

CHRIS 180, INC.

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
WITH
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2018 AND 2017

CHRIS 180, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Boards of Directors of
CHRIS 180, Inc. and Related Entities:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of CHRIS 180, Inc. (a nonprofit organization) (the Organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CHRIS 180, Inc. as of December 31, 2018 and 2017, 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 of CHRIS 180, Inc. as a whole. The accompanying schedules of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Schedule of State Awards Expended and Consolidating Statements of Financial Position and Activities for the year ended December 31, 2018 as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CHRIS 180, Inc.'s internal control over financial reporting and compliance.

Brooks, McInnis & Company, LLC

Atlanta, Georgia
March 28, 2019

CHRIS 180, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,578,598	\$ 500,102
Contracts receivable - federal, state, and local, net	2,084,638	1,472,245
Accounts receivable	15,336	5,216
Unconditional promises to give, net - current portion	675,825	2,196,649
Prepaid expenses and other assets	89,479	134,027
Total current assets	4,443,876	4,308,239
Cash restricted for capital improvements	7,047,874	7,371,105
Unconditional promises to give, net - long term	610,644	121,979
Note receivable - NMTC	8,563,750	-
Property and equipment, net	16,598,116	10,427,296
Deferred line of credit costs, net of \$12,931 and \$8,978 of accumulated amortization	4,358	8,311
Other assets	170,643	237,865
Total assets	\$ 37,439,261	\$ 22,474,795
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 331,518	\$ 326,306
Accounts payable - construction	562,958	-
Accrued expenses	807,565	619,788
Deferred revenue	172,937	155,934
Notes payable - current portion	77,624	77,741
Total current liabilities	1,952,602	1,179,769
Lines of credit payable	85,146	1,116,573
Notes payable - long term		
Notes payable - principal	18,420,394	5,889,100
Less unamortized debt issuance costs	(25,049)	(32,385)
Notes payable, net	18,395,345	5,856,715
Total liabilities	20,433,093	8,153,057
Commitments and contingencies		
Net Assets:		
Without donor restrictions:		
Available for operations	918,961	887,763
Board designated	1,006,868	-
Contractually restricted	5,444,522	-
Expended for property and equipment, net of debt net of debt	6,125,939	3,657,544
Total net assets without donor restrictions	13,496,290	4,545,307
With donor restrictions	3,509,878	9,776,431
Total net assets	17,006,168	14,321,738
Total liabilities and net assets	\$ 37,439,261	\$ 22,474,795

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

CHRIS 180, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Changes in net assets without donor restrictions		
Revenues, gains and support:		
Grants and contracts	\$ 15,201,181	\$ 11,806,348
Contributions	1,135,072	1,069,067
In-kind contributions	113,210	121,301
Interest income	95,693	909
Special event revenue, net of \$256,866 and \$206,394 in direct expenses for 2018 and 2017, respectively	137,024	159,339
Rental income	398,997	408,563
Other income	106,122	24,467
Total revenues, gains and support	17,187,299	13,589,994
Net assets released from restrictions	10,575,493	1,466,603
Total revenues, gains and support without donor restrictions	27,762,792	15,056,597
Expenses:		
Program services:		
Counseling Services	6,556,933	4,667,604
Community Services & Keeping Families Together	2,483,645	1,342,025
JourneyZ	4,084,536	3,902,813
TransitionZ	784,755	1,095,695
Clubhouse/Drop In Center	459,244	544,999
AdoptionZ	526,680	345,942
Youth Build	281,606	185,275
Training Institute	222,626	117,564
Housing and Property	993,492	970,881
Total program services	16,393,517	13,172,798
Supporting services:		
Management and general	1,764,134	1,411,331
Fundraising	654,158	644,299
Total expenses	18,811,809	15,228,428
Increase (decrease) in net assets without donor restrictions	8,950,983	(171,831)
Changes in net assets with donor restrictions:		
Contributions	4,275,997	6,748,014
Interest income	32,943	16,426
Net assets released from restrictions	(10,575,493)	(1,466,603)
Increase (decrease) in net assets with donor restrictions	(6,266,553)	5,297,837
Increase in net assets	2,684,430	5,126,006
Net assets, beginning of year	14,321,738	9,195,732
Net assets, end of year	\$ 17,006,168	\$ 14,321,738

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

CHRIS 180, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Counseling Services	Community Services & Keeping Families Together	JourneyZ	TransitionZ	Clubhouse / Drop In Center	AdoptionZ	Youth Build	Training Institute	Housing and Property	Total Program	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 3,507,515	\$ 1,387,272	\$ 2,794,040	\$ 436,685	\$ 262,531	\$ 201,846	\$ 224,170	\$ 124,558	\$ -	\$ 8,938,617	\$ 1,190,075	\$ 409,958	\$ 10,538,650
Benefits and payroll taxes	645,627	275,012	540,451	92,053	54,703	39,094	23,691	15,314	-	1,685,945	66,566	78,940	1,831,451
Total payroll expense	4,153,142	1,662,284	3,334,491	528,738	317,234	240,940	247,861	139,872	-	10,624,562	1,256,641	488,898	12,370,101
Rent and building maintenance	71,374	8,677	73,103	21,204	4,476	11,202	118	1,502	76,385	268,041	25,804	3,881	297,726
Depreciation and amortization	-	-	-	-	-	-	-	-	579,448	579,448	208	-	579,656
Direct care	23,969	653,743	275,759	56,206	43,284	212,845	19,713	25	-	1,285,544	22,877	26,665	1,335,086
Legal and accounting	-	-	-	3,648	-	-	-	-	-	3,648	84,450	-	88,098
Property taxes	-	2,414	-	115	-	-	-	-	364	2,893	13,028	-	15,921
Equipment leases and repairs	156,025	3,777	63,235	2,548	3,931	5,866	428	27,758	-	263,568	113,642	29,011	406,221
Vehicle maintenance, repair and parking	53,409	52,201	139,179	4,515	7,632	13,598	4,084	2,020	-	276,638	8,248	1,816	286,702
Supplies	25,899	7,005	8,974	2,952	6,704	628	890	1,183	2,329	56,564	1,565	16,987	75,116
Postage and printing	1,621	301	182	202	67	41	-	4,176	205	6,795	5,864	21,995	34,654
Telephone	54,655	21,826	36,183	14,519	7,583	9,295	1,097	1,974	7,244	154,376	14,156	3,411	171,943
Utilities	22,100	4,845	50,910	26,978	9,782	10,376	-	1,682	79,791	206,464	22,308	4,871	233,643
Promotions	5,083	1,315	1,385	146	1,705	106	-	710	-	10,450	-	22,027	32,477
Insurance	26,429	3,719	51,737	12,149	15,467	11,604	4,985	2,221	73,505	201,816	41,063	1,958	244,837
Interest	-	-	1,450	-	-	-	-	-	44,261	45,711	26,751	-	72,462
Training	86,935	1,911	50	60	5,135	3,827	250	30,746	-	128,914	17,138	684	146,736
Consulting and contract services	1,134,783	52,245	41,270	9,537	28,939	2,166	180	5,802	-	1,274,922	40,157	8,143	1,323,222
Dues and subscriptions	7,488	560	-	80	-	1,658	-	189	-	9,975	21,528	6,193	37,696
Professional medical fees	429,266	626	-	1,684	250	831	-	-	-	432,657	-	-	432,657
Management fees	-	-	-	18,700	-	-	-	-	66,055	84,755	23,958	-	108,713
Security	3,628	600	1,953	78,321	-	-	-	-	-	84,502	-	-	84,502
Bad debt expense	272,343	-	-	-	-	-	-	-	58,489	330,832	-	-	330,832
Other	28,784	5,596	4,675	2,453	7,055	1,697	2,000	2,766	5,416	60,442	24,748	17,618	102,808
Total expenses	\$ 6,556,933	\$ 2,483,645	\$ 4,084,536	\$ 784,755	\$ 459,244	\$ 526,680	\$ 281,606	\$ 222,626	\$ 993,492	\$ 16,393,517	\$ 1,764,134	\$ 654,158	\$ 18,811,809
	35%	13%	22%	4%	2%	3%	1%	1%	5%	87%	9%	4%	100%

