

CHRIS KIDS, INC.

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
WITH
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2015 AND 2014

CHRIS KIDS, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Boards of Directors of
CHRIS Kids, Inc. and Related Entities:

Report on the Financial Statements

We have audited the consolidated accompanying financial statements of CHRIS Kids, Inc., which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of CHRIS Kids, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedules of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Schedule of State Awards Expended and Consolidating Statements of Financial Position and Activities for the year ended December 31, 2015 as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2016, on our consideration of CHRIS Kids, Inc. 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 CHRIS Kids, Inc. internal control over financial reporting and compliance.

Brooks, McInnis & Company, LLC

Atlanta, Georgia
March 28, 2016

CHRIS KIDS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 413,091	\$ 360,401
Contracts receivable - federal, state, and local	1,181,995	842,052
Grants receivable	100,000	70,000
Accounts receivable, net	2,340	-
Unconditional promises to give, net	405,156	230,337
Note receivable - current portion	5,775	7,560
Prepaid expenses and other assets	68,184	37,017
Total current assets	2,176,541	1,547,367
Cash restricted for capital improvements	169,512	339,949
Property and equipment in service, net	10,149,678	10,594,892
Property and improvements not used in operations, net	138,842	140,947
Note receivable - long-term	-	5,775
Deferred loan costs, net of \$13,941 and \$21,622 of accumulated amortization	51,348	22,676
Other assets	73,673	28,966
Total assets	\$ 12,759,594	\$ 12,680,572
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 199,678	\$ 212,229
Accrued expenses	335,841	429,332
Deferred revenue	10,000	-
Current portion of notes payable	77,866	54,595
Total current liabilities	623,385	696,156
Line of credit payable	308,972	196,249
Notes payable - long term	6,044,511	6,100,085
Total liabilities	6,976,868	6,992,490
Commitments and contingencies		
Net Assets:		
Unrestricted:		
Available for operations	924,667	164,474
Expended for property and equipment, net of debt	4,213,200	4,603,835
Total unrestricted net assets	5,137,867	4,768,309
Temporarily restricted	644,859	919,773
Total net assets	5,782,726	5,688,082
Total liabilities and net assets	\$ 12,759,594	\$ 12,680,572

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

CHRIS KIDS, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Changes in unrestricted net assets:		
Revenues, gains and support:		
Grants and contracts	\$ 9,579,244	\$ 8,576,323
Contributions	962,028	665,256
In-kind contributions	149,062	307,786
Interest income	740	1,414
Special event revenue, net of \$222,654 and \$270,032 in direct expenses for 2015 and 2014, respectively	197,721	172,623
Rental income	362,056	368,333
Gain (loss) on disposal of vehicles and building	(7,275)	8,583
Settlement income	375,000	-
Other income	111,976	71,541
Total revenues, gains and support	11,730,552	10,171,859
Net assets released from restrictions	1,068,654	1,645,154
Total unrestricted revenues, gains and support	12,799,206	11,817,013
Expenses:		
Program services:		
Counseling Services	2,946,179	3,150,230
Wraparound and Community Services	1,460,098	1,196,514
JourneyZ	3,561,722	3,495,293
TransitionZ	905,674	1,019,810
Clubhouse	432,536	372,393
AdoptionZ	250,141	357,772
Training Institute	147,664	159,507
Housing and Property	1,129,682	1,106,211
Total program services	10,833,696	10,857,730
Supporting services:		
Management and general	1,086,084	1,151,941
Fundraising	509,868	426,150
Total expenses	12,429,648	12,435,821
Increase (decrease) in unrestricted net assets	369,558	(618,808)
Changes in temporarily restricted net assets:		
Contributions	793,740	1,257,511
Net assets released from restrictions	(1,068,654)	(1,645,154)
Decrease in temporarily restricted net assets	(274,914)	(387,643)
Increase (decrease) in net assets	94,644	(1,006,451)
Net assets, beginning of year	5,688,082	6,694,533
Net assets, end of year	\$ 5,782,726	\$ 5,688,082

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

CHRIS KIDS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Counseling Services	WrapAround and Community Services	JourneyZ	TransitionZ	Clubhouse	AdoptionZ	Training Institute	Housing and Property	Total Program	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 1,827,527	\$ 1,062,357	\$ 2,556,610	\$ 556,747	\$ 246,860	\$ 169,455	\$ 58,528	\$ -	\$ 6,478,084	\$ 609,009	\$ 289,630	\$ 7,376,723
Benefits and payroll taxes	282,824	186,280	442,177	107,968	51,584	27,648	10,276	-	1,108,757	139,275	45,103	1,293,135
Total payroll expense	<u>2,110,351</u>	<u>1,248,637</u>	<u>2,998,787</u>	<u>664,715</u>	<u>298,444</u>	<u>197,103</u>	<u>68,804</u>	<u>-</u>	<u>7,586,841</u>	<u>748,284</u>	<u>334,733</u>	<u>8,669,858</u>
Rent and building maintenance	15,374	23,851	40,020	11,368	1,059	2,279	4,835	129,860	228,646	11,899	1,497	242,042
Depreciation and amortization	-	-	-	-	-	-	-	686,835	686,835	859	-	687,694
Direct care	56,279	46,684	202,475	74,505	64,050	23,543	23,968	-	491,504	-	81,125	572,629
Legal and accounting	-	-	-	-	-	-	-	-	-	112,930	-	112,930
Property taxes	-	4,106	-	-	-	-	-	2,467	6,573	-	-	6,573
Equipment leases and repairs	146,002	2,214	24,749	3,328	2,534	389	2,043	-	181,259	23,133	21,270	225,662
Vehicle maintenance, repair and parking	30,678	50,629	111,691	8,681	17,645	7,243	1,393	-	227,960	5,675	490	234,125
Supplies	4,950	13,854	9,481	1,987	2,311	748	1,437	11	34,779	11,442	6,289	52,510
Postage	-	-	-	-	-	-	-	38	38	-	-	38
Telephone	18,907	28,365	29,560	9,706	7,012	4,083	1,809	6,136	105,578	9,855	2,973	118,406
Utilities	21,794	9,571	52,388	1,547	9,655	5,630	3,076	115,086	218,747	13,550	1,635	233,932
Promotions	184	239	621	10,840	3,617	184	798	-	16,483	59	25,218	41,760
Insurance	18,067	3,685	40,215	6,891	7,678	4,961	1,388	50,322	133,207	10,033	1,323	144,563
Interest	-	-	1,000	-	-	-	-	40,076	41,076	17,381	-	58,457
Training	16,511	11,714	1,193	2,371	12,839	755	34,040	-	79,423	25,900	248	105,571
Consulting	37,747	12,875	39,872	10,778	4,755	1,666	1,523	-	109,216	56,043	28,197	193,456
Dues and subscriptions	4,765	251	7,610	1,105	-	471	380	-	14,582	11,711	1,420	27,713
Professional medical fees	454,118	884	-	-	-	-	6	-	455,008	-	-	455,008
Management fees	-	-	-	-	-	-	-	48,076	48,076	-	-	48,076
Security	-	-	-	97,477	-	-	-	-	97,477	72	-	97,549
Bad debt expense	-	-	-	-	-	-	-	49,743	49,743	-	-	49,743
Other	10,452	2,539	2,060	375	937	1,086	2,164	1,032	20,645	27,258	3,450	51,353
Total expenses	<u>\$ 2,946,179</u>	<u>\$ 1,460,098</u>	<u>\$ 3,561,722</u>	<u>\$ 905,674</u>	<u>\$ 432,536</u>	<u>\$ 250,141</u>	<u>\$ 147,664</u>	<u>\$ 1,129,682</u>	<u>\$ 10,833,696</u>	<u>\$ 1,086,084</u>	<u>\$ 509,868</u>	<u>\$ 12,429,648</u>
	24%	12%	29%	7%	3%	2%	1%	9%	87%	10%	3%	100%

