, board members made cash financial contributions of \$32,688 and \$13,274, respectively to CYDC in support of its programs.

**CAROLINA YOUTH DEVELOPMENT CENTER
NOTES TO THE FINANCIAL STATEMENTS
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15. RESTRICTED NET ASSETS

Permanently restricted net assets as of September 30, 2018 and 2017 consist of investments held in perpetuity, the income from which is expendable to support the following:

	<u>2018</u>	<u>2017</u>
Program Services:		
Client needs	\$ 48,915	\$ 48,915
Annual picnic	10,000	10,000
Scholarships/education	10,000	10,000
Christmas gifts	5,000	5,000
College loans	5,000	5,000
	<u>\$ 78,915</u>	<u>\$ 78,915</u>

Temporarily restricted net assets as of September 30, 2018 and 2017 are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Program Services:		
Future periods	\$ 82,066	\$ 214,741
Annual picnic	44,981	45,991
Scholarships/education	50,510	49,651
Christmas gifts	20,721	20,373
NuHouse	129,297	-
	<u>\$ 327,575</u>	<u>\$ 330,756</u>

16. IN-KIND SUPPORT

In-kind support amounts were recorded as revenue with corresponding amounts recorded as either expenses or assets, depending on the nature of the support. For the years ended September 30, 2018 and 2017, these amounts were as follows:

	<u>2018</u>	<u>2017</u>
Contracted services	\$ 900	\$ 5,508
Supplies	16,317	330
	<u>\$ 17,217</u>	<u>\$ 5,838</u>

**CAROLINA YOUTH DEVELOPMENT CENTER
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17. TRUST AND ENDOWMENT FUNDS

CYDC is the beneficiary of income from a trust fund, referred to as the Trustees' Fund, and two endowment funds. The corpus of these funds is not recorded in these financial statements since Carolina Youth Development Center is not the trustee of the funds; it is only the beneficiary of the income. Income is reported when received.

An 1808 City of Charleston Ordinance established that the trustees of the Trustees' Fund are the Mayor, the Chairman of the Commissioners of the Orphan House, and the City Treasurer. The Court of Common Pleas #79-CP-10-205 in June of 1979, states the "Commissioners have available to it the income from the funds administered by the Trustees of the Trustee Funds, but have no control of, or right to, the principal of the funds, nor any right to withdraw the Trustees Funds or the income there from. The trustees of the Trustee Funds are authorized and directed to pay over income involving any accrued income from the Trustee Funds to the Charleston Orphan House, Inc."

In 2015, the Court of Common Pleas #2011-CP-10-7896 granted the use of \$300,000 of the Trustee Funds in order to provide a bridge to pay for existing operations while the Organization transitions to revenue producing, self-sustaining programs. The Center received the funds during the year ended September 30, 2017. The fair market value of the Trustees' Funds as of September 30, 2018 and 2017 was \$524,121 and \$495,622, respectively. Contributions received from this Trust for the years ended September 30, 2018 and 2017, was \$0 and \$300,000, respectively.

CYDC is also the beneficiary of the income from two endowment funds held by the Coastal Community Foundation of South Carolina, Inc. The two endowment funds are the Rosa Strait Endowment for youth education and the Zucker Family Endowment for CYDC. Any income earned by these two endowments may be paid to CYDC at the discretion of the Board of Directors of The Community Foundation. The principal of these endowments may not be invaded.

The fair market value of these endowment funds as of September 30, 2018 and 2017 was as follows:

	2018	2017
Rosa Strait Endowment for youth education	\$ 180,061	\$ 171,093
Zucker Family Endowment for CYDC	211,222	207,687
	\$ 391,283	\$ 378,780

Total income received from the funds in the years ended September 30, 2018 and 2017 was approximately \$7,189 and \$12,824, respectively. On the Statement of Activities, these amounts are included in foundation grant income.

**CAROLINA YOUTH DEVELOPMENT CENTER
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18. PRIOR PERIOD ADJUSTMENT

During the year-end September 30, 2018, the CYDC determined that it had been recognizing temporary restrictions on the net book value of the North Campus property donated by the City of North Charleston, incorrectly. The CYDC made this correction under the standards that provide that "broadly based restrictions that are addressed in the normal course of business activities are not considered restrictions and, accordingly, should be recorded as unrestricted." CYDC considers the activities of maintaining its nonprofit status and operating the North Campus as a child residential treatment center as normal course of operations and, accordingly, has removed this temporary restriction of these net assets. The effects to the 2017 financial statements were to reclassify \$3,341,707 from beginning temporarily restricted net asset to beginning unrestricted net assets. Further, net assets released from restriction for the year ended September 30, 2017 were adjusted by \$179,846 for related changes. The effects of these reclassifications of restrictions had no effect on total increase (decrease) in net assets or total net assets themselves. The CYDC continues to present the reverter clause associated with this property in its disclosures.

19. SUBSEQUENT EVENTS

In accordance with ASC 855, management evaluated subsequent events at September 30, 2018 through February 14, 2019, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.