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

CHRIS 180, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Counseling Services	Community Services & Keeping Families Together	JourneyZ	TransitionZ	Clubhouse / Drop In Center	AdoptionZ	Youth Build	Training Institute	Housing and Property	Total Program	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 2,874,930	\$ 950,111	\$ 2,717,736	\$ 599,071	\$ 336,076	\$ 223,193	\$ 133,347	\$ 60,920	\$ -	\$ 7,895,384	\$ 834,959	\$ 427,599	\$ 9,157,942
Benefits and payroll taxes	525,945	167,928	511,917	107,045	75,187	41,341	12,573	7,526	-	1,449,462	204,021	65,702	1,719,185
Total payroll expense	3,400,875	1,118,039	3,229,653	706,116	411,263	264,534	145,920	68,446	-	9,344,846	1,038,980	493,301	10,877,127
Rent and building maintenance	61,622	3,008	83,413	28,662	9,681	6,880	3,229	1,600	62,258	260,353	3,238	1,738	265,329
Depreciation and amortization	-	-	-	-	-	-	-	-	645,714	645,714	2,560	-	648,274
Direct care	28,870	62,575	251,382	159,147	37,967	25,301	30,137	6	-	595,385	13,761	16,718	625,864
Legal and accounting	2,277	-	-	-	-	-	-	-	-	2,277	94,917	-	97,194
Property taxes	-	22,472	-	115	-	-	-	-	425	23,012	-	-	23,012
Equipment leases and repairs	187,855	12,557	34,976	6,866	6,370	1,450	508	19,502	-	270,084	7,688	50,490	328,262
Vehicle maintenance, repair and parking	51,071	56,769	117,846	12,266	13,623	11,524	1,401	809	-	265,309	5,932	1,599	272,840
Supplies	15,749	3,951	10,153	3,863	8,465	634	768	1,517	174	45,274	9,689	5,762	60,725
Postage and printing	2,400	810	542	45	26	23	-	847	-	4,693	3,408	19,540	27,641
Telephone	43,523	14,799	36,965	15,135	9,065	8,835	1,163	1,435	5,893	136,813	9,709	1,723	148,245
Utilities	23,864	6,165	52,020	27,836	10,726	11,206	-	2,307	84,829	218,953	17,784	1,538	238,275
Promotions	25,434	68	545	68	2,332	-	-	-	-	28,447	34	8,358	36,839
Insurance	20,942	3,081	40,621	10,571	12,069	6,088	1,831	1,773	50,048	147,024	13,137	1,611	161,772
Interest	-	-	2,000	-	-	-	-	-	45,840	47,840	45,858	-	93,698
Training	49,981	21,455	-	4,179	14,765	3,178	-	15,814	-	109,372	28,572	1,573	139,517
Consulting and contract services	262,784	13,397	39,767	8,131	6,140	2,169	-	1,809	-	334,197	74,681	27,826	436,704
Dues and subscriptions	7,683	70	2,342	293	70	1,027	70	380	-	11,935	25,035	2,724	39,694
Professional medical fees	429,168	-	-	2,918	-	298	-	-	-	432,384	-	-	432,384
Management fees	-	-	-	12,435	-	-	-	-	40,877	53,312	-	-	53,312
Security	-	-	109	94,579	-	27	-	-	-	94,715	-	-	94,715
Bad debt expense	37,545	-	-	-	-	-	-	-	33,901	71,446	-	-	71,446
Other	15,961	2,809	479	2,470	2,437	2,768	248	1,319	922	29,413	16,348	9,798	55,559
Total expenses	\$ 4,667,604	\$ 1,342,025	\$ 3,902,813	\$ 1,095,695	\$ 544,999	\$ 345,942	\$ 185,275	\$ 117,564	\$ 970,881	\$ 13,172,798	\$ 1,411,331	\$ 644,299	\$ 15,228,428
	30%	9%	26%	7%	4%	2%	1%	1%	6%	87%	9%	4%	100%