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

CHRIS KIDS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Counseling Services	WrapAround and Community Services	JourneyZ	TransitionZ	Clubhouse	AdoptionZ	Training Institute	Housing and Property	Total Program	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 2,029,871	\$ 870,602	\$ 2,500,296	\$ 711,138	\$ 244,146	\$ 247,130	\$ 68,574	\$ -	\$ 6,671,757	\$ 517,251	\$ 233,965	\$ 7,422,973
Benefits and payroll taxes	290,716	135,997	439,451	128,381	46,266	31,968	11,581	-	1,084,360	162,815	45,471	1,292,646
Total payroll expense	2,320,587	1,006,599	2,939,747	839,519	290,412	279,098	80,155	-	7,756,117	680,066	279,436	8,715,619
Rent and building maintenance	14,721	10,366	27,225	10,210	552	3,884	2,967	95,501	165,426	745	1,900	168,071
Depreciation and amortization	-	-	-	-	-	-	-	701,716	701,716	-	-	701,716
Direct care	53,835	39,196	158,000	77,484	31,195	19,117	15,628	-	394,455	499	68,548	463,502
Legal and accounting	-	385	300	-	-	26,455	-	-	27,140	272,874	2,925	302,939
Property taxes	-	3,679	-	-	-	-	-	1,935	5,614	79	-	5,693
Equipment leases and repairs	158,780	5,166	54,654	8,099	1,076	686	1,096	-	229,557	5,911	5,772	241,240
Vehicle maintenance, repair and parking	55,116	63,364	133,356	25,470	20,305	9,565	2,248	1,716	311,140	7,243	783	319,166
Supplies	16,406	17,786	6,229	1,642	168	634	3,534	-	46,399	7,930	8,398	62,727
Postage	-	-	-	-	-	-	-	82	82	-	-	82
Telephone	20,699	23,717	30,652	10,930	3,338	3,202	2,352	3,736	98,626	15,716	4,330	118,672
Utilities	20,391	8,011	58,489	2,834	8,192	8,628	3,213	98,358	208,116	9,486	1,601	219,203
Promotions	833	38	124	49	-	-	811	-	1,855	646	11,449	13,950
Insurance	23,639	721	39,761	8,131	3,343	2,296	205	48,417	126,513	10,662	164	137,339
Interest	244	-	1,225	50	-	-	36	38,470	40,025	8,826	16	48,867
Training	17,167	2,660	3,464	3,544	8,667	-	41,762	-	77,264	26,540	4,363	108,167
Consulting	37,498	12,623	39,777	12,572	4,869	2,854	1,661	-	111,854	63,296	23,379	198,529
Dues and subscriptions	78	-	-	-	-	200	1,139	-	1,417	20,154	489	22,060
Professional medical fees	398,943	-	-	35	-	-	-	-	398,978	-	-	398,978
Management fees	-	-	-	-	-	-	-	47,421	47,421	12,000	-	59,421
Security	-	-	-	19,104	-	-	-	-	19,104	-	-	19,104
Bad debt expense	-	-	-	-	-	-	-	68,059	68,059	-	-	68,059
Other	11,293	2,203	2,290	137	276	1,153	2,700	800	20,852	9,268	12,597	42,717
Total expenses	\$ 3,150,230	\$ 1,196,514	\$ 3,495,293	\$ 1,019,810	\$ 372,393	\$ 357,772	\$ 159,507	\$ 1,106,211	\$ 10,857,730	\$ 1,151,941	\$ 426,150	\$ 12,435,821
	25%	10%	28%	8%	3%	3%	1%	9%	87%	10%	3%	100%

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

CHRIS KIDS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 94,644	\$ (1,006,451)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation and amortization	687,694	701,716
(Gain) loss on disposal of building and vehicles	7,275	(8,583)
Contributions restricted for long-term purposes	(169,512)	(339,949)
Changes in assets and liabilities:		
(Increase) decrease:		
Contracts receivable - federal, state, and local	(339,943)	(127,241)
Grants receivable	(30,000)	360,000
Accounts receivable	(2,340)	26,411
Unconditional promises to give	(174,819)	(17,381)
Prepaid expenses	(31,167)	(13,328)
Other assets	(44,707)	(9,090)
Increase (decrease):		
Accounts payable	(12,551)	45,140
Accrued expenses	(93,491)	34,242
Deferred revenue	10,000	(1,000)
Total adjustments	(193,561)	650,937
Net cash (used in) operating activities	(98,917)	(355,514)
Cash flows from investing activities:		
(Increase) decrease in cash restricted for capital items	170,437	(4,999)
Payments received on note receivable	7,560	8,336
Proceeds from sale of residential property and vehicles	-	99,619
Purchase of property and equipment	(242,312)	(331,034)
Net cash used in investing activities	(64,315)	(228,078)
Cash flows from financing activities:		
Cash collected for long-term purposes	169,512	339,949
Loan closing costs capitalized	(34,010)	-
New debt borrowings	52,655	120,000
Principal payments on debt	(84,958)	(90,119)
Net draws (payments) on line of credit	112,723	(16,024)
Net cash provided by financing activities	215,922	353,806
Increase (decrease) in cash and cash equivalents	52,690	(229,786)
Cash and cash equivalents, beginning of year	360,401	590,187
Cash and cash equivalents, end of year	\$ 413,091	\$ 360,401