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

CHRIS 180, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Increase in net assets	\$ 2,684,430	\$ 5,126,006
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	579,656	648,274
Amortization of debt issuance costs	7,336	7,336
Contributions and pledges restricted for long-term purposes	(2,930,367)	(5,930,570)
Changes in assets and liabilities:		
(Increase) decrease:		
Contracts receivable - federal, state, and local	(612,393)	(86,613)
Accounts receivable	(10,120)	(40)
Unconditional promises to give	150,889	203,952
Prepaid expenses	44,548	4,899
Other assets	(44,781)	(157,602)
Increase (decrease):		
Accounts payable	5,212	63,539
Accrued expenses	187,777	132,047
Deferred revenue	17,003	155,934
Total adjustments	(2,605,240)	(4,958,844)
Net cash provided by operating activities	79,190	167,162
Cash flows from investing activities:		
Issuance of notes receivable	(8,563,750)	-
Purchase of property and equipment	(6,634,520)	(956,695)
Net cash used in investing activities	(15,198,270)	(956,695)
Cash flows from financing activities:		
Cash collected for long-term purposes	3,811,637	6,817,799
Accounts payable - construction	562,958	-
Line of credit closing costs capitalized	-	(4,980)
Borrowings on notes payable	12,610,000	-
Principal payments on debt	(78,823)	(77,679)
Net draws (payments) on line of credit	(1,031,427)	187,918
Net cash provided by financing activities	15,874,345	6,923,058
Increase in cash and cash equivalents	755,265	6,133,525
Cash and cash equivalents, beginning of year	7,871,207	1,737,682
Cash and cash equivalents, end of year	\$ 8,626,472	\$ 7,871,207
Supplemental cash flow information:		
Cash paid for interest	\$ 63,676	\$ 84,062
Interest capitalized	\$ 108,281	\$ -

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

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies

CHRIS 180, Inc. is a nationally accredited nonprofit 501(c)(3) organization whose mission is to heal children, strengthen families and build community. CHRIS 180 helps children, adults and families who have experienced trauma change the direction of their lives to become more productive, self-sufficient members of the community. This is accomplished through behavioral health counseling, training, safe housing and real-world skill building. During 2018, CHRIS 180 helped 7,839 people through its various programs and services and provided specialized training to an additional 3,352 community professionals, paraprofessionals and school personnel. CHRIS 180's ultimate goal is to empower people to develop the skills and independence they need to navigate life's challenges and become contributing citizens. CHRIS 180 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 and reduce future dependency on government. The organization accomplishes this purpose through a continuum of trauma informed services, partnerships and trainings 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 \$12,000,000 to expand the Organization's impact, support innovation, and ensure a strong, sustainable future. An initial pledge of \$3,000,000 toward this goal was received in 2016 with subsequent other foundation gifts, including board gifts and pledges representing 100% board participation. Due to increases in construction costs, in 2017 the charitable goal was increased to \$13,000,000 and the decision was made to pursue an allocation through the New Market Tax Credit (NMTC) program for the eligible portion of CHRIS 180's expansion in order to secure additional funds to generate \$15,000,000. The NMTC program incentivizes community development and economic growth through the use of tax credits that attract private investment in distressed communities where the individual poverty rate is from 20-30% or higher. CHRIS 180 realized a net benefit of approximately \$2,600,000 by participating in the NMTC program. At the end of 2017, CHRIS 180 had secured reservation letters from two Community Development Entities for NMTC funding and by the first of 2018, CHRIS 180 had secured \$13,036,000 in cash and pledges to reach the campaign's charitable goal. Construction began in March 2018 and the New Market Tax Credit transaction agreement was finalized in April 2018. Along with allocations from two Community Development Entities, the NonProfit Finance Fund and the Primary Care Development Corporation, capital campaign funds in the amount of \$8,563,750 were transferred into the CHRIS 180 Investment Fund at SunTrust Bank to be disbursed for capital construction and renovations. The titles to properties associated with the NMTC transaction were transferred to the CHRIS 180 Support Organization, Inc., a related nonprofit 501C3 organization. See note 16 for further discussion regarding the New Markets Tax Credit program.

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

At December 31, 2018 and 2017, the consolidated financial statements of CHRIS 180, Inc. (the Organization) include the accounts of CHRIS Operations, LLC, CHRIS Homes Properties, LLC, CHRIS Properties Graham Circle, LLC, CHRIS Properties, LLC, and CHRIS 180 Support Organization, Inc. On January 1, 2012, the legal structure of the combining entities designated CHRIS 180, Inc. as the umbrella company managing its operations and delivering its services through each LLC listed above. CHRIS 180, 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 180 Operations, LLC. CHRIS Properties, LLC owns the real estate that provides the LEED Platinum Certified office space to CHRIS 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 Operations, LLC to utilize for the client population of single and parenting youth who are homeless or aging out of foster care.

Life changing services were provided to 7,839 and 6,745 unduplicated individuals during 2018 and 2017, respectively. Specialized training through the CHRIS Training Institute was provided to 507 staff participants and an additional 2,845 unduplicated external participants in areas ranging from trauma informed practice, professional clinical services, working with transition age youth, LGBT youth, sexually exploited youth, and mental health first aid to the prevention of child sexual abuse, bullying and understanding diversity.

Trauma informed care is the centerpiece of CHRIS 180's work throughout all programs. The Adverse Childhood Experiences (ACE) questionnaire is utilized to help assess levels of trauma. Research by the Centers of Disease Control over two decades reveals that without intervention an ACE score of four (4) or more is predictive of poor long-term physical health, mental health and social functioning outcomes as well as a significantly shortened life span. CHRIS 180 identifies, understands and treats the impact of chronic stress and adverse childhood experiences so that children, young adults and families can recover, avoid negative long term physical and mental health consequences and live full lives. CHRIS 180 is an active member of the National Child Traumatic Stress Network (NCTSN) and is providing leadership to help NCTSN develop a series on Supporting Trauma-Informed Schools to Keep Students in Classrooms. Service areas include: Behavioral Health, Community, Residential and Housing, and Training.

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

Behavioral Health Services:

CHRIS 180 offers trauma informed behavioral health services for children, adults and families throughout the greater metro Atlanta area to help them through tough times so that they can feel better and function better. CHRIS 180 focuses on decreasing stigma, eliminating barriers to increase access, and expanding our impact through partnerships, place-based counseling and substance abuse services in communities and through telehealth. At the end of 2017, CHRIS 180 was awarded an annually renewable five year contract with Fulton County to provide behavioral health services for uninsured children, adolescents and young adults up to age 25 who are residents of Fulton County. These services began on January 1, 2018 and in early 2019 CHRIS 180 opened a day treatment substance abuse program for teens and young adults in North Fulton.