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

CHRIS KIDS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Supplemental cash flow information:		
Cash paid for interest	\$ <u>53,457</u>	\$ <u>47,137</u>
Refinance of line of credit	\$ <u>287,597</u>	\$ <u>-</u>
Refinance of note payable	\$ <u>808,074</u>	\$ <u>-</u>

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

CHRIS KIDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

1. Nature of Organization and Significant Accounting Policies

CHRIS Kids, Inc. is a nationally accredited nonprofit 501(c)(3) organization whose mission is to heal children, strengthen families and build community. Our goal is to empower people to develop the skills and independence they need to navigate life's challenges and become contributing citizens. CHRIS Kids is a multi service behavioral health organization that exists to improve the lives of children and young adults and strengthen families through innovative, trauma informed practices that inspire hope, create self-sufficiency and reduce future dependency on government. The organization accomplishes this purpose through a continuum of services and partnerships designed to promote recovery, foster individual accountability and unlock the potential in every man, woman and child. In March 2016, the Board of Directors voted to proceed with a capital campaign to raise \$12 million to expand the organization's impact, support innovation, and ensure an even stronger sustainable future for the organization. A pledge of \$3,000,000 towards this goal has been received. Fundraising efforts are expected to begin in late 2016.

The consolidated financial statements of CHRIS Kids, Inc. (the Organization) include the accounts of CHRIS Kids Operations, LLC, CHRIS Homes Properties, LLC, CHRIS Properties Graham Circle, LLC and CHRIS Properties, LLC. On January 1, 2012, the legal structure of the combining entities designated CHRIS Kids, Inc. as the umbrella company managing its operations and delivering its services through each LLC listed above. CHRIS Kids, Inc. is the sole member entity of each LLC that it manages on behalf of its mission. Prior to 2012, the combining entities were all separate stand-alone corporations or LLC's as in the case of CHRIS Properties, LLC. All significant inter-company accounts and transactions have been eliminated. CHRIS Homes Properties, LLC owns residential properties, nine of which are EarthCraft Certified, and vehicles that are leased to CHRIS Kids Operations, LLC. CHRIS Properties, LLC owns the real estate that provides the LEED Platinum Certified office space to CHRIS Kids Operations, LLC for the CHRIS Counseling Center as well as other program services. CHRIS Properties Graham Circle, LLC holds title to a fully furnished, EarthCraft Certified, multi-family apartment complex for CHRIS Kids Operations, LLC to utilize for the client population of single and parenting youth who are aging out of foster care or who are homeless.

Life changing services were provided to 5,147 and 4,455 individuals during 2015 and 2014. Specialized training through the CHRIS Training Institute was also provided to 962 unduplicated participants in areas ranging from trauma informed practice, professional clinical services, working with transition age youth and mental health first aid to the prevention of child sexual abuse, anti-bullying and understanding diversity. The centerpiece of CHRIS Kids trauma informed work is understanding and treating the impact of chronic stress and adverse childhood experiences so that children, young adults and families can recover and live full lives. A summary of major programs follows:

CHRIS KIDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

1. Nature of Organization and Significant Accounting Policies – Continued

- The CHRIS Counseling Center (CCC) helps people through tough times so that they feel better and function better. Therapists utilize 18 different evidenced based treatment modalities to ensure people receive the assistance needed to help them develop the skills needed for resiliency and to sustain recovery. Over 36% of the certified trauma therapists in the State of Georgia work at the CCC and use their skills to help people confront, recover and heal from past sexual abuse, physical abuse and/or other adverse childhood experiences. A partnership with Emory University Medical School enables psychiatric fellows to further their training at the CCC and partnerships with several local colleges provide supervised internship experiences for Masters level clinical interns. Counseling is provided at the CHRIS Counseling Center, at the Lawrenceville satellite clinic, in 24 schools, at partner locations, in the community and through TelePsychiatry. During 2015, counseling was provided to 2,747 individuals.
 - o 87% percent demonstrated improvement
 - o 90% reported that they would recommend the CHRIS Counseling to others
 - o 95% of families served reported improvement in family functioning and feeling less stress

- The Keeping Families Together Program helps Georgia’s most challenged children and their families build a plan of support and services that establishes safety and stability in their homes and strengthens the family unit. Utilizing the High Fidelity WrapAround model, families are helped to navigate multiple systems and community services while receiving prevention, reunification and/or support services to help them achieve their goals so that, in the future, families and the individuals within the families have the skills to help themselves. During 2015, 1,308 individuals received help.
 - o 89% of families were strengthened, avoiding disruption through hospitalization, incarceration or the out-of-home placement of a child
 - o Safety was ensured for 100% of all children in all families
 - o 82% of youth classified as designated felons graduated with no new juvenile charges and remained with their families

- The CHRIS Clubhouse uniquely addresses the needs of 15-21 year olds with emotional and/or behavioral challenges. The Clubhouse provides learning opportunities that help youth make a successful transition to adulthood. During 2015, 93 youth received help and support.
 - o 94% of youth had no new legal involvement
 - o 96% of youth maintained a stable living arrangement
 - o 83% of youth discharged demonstrated improvement in functioning on the CANS, a national measure of improvement

CHRIS KIDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

1. Nature of Organization and Significant Accounting Policies – Continued

- The JourneyZ Program provides eight, six bed homes in the community that help abused and neglected children with severe emotional and behavior problems who are in foster care heal and develop the skills they need to navigate life. During 2015, 115 foster children received a home, counseling and support.
 - o 100% of children demonstrated improvement in life skills
 - o 100% participated in volunteer activities
 - o 88% completed a life skill goal
 - o 39% were successfully re-unified with relatives

- TransitionZ provides an apartment complex and support services for homeless youth and youth aging out of foster care to help them become self sufficient adults. Individualized services include counseling, case management, life skills, educational support, job coaching, parenting skills and support services. Service components include emergency assistance, emergency/transitional apartments, permanent supportive housing and street outreach.
 - o During 2015, the Emergency Shelter/Transitional Living Program provided emergency housing, support, individualized counseling, life coaching and parenting skills training for 11 youth, ages 17 – 21, including one parent with a baby boy. While participating in the program,
 - § 100% became employed
 - § 43% transitioned to supportive housing at Summit Trail Apartments
 - § 100% were safely housed upon leaving the program
 - § 86% continued working with their Life Coach after discharge

 - o During 2015, permanent supportive housing at Summit Trail Apartments was provided for 70 single and parenting young adults who had a total of 13 children. While living in the apartments,
 - § 83% of young people were working and/or in school
 - § 87% maintained employment for 90 days or longer
 - § 100% of high school seniors graduated
 - § 93% demonstrated improved knowledge of community resources
 - § 100% demonstrated improvement in life skills
 - § Of youth who entered the program without a high school education, GED or vocational certificate, 98% of youth attained one of these educational goals prior to discharge
 - § Two year post discharge outcomes:
 - 97% are safely housed
 - 90% are employed and/or in school

CHRIS KIDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

1. Nature of Organization and Significant Accounting Policies – Continued

- o The Emergency Assistance program prevents young adults with mental health issues who are up to age 35 (and their families) from becoming homeless and helps those who are already homeless by assisting them with stable housing and employment while they receive support, guidance and instruction designed to foster their self sufficient. During 2015, 73 young adults received help.

- § 98% became and remain housed

- § 96% are working

- § 21% of those working are also in school

- o Street Outreach services assisted 753 youth. During 2015, support, assistance, resource guides and referrals were provided to 166 homeless youth through face to face meetings and telephone follow up support. An additional 587 youth who contacted the program by telephone seeking housing and assistance were provided assistance, support and guidance as well as resource guides and referrals for help available through CHRIS Kids and other providers. Telephone follow up calls were made to offer services and provide on-going support.

- CHRIS Adoptions provides a unique set of trauma informed services to ensure that children in foster care can have a forever family and that no child has to age out of foster care. In 2013, CHRIS Kids developed a trauma informed foster care adoption model with the goal of reducing (and eliminating) failed adoptions for children in foster care. During 2015, 53 individuals were served and 16 children were placed in their adoptive homes.

- o 7 completed home studies

- o 9 adoption finalizations

There have been no adoption disruptions since the program's inception.

- The CHRIS Training Institute provided professional, clinical, child welfare and prevention training to 962 unduplicated individuals during 2015 and 55% of participants took more than one course. 507 individuals received training in Trauma STARS; 85 individuals were trained in how to conduct a Trauma Assessment; 368 were trained in the prevention of child sexual abuse; and 249 were trained in bullying prevention. Youth Mental Health First Aid, Adult Mental Health First Aid, Working with LGBT Youth and many other professional courses were provided during the year as well.

CHRIS KIDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

1. Nature of Organization and Significant Accounting Policies – Continued

- **Partnerships:** During 2015, CHRIS Kids maintained 20 MOU partnership agreements with other nonprofits and 24 schools to provide a range of services including counseling and training in addition to numerous collaborative partners through whom service delivery is enhanced. During 2015, therapists from the CHRIS Counseling Center provided counseling for 712 individuals as a result of these partnerships. Children in schools (KIPP, Atlanta City Schools, DeKalb County and Fulton County Schools) received counseling at their schools and women and children in domestic violence shelters and homeless shelters, children in day shelters, youth in homeless shelters, in juvenile court settings, and in other treatment programs received counseling at partner locations. These partnerships increased access to high quality trauma informed counseling. Integrated healthcare partnerships with Federally Qualified Health Centers and a partnership with the Georgia Partnership for TeleHealth further expand services on behalf of our clients. Training partners include the United Way Supportive Services for Veteran Families Program and the Georgia Department of Family and Children Services. Other collaborative partnerships in 2015 include New Hope Enterprises, the Atlanta Police Foundation, the Criminal Justice Coordinating Council, Georgia State University, Gwinnett Kids Net and Synchronicity Theatre and the Cirque du Monde program of Cirque de Soliel which enhance the array of support and services to clients.

Basis of Presentation

The Organization presents its consolidated financial statements in accordance with generally accepted accounting principles (GAAP). Under GAAP, the Organization is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions. The Organization had no permanently restricted net assets at December 31, 2015 or 2014.

Basis of Accounting

The accounts are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. This basis of accounting requires recording revenues and gains when earned and expenses and losses when incurred.

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 activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CHRIS KIDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

1. Nature of Organization and Significant Accounting Policies – Continued

Contributions

In accordance with GAAP, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Time and capital 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. Other restricted contributions received and spent within the year are presented as unrestricted contributions.

Donated Equipment, Material, Supplies and Services

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support 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 support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

All non-cash gifts (other than personal services) are recorded at their estimated fair value at date of receipt. Contributions of food, clothing, medical items, personal care supplies, event auction items and other special needs items valued at \$161,615 and at \$243,989, respectively, have been reflected in the statements of activities for the years ending December 31, 2015 and 2014. Donated services are recognized at fair value if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

The Organization recorded \$56,594 and \$212,504 in donated legal services in 2015 and 2014, respectively. No amounts have been recognized in the financial statements for general volunteer services, since these services received do not meet the GAAP criteria noted above.

Property and Equipment

Property and equipment are stated at cost or estimated fair value at time of donation. Depreciation is computed by the straight-line method over the estimated useful lives as follows:

Buildings and improvements	5 - 30 years
Furniture, fixtures and equipment	3 - 7 years
Vehicles	3 years

CHRIS KIDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

1. Nature of Organization and Significant Accounting Policies – Continued

Property and Equipment – Continued

The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000.

Income Taxes

CHRIS Kids, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended, and classified by the Internal Revenue Service as other than a private foundation. The Organization is subject to income taxes on income from unrelated business activities. At December 31, 2015 and 2014, the Organization had federal and state income tax net operating loss (NOL) carryforwards of \$48,161 and \$35,505, respectively. Management believes more likely than not that the benefit from the NOL carryforwards will not be realized; therefore, a deferred tax asset has not been recorded on the accompanying statements of financial position. No provision for income taxes has been provided for the years ended December 31, 2015 and 2014. In addition, the Organization believes that it has appropriate support for any tax positions taken, and as such does not have any uncertain tax positions that are material to the financial statements. The Organization's income tax returns are subject to examination by the appropriate regulatory authorities, and as of December 31, 2015 the Organization's federal tax returns typically remain open to examination for the last three years.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents and Concentration of Credit Risk

The Organization considers all cash investments and highly liquid investments with maturities of three months or less to be cash equivalents. Cash and cash equivalents consist primarily of demand deposits with a single financial institution. The balances in the Organization's bank accounts, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation (FDIC) at December 31, 2015 and 2014 up to \$250,000. At December 31, 2015 and 2014, the Organization's accounts exceeded the limit by \$250,671 and \$392,327, respectively.