CHRIS 180's special focus is on helping people recover from trauma. Therapists utilize 22 different evidenced based treatment modalities to ensure people receive the individually tailored assistance they need to help them develop the skills required to build personal resiliency and sustain recovery. Therapists use their skills to help people confront, recover and heal from past sexual abuse, physical abuse and/or other adverse childhood/life experiences. Partnerships with Emory University Medical School and the Morehouse School of Medicine enable psychiatric fellows to further their training and partnerships with several local colleges provide supervised internship experiences for Masters level clinical interns.

During 2018, CHRIS 180 continued to expand school-based counseling services and completed year two of Project 180, a school based, trauma informed training and therapy initiative in four City of Atlanta Public Schools located in high poverty communities, which is funded through the Substance Abuse Mental Health Services Administration (SAMHSA),.

Counseling locations include: the CHRIS Counseling Center in Atlanta, GA; the Adamsville Health Center, Oakhill, the At Promise Center, and the North Fulton Annex in Fulton County; the CHRIS Counseling Center satellite location in Lawrenceville, GA; 26 schools in the City of Atlanta (APS), Clayton County, DeKalb County and Fulton County Public School Systems; at partner locations; in the community; and, through TelePsychiatry.

During 2018, counseling was provided to 3,512 individuals across all locations. ACE (Adverse Childhood Experience) scores for those served indicated that from 34% to 60% had a score of four (4) or more across client locations. Outcomes include:

- o 100% received a trauma assessment
- o 57% revealed contributing traumatic events(s) during initial treatment sessions
- o 91% attained a treatment goal
- o 98% of families reported feeling less stress and improvement in family functioning
- o 89% reported that they would recommend the CHRIS Counseling Center to others

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

Behavioral Health Services – Continued :

Pre and post tests for children served in the school setting indicate that the number of students with highest risk decreased by an average of 20% with risk dropping to negligible levels in 6.7% of students. Students served in school-based counseling demonstrated a 36% increase in school attendance and a 49% decrease in disciplinary referrals.

Community Services:

CHRIS 180 offers an expanding array of trauma informed community services designed to help children, adolescents and adults, strengthen families and build safe, resilient communities. Our unique approach combines a therapist with a caseworker who work in partnership with individuals and families to strengthen relationships within the family and help each family member build the skills necessary to thrive. Community services are often provided in partnership with other community providers and leverage each partner’s strengths to accomplish goals. During 2018, 1,758 individuals received help.

Keeping Families Together (KFT):

CHRIS 180 assists Georgia’s most vulnerable children and their families in building a plan of support and services to help them establish safety and stability in their homes and strengthen the family unit, enabling them to become stronger and stay together. During 2017, 38% - 57% of clients had an ACE of four (4) or more. Utilizing models that include High Fidelity WrapAround and Multi-Systemic Therapy, families are helped to navigate multiple systems and community resources while receiving prevention, reunification and support services that help them achieve their goals so that families and each individual within the family can build a natural support system in the community and has the skills to help themselves. At the end of 2017, CHRIS 180 expanded KFT community services to work with incarcerated young adults, including young parents through re-entry programs in DeKalb and Fulton Counties. The DeKalb County women’s program had one re-arrest or a 95% success rate; while the men’s program in Fulton County had two participants re-arrested or a 96% success rate. During 2018, 1,008 individuals received assistance:

- o Safety was ensured for 100% of all children in all families
- o 98% of families were strengthened, avoiding disruption through hospitalization, incarceration or the out-of-home placement of a child
- o 95% of youth classified as designated juvenile felons graduated with no new juvenile charges and remained with their families, avoiding re-incarceration*
- o 95% of families reported that they would recommend CHRIS 180 services to others

*Research conducted by the Florida Department of Juvenile Justice determined that with each additional ACE, a delinquent youth’s risk of becoming a serious, violent and chronic offender increases 35 times.

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

Community Services – Continued :

CHRIS Adoptions:

CHRIS Adoptions provides a unique set of trauma informed services and supports to ensure that children in foster care truly have a forever family because no child should ever have to age out of foster care. In 2013, CHRIS 180 developed a Trauma Informed Foster Care Adoption Model (TIFCAM) with the goal of reducing – and eliminating – failed adoptions for children in foster care. *Gateway Foster Homes* were envisioned and created by CHRIS 180 to support the adoption process by providing specialized foster homes for sibling groups in foster care who are often placed in hotels temporarily, are separated into different foster homes or for whom the separation of siblings can be avoided in the first place. During 2018, 91 individuals were served, 24 prospective parents completed training, six children were placed in their adoptive homes and 10 children were engaged in the matching process with prospective families.

There have been no adoption disruptions since the program’s inception in 2013.

Drop In Center:

As a result of a service needs assessment and discussion with the State of Georgia’s Department of Behavioral Health and Developmental Disabilities (DBHDD), in mid 2017 the Clubhouse converted to a Drop In Center in order to focus on the crisis of youth homelessness by helping 16 – 24 year olds make a safe transition to adulthood and assisting them in meeting their needs for safe housing, counseling, employment and support services. 48% of the youth served have an ACE score of four (4) or more. During 2018, the Drop In Center helped 169 youth.

- o 97% of youth demonstrated improvement in functioning on the CANS, a national measure of improvement
- o 57% of youth were referred for housing assessments
- o 41% of youth were successfully linked to stable housing, employment or secured vital records

Youth Build:

The Youth Build program is funded through a grant with the Department of Justice. During 2018, 53 young adults, 67% of whom had an ACE score of four (4) or more, received help and 79% attained a GED and /or construction certification. A partnership with Atlanta Habitat and Quest Community Development provided opportunities for in the field construction experience.

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

Community Services – Continued :

At Promise Youth Center:

The At-Promise Youth Center opened in August 2017 in partnership with the Atlanta Police Foundation with CHRIS 180 serving as the lead organization coordinating services with three partners – the Boys and Girls Club, the Urban League of Atlanta and Street Smart Youth Project. CHRIS 180 is the initial point of contact and all services are guided by a CHRIS 180 assessment. While the goal of the Center is to serve as a detention/jail diversion and intervention center to help youth and young adults, it has been accessed by a wide range of individuals seeking assistance. At Promise has helped 437 youth with therapy, case management services, life skills, GED, workforce development, tutoring, leadership development, substance abuse education and HIV testing. Of the youth between the ages of 15 and 18 served, 57% had an ACE score of four (4) or more and 69% of the young adults, ages 19 through 25, had an ACE score of four (4) or more. In addition, the At-Promise Center has helped 118 families and young adults who were or are homeless. Since the Center opened, over 525 unduplicated individuals in one of the most distressed and underserved communities in Atlanta have received help and assistance.