CHRIS KIDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

1. Nature of Organization and Significant Accounting Policies – Continued

Cash and Cash Equivalents and Concentration of Credit Risk – Continued

Cash consisted of the following at December 31:

	2015	2014
Unrestricted	\$ 328,029	\$ 275,312
HUD restricted operating deficit reserve	85,062	85,089
Cash and cash equivalents	413,091	360,401
Cash restricted for capital improvements and other	169,512	339,949
Total cash	\$ 582,603	\$ 700,350

Allowance for Doubtful Accounts

The Organization uses an allowance method to determine uncollectible unconditional promises to give as well as fee for service billing, grants and contracts receivable, as well as tenant rents receivable. The allowance is based on prior years' experience and management's analysis of specific promises made and amounts billed and to be reimbursed. All accounts receivable from tenants, unconditional promises to give, and grants and contracts receivable were considered collectible at December 31, 2015 and 2014 and accordingly no allowance for doubtful accounts was recorded.

Advertising

Advertising costs are expensed as incurred.

Deferred Loan Costs

Deferred loan costs are amortized over the duration of the related loan. The life of the loans currently range from 3 to 5 years. For the years ended December 31, 2015 and 2014, amortization charged to expense was \$4,479 and \$4,167, respectively.

Long-Lived Assets and Impairment Analysis

The Organization evaluates its recoverability of its long-lived assets held for use in operations and not in service, including real estate, for indicators of impairment and if impaired, records such assets at the lower of cost or fair value as described in generally accepted accounting principles. GAAP requires recognition of impairment of long-lived assets in the event the net book value of such assets exceeds the future undiscounted cash flows attributable to such assets. If impairment is indicated, the carrying amount of the asset is written down to fair value. In the opinion of management, no long lived-assets were impaired as of December 31, 2015 and 2014.

CHRIS KIDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

1. Nature of Organization and Significant Accounting Policies – Continued

Fair Value of Financial Instruments

Cash and cash equivalents, accounts receivable, prepaid expenses, other current assets, accounts payable, and accrued expenses are carried at amounts which approximate their fair value due to the short-term nature of these instruments. Debt is carried at amounts which are expected to be paid which approximates fair value.

Reclassification

Certain amounts previously reported have been reclassified to conform to the current year financial statement presentation.

Subsequent Events

Management has evaluated events and transactions which occurred through March 28, 2016 which was the date the financial statements were available to be issued. There were no significant subsequent events requiring recognition or disclosure in the financial statements, with the exception of the future intended use of the property not used in operations further discussed in Note 7.

2. Grants and Contracts Receivable

Grants receivable at December 31, 2015 and 2014 consists of \$100,000 and \$70,000, respectively, from two foundations restricted for the Counseling Center, the Trauma Treatment Training Initiative, and repairs to the JourneyZ homes. Contracts receivables arise from fees for services provided under and, to a lesser extent reimbursements owed through government contracts. CHRIS Kids, Inc.'s ability to collect amounts due is affected by the outside agencies' acceptance of reimbursable expenses and performance-based outcomes, which meet contract requirements.

CHRIS KIDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

2. Grants and Contracts Receivable – Continued

Contracts receivable owed to CHRIS Kids, Inc. are as follows at December 31:

	2015	2014
State contract receivables:		
DHS contracts	\$ 429,530	\$ 324,611
Georgia Department of Juvenile Justice	49,131	38,205
Gwinnett County Juvenile Justice	130,893	114,898
Lookout Mountain Community Services	58,544	40,515
Fulton County Housing and Human Services	46,500	-
Georgia DBHDD Board	114,317	86,419
Various other DFCS county offices	42,534	26,647
Multi-Agency Alliance for Children	62,625	54,239
ESGP Transitional Living	16,049	19,432
Amerigroup - WRAP	105,186	-
Other contracts and receivables	24,521	36,424
Total state contract receivables	1,079,830	741,390
Other contract receivables:		
Office on Violence Against Women	-	10,110
Medicaid	19,045	23,275
Care management organizations	83,120	67,277
Total other contract receivables	102,165	100,662
Total contracts receivable	\$ 1,181,995	\$ 842,052

3. Accounts Receivable, Net

Accounts receivable at December 31, 2015 includes tenant rents of receivable \$2,340. The Organization has determined that all amounts recorded as accounts receivable are collectible; accordingly, no allowance for doubtful accounts has been established. There was no accounts receivable at December 31, 2014.

4. Unconditional Promises to Give, Net

The amounts due from United Way of Metropolitan Atlanta at December 31, 2015 and 2014 represent the balance of the Organization's allocated funding for the periods ending June 30, 2015 and June 30, 2014. Donor designations to United Way may vary; however, differences between the amounts collected and allocated from United Way have historically been insignificant. Accordingly, no provision is made for uncollectible amounts regarding amounts due from United Way of Metropolitan of Atlanta. All promises to give are expected to be collected in less than one year.

CHRIS KIDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

4. Unconditional Promises to Give, Net – Continued

Unconditional promises to give consist of the following at December 31:

	2015	2014
United Way of Metropolitan Atlanta	\$ 199,370	\$ 191,256
Foundations	200,000	-
Other	5,786	39,121
Total unconditional promises to give	\$ 405,156	\$ 230,377

5. Note Receivable

On January 1, 2013, CHRIS Kids, Inc. purchased the assets net of liabilities of The Giving Tree, Inc. The Organization acquired a note receivable in this purchase from an outside vendor which is payable in equal installments of \$700 at a rate of 4% and matures August 2016. The balance of the note receivable at December 31, 2015 and 2014 was \$5,775 and \$13,335, respectively. No allowance for uncollectible accounts was deemed necessary by management.

6. Property and Equipment in Service, Net

Components of property and equipment in service consist of the following at December 31:

	2015	2014
Land	\$ 1,043,722	\$ 1,043,722
Residential rental property and improvements	11,647,117	11,582,115
Furniture and equipment	1,695,914	1,651,033
Vehicles	292,767	229,073
Construction in process	40,111	-
Total property and equipment at cost	14,719,631	14,505,943
Less accumulated depreciation	(4,569,953)	(3,911,051)
Total property and equipment, net	\$ 10,149,678	\$ 10,594,892

For the years ended December 31, 2015 and 2014, depreciation expense for all assets was \$683,215 and \$697,549, respectively.