Community Partnerships:

In order to enhance services to populations with need while avoiding duplication of services, CHRIS 180 seeks to leverage our strengths and the strengths of partners by creating partnerships designed to fulfill our missions in the most cost effective, efficient manner. To this end, during 2018 CHRIS 180 maintained MOUs with almost 50 non-profit and for-profit partners including the Atlanta Police Foundation, the Urban League of Atlanta, the Boys and Girls Club, four different public school systems in metro Atlanta and two federally qualified health centers, Mercy Care and HEALing Community. As a result, barriers to services were reduced and access to essential trauma informed counseling and other services were increased for children, adults and families as well as for clients of other nonprofits. A partnership with the Georgia Partnership for TeleHealth continues to expand services on behalf of our clients. Training partners include the Atlanta Public Schools, DeKalb County Public Schools, Purpose Built Schools, Kendezi Schools, YMCA, Sheltering Arms, United Way, and the Georgia Department of Family and Children Services. Other collaborative partnerships in 2018 included the Ansley School for Homeless Children, Year Up, the Grady Trauma Project, Our House, Open Doors, the Criminal Justice Coordinating Council, Georgia State University, Fulton County Sheriff's Office, and the juvenile courts of Fulton, DeKalb and Gwinnett Counties.

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

Residential and Housing Services:

JourneyZ Homes for Children in Foster Care:

The JourneyZ Program is the organization’s founding program and consists of eight, six bed homes in the community designed to help traumatized and exploited children in foster care who have severe emotional and behavior problems heal and develop the skills they need to navigate life’s challenges by giving them essential supports and a home in a neighborhood. 68% of youth have an ACE score of four (4) or more and 23% had experienced at least one failed adoption prior to placement. During 2018, 137 foster children received a home, counseling and support. Outcomes include:

- o 100% of children demonstrated improvement in life skills
- o 100% participated in volunteer activities
- o 94% completed a life skill goal
- o 35% were successfully re-unified with relatives or adopted
- o 92% of youth who aged out chose to move to Summit Trail Apartments which is owned and operated by CHRIS 180

TransitionZ for Homeless and Aging Out Youth and Young Adults:

Service components include emergency assistance, emergency/transitional housing, permanent supportive housing at Summit Trail Apartments and street outreach. The goal of services is to help single and parenting homeless youth and those aging out of foster care become self-sufficient adults through a combination of housing, counseling and support services. Support services include case management, life skills, educational support, financial management, job coaching, and parenting skills. 74% of youth served have an ACE score of four (4) or more.

- o During 2018, the Emergency Shelter/Transitional Living Program provided emergency housing, support, individualized counseling, life coaching and parenting skills training for 17 youth, ages 17 – 21. While participating in the program,
 - § 84% became employed
 - § 93% transitioned to supportive housing at Summit Trail Apartments
 - § 100% were safely housed upon leaving the program
 - § 88% continued working with their Life Coach after discharge
- o During 2018, permanent supportive housing was provided at Summit Trail Apartments for 69 traumatized, homeless youth and youth aging out of foster care. Parenting young adults had a total of 11 children. The average length of stay in the program was 15.4 months.

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

Residential and Housing Services – Continued :

TransitionZ for Homeless and Aging Out Youth and Young Adults – Continued :

While living in the apartments:

- § 82% of young people were working and/or in school
- § 73% maintained employment for 90 days or longer
- § 100% of high school seniors graduated
- § 34% were enrolled in a certification program, technical school or college
- § 63% of youth who entered the program without a high school education, GED or vocational certificate, attained one of these educational goals prior to discharge

Upon discharge:

- § 79% demonstrated improved knowledge of community resources
- § 84% demonstrated improved money management skills
- § 91% demonstrated improved knowledge about managing their personal healthcare needs
- § 100% demonstrated improvement in life skills

Two-year post discharge outcomes:

- § 96% are safely housed
- § 85% are employed and/or in school

Four-year + post discharge outcomes:

- § 97% are safely housed
- § 93% are employed and/or in school

Outreach and Community Housing:

The Emergency Assistance program prevents homelessness for young adults with mental health issues who are up to age 35 (and their families) and helps those who are already homeless by assisting them in obtaining stable housing and employment while they receive support, counseling, guidance and instruction designed to foster self-sufficiency. During September 2017, modifications were made to reduce street outreach and increase efforts to prevent homelessness by expanding bridge housing options while working to help young adults secure more permanent housing. Partners include the Salvation Army, Partners for Home, Quest Community Development, Open Doors and the Westside Future Fund. During 2018, 234 children and 178 young adults, 78% of whom had an ACE score of four (4) or more, received help:

- 99% became and remain housed
- 94% are working
- 27% of those working are also in school

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

Residential and Housing Services – Continued :

Outreach and Community Housing – Continued :

Street Outreach services assisted 607 youth. During 2018, support, assistance, resource guides and referrals were provided to 321 homeless youth through face to face meetings and telephone follow up support. An additional 1,499 youth who contacted the program via, email, Facebook or telephone seeking housing and assistance were provided assistance, support and guidance as well as resource guides and referrals for help available through CHRIS 180 and other providers. Telephone follow up calls, emails and Facebook messages were made to offer additional services and provide on-going support.

The CHRIS Training Institute:

The CHRIS Training Institute provides high quality training with a focus on trauma informed care, child abuse prevention, diversity and inclusion. Training is provided with the intent of exponentially expanding impact in the areas of clinical professional services, human services, child welfare, juvenile justice, and family welfare, while promoting prevention and increasing awareness of the importance of mental health and addiction treatment as wise investments in the future. During 2018, 2,845 unduplicated external individuals attended trainings. Of these, 2,242 individuals participated in one to three days of training in Trauma STARs, CHRIS 180's signature trauma training program, including 1,807 school personnel. Trauma Assessment training was provided for 72 participants and 507 internal staff participants were trained in the prevention of child sexual abuse and understanding the impact of trauma. Training in Working with LGBT youth and Bullying was provided to 381 individuals. During 2018, Youth/Adult Mental Health First Aid and many other clinical professional courses such as Motivational Interviewing, Ethics Training, Dialectical Behavioral Therapy, Play Therapy and Comprehensive Child and Family Assessment Trainings were provided as well.

Basis of Presentation

The Organization presents its consolidated financial statements in accordance with generally accepted accounting principles (GAAP). The Organization reports information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Items that affect (i.e., increase or decrease) this net asset category include unrestricted contributions, investment income, and fundraising event income and related expenses associated with the Organization's core activities. At times, the governing board may earmark otherwise unrestricted net assets for a specified purpose. Since this is not a donor-imposed restriction, the board designated asset is classified and reported as part of net assets without donor restrictions.

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

Basis of Presentation – Continued

Net Assets With Donor Restrictions – Net assets subject to donor, or certain grantor, imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 are summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the various programs and supporting services benefited. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Examples of expenses that are allocated include utilities, equipment maintenance, and depreciation, which are allocated on a square footage basis as well as salaries and wages plus benefits, which are allocated on the basis of time and effort. Other costs, such as office expenses and insurance, are allocated on best estimates of actual usage.

Contributions

In accordance with GAAP, contributions received are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions. Time and capital donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Other contributions with donor restrictions received and spent within the year are presented as contributions without donor restrictions.

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

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 support without donor restrictions 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 support with donor restrictions. 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 net assets with donor restrictions to net assets without donor restrictions 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 \$136,535 and at \$134,234, respectively, have been reflected in the statements of activities for the years ending December 31, 2018 and 2017. 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 \$14,702 and \$34,779 in donated legal services in 2018 and 2017, 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

The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$5,000.

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

Income Taxes

CHRIS 180, 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, 2018 and 2017, the Organization had federal and state income tax net operating loss (NOL) carryforwards of \$40,431 and \$51,390, 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, 2018 and 2017. 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 consolidated financial statements. The Organization's income tax returns are subject to examination by the appropriate regulatory authorities, and as of December 31, 2018, the Organization's federal tax returns typically remain open to examination for the last three years.

The NOL amounts can be carried forward for 20 years. The NOL carryforwards will expire as follows:

<u>Year ended December 31,</u>	
2033	\$ 8,617
2034	15,930
2035	12,655
2036	<u>3,229</u>
	<u>\$ 40,431</u>

Estimates

The preparation of consolidated 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.

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

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, 2018 and 2017 up to \$250,000. At December 31, 2018 and 2017, the Organization's accounts exceeded the limit by \$8,437,208 and \$7,345,619, respectively.

Cash consisted of the following at December 31:

	2018	2017
Without Donor Restrictions	\$ 1,493,410	\$ 414,956
HUD restricted operating deficit reserve	85,188	85,146
Cash and cash equivalents	1,578,598	500,102
Cash with contractual restrictions for capital improvements	5,444,522	-
Cash with donor restrictions for capital improvements	1,603,352	7,371,105
Total cash	\$ 8,626,472	\$ 7,871,207

Allowance for Doubtful Accounts

The Organization uses an allowance method to determine uncollectible unconditional promises to give as well as fee for service billing, 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 and unconditional promises to give were considered collectible at December 31, 2018 and 2017 and accordingly no allowance for doubtful accounts was recorded. At December 31, 2018 and 2017, allowances in the amount of \$292,815 and \$98,898, respectively were recorded for contracts receivable.

Advertising

Advertising costs are expensed as incurred.

Deferred Line of Credit Costs

Deferred line of credit costs are amortized over the duration of the related line of credit. The life of the lines of credit currently range from 3 to 5 years. For the years ended December 31, 2018 and 2017, amortization charged to expense was \$3,953 and \$8,983, respectively.

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

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, 2018 and 2017.

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.

New Accounting Policies

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements for Not-For-Profit Entities*, which improves the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The guidance requires retrospective application. The organization adopted this guidance for the year ended December 31, 2018.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The ASU is effective for fiscal years beginning after December 15, 2018. Earlier application is allowed. The guidance requires retrospective application. The Organization early adopted this guidance for the year ended December 31, 2018. Accordingly, the consolidated financial statements as of and for the year ended December 31, 2017 have been modified to conform to this new presentation.

The adoption of these two new accounting policies had no effect on net assets for the years ended December 31, 2018 or 2017.

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

Reclassification of Amounts

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

Subsequent Events

Management has evaluated events and transactions which occurred through March 28, 2019, which was the date the consolidated financial statements were available to be issued. There were no significant subsequent events requiring recognition or disclosure in the consolidated financial statements .

2. Liquidity and Availability of Financial Assets

The Organization is substantially supported by grants and contracts and public donations. Additionally, a significant amount of contributions with donor restrictions are received each year for various programs as well as for long term capital projects. As a donor's restrictions require funds to be used in a particular manner or in a future period, the Organization maintains those restricted funds so that they are available to meet those responsibilities as they are required to be met. Accordingly, related financial assets are not available to the Organization for its general expenditures. The Organization considers contributions with donor restrictions for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures may be incurred for program, administrative, or fundraising purposes.

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

2. Liquidity and Availability of Financial Assets – Continued

The Organization’s financial assets at December 31, 2018 (reduced by amounts not available for general use because of contractual, donor-imposed, or internal restrictions) available within one year after this date to satisfy liabilities at this date and for future general expenditures are as follows:

Financial assets at year end:	
Cash and cash equivalents	\$ 8,626,472
Contracts receivable - federal, state, and local, net	2,084,638
Accounts receivable	15,336
Unconditional promises to give, net	1,286,469
Notes receivable - NMTC	8,563,750
Total financial assets	20,576,665
Less amounts not available for general expenditures within one year:	
Cash restricted for capital campaign purposes	(1,603,351)
Cash with contractual restrictions	(5,444,522)
Internally designated cash	(1,006,868)
Capital campaign promises to give, net	(994,898)
Notes receivable - NMTC	(8,563,750)
Financial assets available to meet general expenditures within one year	\$ 2,963,276

For the year ended December 31, 2018, contributions with donor restrictions of \$911,629 were included in financial assets available to meet general expenditures over the next twelve months. In addition to financial assets available to meet general expenditures over the next twelve months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization’s operating cash and shows positive cash generated by operations for fiscal year 2018 and 2017.

The Organization’s governing body has designated a portion of its resources without donor restrictions for a operating and maintenance reserve as described in Note 15. Those amounts are identified as internal designations in the table above. These funds are invested in a money market account to produce income but remain available and may be spent at the discretion of the Board.