CHRIS KIDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

7. Property and Equipment Not Used In Operations, Net

Property and equipment not used in operations consists of one rental property for the years ended December 31, 2015 and 2014. Components of these properties are as follows at December 31:

	2015	2014
Land	\$ 34,836	\$ 34,836
Residential rental property and improvements	159,079	154,279
Total property and improvements not used in operations at cost	193,915	189,115
Less accumulated depreciation	(55,073)	(48,168)
Property and improvements not used in operations, net	\$ 138,842	\$ 140,947

There was no rental income for the year ended December 31, 2015. Total rental income for the year ended December 31, 2014 was \$5,500.

Subsequent to year end, the Organization began renovating this property to be used as an additional Adoption Gateway foster home beginning in fiscal 2016.

8. Operating Lease Commitments

CHRIS Kids, Inc. leases office equipment and a vehicle under arrangements that qualify as non-cancelable operating leases. CHRIS Kids, Inc. also has a lease agreement for a CHRIS Counseling Center outreach office in Gwinnett County, Georgia. The annual minimum lease payments for all these leases are as follows:

Year ended December 31,		
2016	\$	141,125
2017		138,014
2018		126,020
	\$	405,159

Total rental and lease expense for all leases for the years ended December 31, 2015 and 2014, including several month-to-month leases, was \$66,139 and \$52,698, respectively.

CHRIS KIDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

9. Line of Credit Payable

CHRIS Kids, Inc. has a revolving line of credit of \$300,000 from a commercial bank. The interest rate on the revolving line of credit is 1.6% over prime rate, adjusted if necessary for any minimum rate limitations of which the minimum interest rate is 4.75%. The interest rate was 4.85% for the year ended December 31, 2014. The outstanding balance on this line of credit at December 31, 2014 was \$196,249.

In October 2015, the line of credit was refinanced with another lender. The maximum borrowings on this line of credit are \$1,000,000. All unpaid accrued interest and principal is due October 30, 2017. The interest rate on the line of credit is equal to the prime rate, which was 3.5% for the year ended December 31, 2015. The outstanding balance on the line of credit at December 31, 2015 was \$308,972.

CHRIS KIDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

10. Notes Payable

A summary of notes payable is as follows at December 31:

	2015	2014
Bank debt:		
CHRIS Homes Properties, LLC notes payable:		
5.1% fixed rate term note, due in monthly installments of \$5,484, including principal and interest through September 20, 2015; collateralized by all assets held by CHRIS Homes Properties, LLC; refinanced in October 2015	\$ -	\$ 709,173
5.45% fixed rate vehicle loan, due in monthly installments of \$609, including principal and interest through September 28, 2015; collateralized by van held by CHRIS Homes Properties, LLC	-	5,367
4.77% fixed rate term note, due in monthly installments of \$5,373, including principal and interest through November 1, 2020; collateralized by all assets held by CHRIS Homes Properties, LLC	828,036	-
3.25% fixed rate vehicle loan, due in monthly installments of \$431, including principal and interest through November 23, 2020; collateralized by van held by CHRIS Homes Properties, LLC	23,429	-
CHRIS Properties, LLC notes payable:		
4.45% fixed rate loan, interest only payments through maturity date of April 16, 2015 collateralized by all assets held by CHRIS Properties, LLC; refinanced in October 2015	-	120,000
Total bank debt	851,465	834,540
Other debt:		
CHRIS Properties Graham Circle's notes payable:		
Due to Georgia Department of Community Affairs for Home Investment Partnership Program	3,555,912	3,605,140
Due to City of Atlanta for Home Investment Partnership Program	1,400,000	1,400,000
Due to Federal Home Loan Bank of Atlanta for Affordable Housing Program	315,000	315,000
Total notes payable	\$ 6,122,377	\$ 6,154,680

CHRIS KIDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

10. Notes Payable – Continued

Other Debt

During 2009, the Organization entered into a loan agreement with the Georgia Department of Community Affairs, Georgia Housing and Finance Authority unit (DCA). The principal sum is \$3,800,000, with no interest charged on the outstanding principal balance from the date of each advance. This was converted to a permanent loan at substantial completion of construction in April 2010. The collateral on this loan is the real property, additions, fixtures, personal property and rental assets and the loan will mature on April 1, 2031.

After the conversion, 240 monthly payments of principal are required that will pay down approximately \$760,000 of the loan and the balloon amount of approximately \$3,040,000 will be forgiven as long as the project is in compliance with the home rental term compliance requirements. At December 31, 2015 and 2014, \$3,555,912 and \$3,605,140, respectively, was due to DCA on this loan.

Previously the Organization received a loan (grant) from the City of Atlanta. The principal sum at December 31, 2015 and 2014 is \$1,400,000. The funds are dedicated to the project as a grant with no interest paid on the outstanding principal balance. Therefore, no payment will be made unless the project is not in compliance for a 10 year period with the compliance requirements for providing housing to young adults who are homeless or who have aged out of the foster care system but still do not possess the physical, developmental, educational, and emotional capabilities to thrive without the necessary supportive social services. The 10 year loan period will expire in 2020. The collateral on this loan is the real property associated with the project. The City of Atlanta's security deed is subordinate to the DCA's.

The Organization has a loan with the Federal Home Loan Bank of Atlanta. The principal sum at December 31, 2015 and 2014 is \$315,000 under the Affordable Housing Program. The funds are dedicated to the project as a grant, with no interest charged on the outstanding principal balance. Therefore, no payment will be made as long as the project is in compliance with the requirements of the affordable housing program agreement and application through March 30, 2025.

Aggregate principal maturities of debt subsequent to December 31, 2015 are as follows:

<u>Year ending December 31,</u>	
2016	\$ 77,866
2017	77,642
2018	77,741
2019	77,624
2020	764,572
Thereafter	<u>5,046,932</u>
	<u>\$ 6,122,377</u>

CHRIS KIDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

11. Commitments and Contingencies

Certain grants and contracts often require the fulfillment of certain conditions as set forth in the instrument or agreement. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the return of funds is a possibility, management of CHRIS Kids, Inc. deems the contingency unlikely. The grants and contracts are subject to audit by the grantor, or in the case of federal funds, the federal government. They have the authority to determine liabilities or limit or suspend participation in the various sponsored programs.

12. Retirement Plan

The Organization has a tax-deferred annuity program for its employees. Under the plan, the Organization matches 50% of a qualifying employee's contribution to the plan up to 6% of employee's salary. The total employer contributions to the plan during 2015 and 2014 were \$32,118 and \$28,712, respectively.

13. Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of funds the Organization has received subject to donor-imposed restrictions consisting of the following at December 31:

	2015	2014
United Way of Metropolitan Atlanta	\$ 199,370	\$ 191,256
Capital improvements	169,512	339,949
Counseling Services	40,977	50,000
JourneyZ and TransitionZ	100,000	-
Trauma, Treatment, and Training Initiative	85,000	273,568
Other	50,000	65,000
Total temporarily restricted net assets	\$ 644,859	\$ 919,773

CHRIS KIDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

14. Net Assets Released from Restrictions

Temporarily restricted net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes or by occurrence of other events specified by donors as follows during the years ending December 31:

	2015	2014
United Way	\$ 390,626	\$ 383,472
Capital improvements	170,437	288,251
Counseling Services	69,023	125,000
Trauma, Treatment and Training Initiative	323,568	666,431
JourneyZ and TransitionZ	50,000	100,000
Other	65,000	82,000
Net assets released from restrictions	\$ 1,068,654	\$ 1,645,154

CHRIS KIDS, INC.

REPORTS AND OTHER SCHEDULES AND INFORMATION
AS REQUIRED BY THE UNIFORM GUIDANCE
FOR THE YEAR ENDED
DECEMBER 31, 2015

CHRIS KIDS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Grantor/Pass-through Grantor Agency	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Pass Through from Georgia Department of Behavioral Health and Developmental Disabilities:			
Lookout Mountain- Care Management	93.958	* LMCS MOU	\$ 540,116
Mental Health Resiliency	93.958	* HTI-44100-026-55801	292,265
Mental Health Resiliency	93.958	* HTI-44100-026-34735	72,124
Pass Through from Georgia Department of Human Services - Family and Children Services			
PSSF TAY	93.556	335-3762 / SoN#7099	49,375
PSSF Wraparound	93.556	42700-040C-15-091	77,499
ILP Kick Start	93.558	42700-040C-32978	614
<u>U.S. Department of Justice</u>			
Office on Violence Against Women	16.018	2011-WY-AX-K008	37,511
Pass Through from Gwinnett County			
Juvenile Justice Incentive Grant Program:	16.523	Y15-8-021	228,503
Juvenile Justice Incentive Grant Program:	16.523	Y16-8-020	303,183
<u>U.S. Department of Housing and Urban Development</u>			
Pass Through DeKalb County - Emergency Solutions Grants Program			
Transitional Living	14.231	90CX6887-01-00	193,469
			<u>\$ 1,794,659</u>

* Audited as major program

CHRIS KIDS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards summarizes the expenditures of the Organization under programs of the federal government for the year ended December 31, 2015 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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
of CHRIS Kids, Inc.:

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of CHRIS Kids, Inc. (the Organization) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brooks, McInnis & Company, LLC

Atlanta, Georgia
March 28, 2016



INDEPENDENT AUDITORS REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

To the Board of Directors
of CHRIS Kids, Inc.:

Report on compliance for Each Major Federal Program

We have audited CHRIS Kids, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2015 and 2014. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, Chris Kids, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

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

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

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

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

Brooks, McInnis & Company, LLC

Atlanta, Georgia
March 28, 2016

CHRIS KIDS, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

Section I – Summary of Auditor’s Results

Financial Statements

The type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	No

Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major programs:

<u>Name</u>	<u>CFDA Number</u>
Community Mental Health Services Block Grant	93.958

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

Section II – Financial Statement Findings None

Section III – Federal Award Findings and Questioned Costs None

CHRIS KIDS, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015

The audit for the year ended December 31, 2014 disclosed no findings that were required to be reported under the Uniform Guidance.

CHRIS KIDS, INC.

OTHER SCHEDULES AS REQUIRED BY
THE STATE OF GEORGIA

CHRIS KIDS, INC.
SCHEDULE OF STATE AWARDS EXPENDED
FOR THE YEAR ENDED DECEMBER 31, 2015

State Contract Number	Earned		Due From (To)
	Revenues	Receipts	State Agency
Contract #42700-040C-20180 Georgia Dept. of Human Services - Adoption Services	\$ 137,062	\$ 49,437	\$ 87,625
Contract #42700-040C-20180 Georgia Dept. of Human Services - TransitionZ	309,286	285,849	23,437
Contract #42700-040C-00000020180 Georgia Dept. of Human Services - JourneyZ RBWO	2,800,840	2,482,372	318,468
Agreement #13C044 Georgia DCS TransitionZ & Aftercare Case Management	19,076	19,076	-
Contract #461-93-RBWO130021 Georgia Dept. of Juvenile Justice	405,704	356,573	49,131
#44100-026-0000034735 Georgia DBHDD Mental Health Resiliency	235,565	157,656	77,909
Contract #44100-026-0000055801 Georgia DBHDD Mental Health Resiliency	227,115	227,115	-
Contract # 44100-26-0000055503 Georgia DBHDD - System of Care	66,607	58,804	7,803
Contract #42700-040C-SOC-16-033 DeKalb Homestead, PUP Contract	29,714	20,986	8,728
Amerigroup - WRAP	360,016	254,830	105,186
DHS Youth matters - Care Coordination	33,761	25,097	8,664
DHS Youth matters - DFCS Region 14	41,111	41,111	-
Contract # 42700-040C-20339 DFCS CCFA & Wraparound	23,400	14,850	8,550
DeKalb Juvenile Court	19,257	19,257	-
Lookout Mountain - Wrap	540,116	481,572	58,544
Fulton County Housing and Human Services - HSG	188,000	141,500	46,500

(Continued on next page.)
See Independent Auditor's Report.

CHRIS KIDS, INC.
SCHEDULE OF STATE AWARDS EXPENDED – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015

State Contract Number	Earned Revenues	Receipts	Due From (To) State Agency
Gwinnett County Juvenile Justice - Wraparound	531,686	400,793	130,893
Contract # 44100-026-0000038153 DBHDD CNA Adult Core Services	50,002	41,669	8,333
Contract # 44100-026-0000053215 DBHDD CNA Adult Core Services	49,998	49,998	-
ESGP Transitional Living Program	193,469	177,420	16,049
Contract # 44100-026-0000069854 DBHDD Georiga Apex	107,640	87,368	20,272
Office of Violence Against Women	33,670	33,670	-
Georgia Dept. of Human Services - Dekalb DFCS-PSSF	77,499	43,515	33,984
Georgia Dept. of Human Services - Dekalb DFCS-PSSF TAY	49,375	49,375	-
Multi-Agency Alliance for Children (MAAC)	588,056	525,431	62,625
Miscellaneous contracts	<u>67,378</u>	<u>60,249</u>	<u>7,129</u>
	<u>\$ 7,185,403</u>	<u>\$ 6,105,573</u>	<u>\$ 1,079,830</u>

See Independent Auditor's Report.