As described in Note 9, the Organization also maintains a line of credit in the amount of \$1,300,000 which it could draw upon in the event of an unanticipated liquidity event.

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

3. Contracts Receivable – Federal, State, and Local, Net

Contracts receivables arise from fees for services provided under and, to a lesser extent, reimbursements owed through government contracts. CHRIS 180, 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.

Contract receivable owed to CHRIS 180, Inc. are as follows at December 31:

	2018	2017
State contract receivables:		
DHS contracts	\$ 427,660	\$ 511,277
Georgia Department of Juvenile Justice	6,588	17,953
Gwinnett County Juvenile Justice	49,149	98,894
Lookout Mountain Community Services	42,826	45,836
Georgia DBHDD Board	207,033	27,207
Various other DFCS county offices	-	10,465
Multi-Agency Alliance for Children	71,072	87,642
Georgia Department of Health and Human Services - SAMSA Grant	121,576	24,128
US Department of Housing and Urban Development	82,584	-
Amerigroup - WRAP	58,582	72,955
Fulton County	384,286	105,499
Other contracts and receivables	118,790	76,101
Total state contract receivables	1,570,146	1,077,957
Other contract receivables:		
Medicaid	100,050	43,914
Care management organizations	572,301	331,553
Mississippi Department of Child Protection Services	-	3,720
Other	134,956	113,999
Total other contract receivables	807,307	493,186
Less allowance for doubtful accounts	(292,815)	(98,898)
Total contracts receivable	\$ 2,084,638	\$ 1,472,245

4. Accounts Receivable

Accounts receivable at both December 31, 2018 and 2017 includes tenant rents receivable of \$4,770. Accounts receivable also includes interest due at December 31, 2018 totaling \$10,566. The Organization has determined that all amounts recorded as accounts receivable are collectible; accordingly, no allowance for doubtful accounts has been established.

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

5. Note Receivable

During 2018, the Organization entered into a note receivable with an investment fund to facilitate the New Markets Tax Credit transaction as described in Note 16. The note receivable totaled \$8,563,750 with an interest rate of 1.418% as of December 31, 2018. The maturity date is June 1, 2046. Interest income will be received annually through December 5, 2025, at which time annual principal and interest payments will be received thereafter through the maturity date.

6. Unconditional Promises to Give, Net

The amounts due from United Way of Metropolitan Atlanta at December 31, 2018 and 2017 represent the balance of the Organization's allocated funding for the periods ending June 30, 2018 and June 30, 2017. 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.

During 2016, the Organization began a \$13,000,000 capital campaign to raise funds to create four new homes for foster children, relocate a group home, create an assessment/family preservation home, renovate seven existing homes for foster children, construct an Earthcraft-certified Center of Excellence for Training, Education, and Connections, complete renovations to create an Integrated Health Clinic and expand counseling, purchase vehicles, renovate and update Summit Trail Apartments, and create operating reserve, maintenance reserve and sustainability reserve funds. Pledges received through December 31, 2018 totaled approximately \$13,036,002, of which the Organization believes approximately \$13,001,502 will be realized. As of December 31, 2018 and 2017, net pledges receivable remaining was \$1,286,469 and \$2,318,628, respectively. Pledges are recorded at net realizable value upon receipt. Contributions to be received after one year are discounted at 3.75%, commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue and utilized in accordance with donor-imposed restrictions on the contribution.

Sources of unconditional promises to give consist of the following at December 31:

	2018	2017
United Way of Metropolitan Atlanta	\$ 131,987	\$ 165,722
Foundations	25,186	134,487
Capital campaign pledges receivable	994,898	1,876,169
Other	134,398	142,250
Total unconditional promises to give, net	\$ 1,286,469	\$ 2,318,628

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

6. Unconditional Promises to Give, Net – Continued

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

	2018	2017
Amounts due in:		
Less than one year	\$ 675,825	\$ 2,196,649
One to five years	655,192	126,553
Less:		
Discount on capital campaign pledges receivable	(44,548)	(4,574)
Total unconditional promises to give, net	\$ 1,286,469	\$ 2,318,628

7. Property and Equipment, Net

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

	2018	2017
Land	\$ 1,228,646	\$ 1,228,646
Residential rental property and improvements	12,756,444	12,578,035
Furniture and equipment	1,952,144	1,733,880
Vehicles	329,303	296,343
Construction in process	6,810,597	520,961
Total property and equipment at cost	23,077,134	16,357,865
Less accumulated depreciation	(6,479,018)	(5,930,569)
Total property and equipment, net	\$ 16,598,116	\$ 10,427,296

For the years ended December 31, 2018 and 2017, depreciation expense for all assets was \$575,703 and \$639,291, respectively.

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

8. Operating Lease Commitments

CHRIS 180, Inc. leases office equipment and a vehicle under arrangements that qualify as non-cancelable operating leases. CHRIS 180, 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:

<u>Year ended December 31,</u>	
2019	\$ 59,367
2020	59,367
2021	<u>59,367</u>
	<u>\$ 178,101</u>

Total rental and lease expense for all leases for the years ended December 31, 2018 and 2017, including several month-to-month leases, was \$138,794 and \$124,623, respectively.

9. Lines of Credit Payable

Previously, the Organization obtained an operating line of credit with maximum borrowings of \$1,000,000 and a maturity date of November 15, 2019. In June 2018, this line of credit was modified to increase the maximum borrowings to \$1,300,000. The interest rate on the line of credit is equal to the prime rate, which was 5.50% and 4.50% for the years ended December 31, 2018 and 2017, respectively. The outstanding balance on this line of credit at December 31, 2018 and 2017 was \$85,146 and \$277,531, respectively.

In August 2016, the Organization entered into a line of credit agreement with maximum borrowings of \$1,000,000 for the purpose of purchasing up to five single family homes. This line of credit is collateralized by a second mortgage on the property located at 1017 Fayetteville Road in Atlanta, Georgia as well as the homes purchased under this line of credit. Interest only payments are due through the maturity date of June 30, 2018. The interest rate on the line of credit is equal to the prime rate, which was 5.50% and 4.50% for the years ended December 31, 2018 and 2017, respectively. The outstanding balance on this line of credit at December 31, 2017 was \$839,042, which was paid in full during 2018.