CHRIS KIDS, INC.

SUPPLEMENTAL CONSOLIDATING
FINANCIAL STATEMENTS

CHRIS KIDS, INC.
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015

	CHRIS Kids Operations, LLC	CHRIS Homes Properties, LLC	CHRIS Properties Graham Circle, LLC	CHRIS Properties, LLC	Combined
	ASSETS				
Cash and cash equivalents	\$ 463,180	\$ 306	\$ 118,117	\$ 1,000	\$ 582,603
Contracts receivable - federal, state, and local	1,181,995	-	-	-	1,181,995
Grants receivable	100,000	-	-	-	100,000
Accounts receivable, net	-	-	2,340	-	2,340
Unconditional promises to give, net	405,156	-	-	-	405,156
Notes receivable	5,775	-	-	-	5,775
Prepaid expenses and other assets	67,146	-	1,038	-	68,184
Property and equipment in service, net	-	810,537	5,711,261	3,627,880	10,149,678
Property and improvements not used in operations, net	-	138,842	-	-	138,842
Deferred loan costs, net of \$13,941 and \$21,622 in accumulated amortization	4,291	27,898	19,159	-	51,348
Other assets	4,862	-	68,811	-	73,673
Total assets	\$ 2,232,405	\$ 977,583	\$ 5,920,726	\$ 3,628,880	\$ 12,759,594
	LIABILITIES AND NET ASSETS				
Liabilities:					
Accounts payable	\$ 179,847	\$ 219	\$ 19,612	\$ -	\$ 199,678
Accrued expenses	313,527	4,001	17,312	1,001	335,841
Deferred revenue	10,000	-	-	-	10,000
Line of credit payable	308,972	-	-	-	308,972
Notes payable	-	851,465	5,270,912	-	6,122,377
Total liabilities	812,346	855,685	5,307,836	1,001	6,976,868
Commitments and contingencies					
Net Assets:					
Unrestricted:					
Available for operations	775,200	(3,914)	153,382	(1)	924,667
Expended for property and equipment, net of debt	-	125,812	459,508	3,627,880	4,213,200
Total unrestricted net assets	775,200	121,898	612,890	3,627,879	5,137,867
Temporarily restricted	644,859	-	-	-	644,859
Total net assets	1,420,059	121,898	612,890	3,627,879	5,782,726
Total liabilities and net assets	\$ 2,232,405	\$ 977,583	\$ 5,920,726	\$ 3,628,880	\$ 12,759,594

See Independent Auditor's Report.

CHRIS KIDS, INC.
CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	CHRIS Kids Operations, LLC	CHRIS Homes Properties, LLC	CHRIS Properties Graham Circle, LLC	CHRIS Properties, LLC	Eliminations	Combined
Changes in unrestricted net assets:						
Revenues, gains and support:						
Grants and contracts	\$ 9,568,844	\$ -	\$ 10,400	\$ -	\$ -	\$ 9,579,244
Contributions	962,028	-	-	-	-	962,028
In-kind donations	149,062	-	-	-	-	149,062
Interest income	722	18	-	-	-	740
Special event revenue, net of \$222,654 and \$270,032 in direct expenses	197,721	-	-	-	-	197,721
Rental income	-	-	362,056	-	-	362,056
Rent and lease income from related party	-	354,000	-	304,632	(658,632)	-
Loss on disposal of building and vehicles	-	(7,275)	-	-	-	(7,275)
Settlement income	-	-	375,000	-	-	375,000
Other income	290,113	15,144	19	-	(193,300)	111,976
Total revenues	<u>11,168,490</u>	<u>361,887</u>	<u>747,475</u>	<u>304,632</u>	<u>(851,932)</u>	<u>11,730,552</u>
Net assets released from restrictions	1,068,654	-	-	-	-	1,068,654
Total unrestricted revenues, gains and support	<u>12,237,144</u>	<u>361,887</u>	<u>747,475</u>	<u>304,632</u>	<u>(851,932)</u>	<u>12,799,206</u>
Expenses:						
Program services:						
Counseling Services	3,081,722	-	-	-	(135,543)	2,946,179
Wraparound and Community Services	1,478,801	-	-	4,106	(22,809)	1,460,098
JourneyZ	3,873,722	-	-	-	(312,000)	3,561,722
TransitionZ	931,674	-	-	-	(26,000)	905,674
Clubhouse	463,436	-	-	-	(30,900)	432,536
AdoptionZ	293,141	-	-	-	(43,000)	250,141
Training Center	169,264	-	-	-	(21,600)	147,664
Housing and Property	-	189,271	713,369	270,242	(43,200)	1,129,682
Total program services	<u>10,291,760</u>	<u>189,271</u>	<u>713,369</u>	<u>274,348</u>	<u>(635,052)</u>	<u>10,833,696</u>
Supporting services:						
Management and general	1,120,787	142,123	15,717	15,337	(207,880)	1,086,084
Fundraising	518,868	-	-	-	(9,000)	509,868
Total expenses	<u>11,931,415</u>	<u>331,394</u>	<u>729,086</u>	<u>289,685</u>	<u>(851,932)</u>	<u>12,429,648</u>
Increase in unrestricted net assets before transfers	305,729	30,493	18,389	14,947	-	369,558
Transfers to related parties	410,587	(196,285)	(218,152)	3,850	-	-
Increase (decrease) in unrestricted net assets	<u>716,316</u>	<u>(165,792)</u>	<u>(199,763)</u>	<u>18,797</u>	<u>-</u>	<u>369,558</u>
Changes in temporarily restricted net assets:						
Contributions	793,740	-	-	-	-	793,740
Net assets released from restrictions	(1,068,654)	-	-	-	-	(1,068,654)
Decrease in temporarily restricted net assets	<u>(274,914)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(274,914)</u>
Increase (decrease) in net assets	441,402	(165,792)	(199,763)	18,797	-	94,644
Net assets, beginning of year	978,656	287,691	812,653	3,609,082	-	5,688,082
Net assets, end of year	<u>\$ 1,420,058</u>	<u>\$ 121,899</u>	<u>\$ 612,890</u>	<u>\$ 3,627,879</u>	<u>\$ -</u>	<u>\$ 5,782,726</u>

See Independent Auditor's Report.