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

10. Notes Payable, Net

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

	<u>2018</u>	<u>2017</u>
Bank debt:		
CHRIS Homes Properties, LLC notes payable:		
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	\$ 747,702	\$ 775,808
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	<u>9,677</u>	<u>14,444</u>
Total bank debt	<u>757,379</u>	<u>790,252</u>
New Markets Tax Credit debt:		
Note payable with an entity; fixed interest rate of 1.185%; quarterly interest payments due; principal plus accrued interest due December 1, 2052; collateralized by all assets held by CHRIS 180 Support Organization, Inc.	5,335,000	-
Note payable with an entity; fixed interest rate of 1.185%; quarterly interest payments due; principal plus accrued interest due December 1, 2052; collateralized by all assets held by CHRIS 180 Support Organization, Inc.	<u>7,275,000</u>	-
Total New Markets Tax Credit debt	<u>12,610,000</u>	<u>-</u>
Other debt:		
CHRIS Properties Graham Circle, LLC notes payable:		
Due to Georgia Department of Community Affairs for Home Investment Partnership Program	3,415,639	3,461,589
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	<u>315,000</u>	<u>315,000</u>
Total notes payable	<u>\$ 18,498,018</u>	<u>\$ 5,966,841</u>

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

10. Notes Payable, Net – 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, 2018 and 2017, \$3,415,639 and \$3,461,589, 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, 2018 and 2017 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, 2018 and 2017 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.

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

10. Notes Payable, Net – Continued

Components of notes payable, net include the following at December 31, 2018:

	Principal	Unamortized Debt Issuance Costs
Mortgage loan	\$ 747,702	\$ 10,582
Vehicle loan	9,677	-
Agency loan - New Markets Tax Credit	5,335,000	-
Agency loan - New Markets Tax Credit	7,275,000	-
Georgia Department of Community Affairs	3,415,639	14,467
City of Atlanta	1,400,000	-
Federal Home Loan Bank of Atlanta	315,000	-
Total	\$ 18,498,018	\$ 25,049

Debt issuance costs are amortized over the duration of the related loans. The life of the loans currently range from 5 to 20 years. For both of the years ended December 31, 2018 and 2017, amortization charged to expense for the notes payable was \$7,336.

Aggregate principal maturities of debt subsequent to December 31, 2018 are as follows:

Year ended December 31,		
2019	\$	77,624
2020		2,164,545
2021		39,633
2022		37,646
2023		35,537
Thereafter		16,143,033
	\$	18,498,018

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 180, 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.

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

11. Commitments and Contingencies – Continued

In July 2017 and January 2018, the Organization signed contracts for construction management services related to the project to construct an Earthcraft-certified Center of Excellence for Training, Education, and Connections and other construction projects. The maximum amount on these contracts are \$7,684,885. The amount outstanding as of December 31, 2018 was \$2,839,241.

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 2018 and 2017 were \$53,913 and \$46,018, respectively.

Effective May 1, 2017, eligible employees can participate in a supplemental defined contribution retirement plan. Under the plan, the Organization contributes amounts based on the maximum yearly amount allowed per the plan requirements. The Organization contributed \$36,000 to this plan for both of the years ended December 31, 2018 and 2017.

13. Net Assets With Donor Restrictions

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

	2018	2017
United Way of Metropolitan Atlanta	\$ 83,654	\$ 165,722
Community Health Workers	320,000	-
Counseling Services	156,667	25,000
Community Housing	70,825	-
JourneyZ and TransitionZ	37,500	37,500
Trauma, Treatment, and Training Initiative	42,633	32,142
LGBT Youth	-	55,000
School Based Mental Health	100,000	107,793
Capital Campaign Cash and Pledges	2,598,249	9,247,274
Other	100,350	106,000
Total net assets with donor restrictions	\$ 3,509,878	\$ 9,776,431

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

14. Net Assets Released from Restrictions

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 ended December 31:

	2018	2017
United Way	\$ 296,042	\$ 358,422
Capital Improvements	7,693,267	537,344
Counseling Services	140,000	-
Community Housing	29,175	-
JourneyZ and TransitionZ	50,000	97,500
Trauma, Treatment and Training Initiative	100,962	87,857
LGBT Youth	55,000	20,242
School Based Mental Health	157,793	206,725
Capital Campaign Management	80,025	93,513
Debt reduction	839,041	-
Operating and maintenance reserve	1,000,000	-
Other	134,188	65,000
Total net assets released from restrictions	\$ 10,575,493	\$ 1,466,603

15. Board Designated Net Assets

Board designated net assets consist of funds collected from the capital campaign for the purposes of setting up an operating reserve and a maintenance reserve. Total board designated net assets at December 31, 2018 were \$1,006,868.

16. New Market Tax Credit Transaction

The New Markets Tax Credit Program (NMTC Program) was established by Congress in 2000 to attract investment capital to low-income communities by permitting investors to receive tax credit incentives in exchange for making equity investments in certified Community Development Entities (CDE). Under this program, certain commercial banks and other investors are able to subsidize eligible projects that meet the NMTC Program requirements.

CHRIS 180, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

16. New Market Tax Credit Transaction – Continued

In January 2018, a new 501(c)(3), the CHRIS 180 Support Organization, Inc., was formed to facilitate the New Market Tax Credit transaction by holding funds and certain properties transferred to it by CHRIS Properties, LLC and CHRIS Homes Properties, LLC during the seven-year term of the New Market Tax Credit program. This transaction closed on April 11, 2018. Capital campaign funds and NMTC proceeds received under the NMTC Program will be disbursed to create four new homes for foster children, create an assessment/family preservation home, renovate seven existing homes for foster children, construct an assessment/family preservation duplex, construct a 20,000 square foot Earthcraft-certified Center of Excellence for Training, Education, and Connections, renovate existing office space to create an Integrated Health Clinic and expand counseling.

In April 2018, as a part of the NMTC agreement, three homes owned by CHRIS Homes Properties, LCC, vacant land upon which a Center of Excellence for Training, Education and Connections and a duplex which will be constructed, and other property owned by CHRIS Properties, LLC to be converted into an integrated healthcare clinic were transferred to the CHRIS 180 Supporting Organization, Inc. At the completion of the NMTC agreement in seven years, these properties will be transferred back to the LLCs operated by CHRIS 180, Inc.

On April 11, 2018, to benefit under the NMTC Program, the Organization entered into a series of agreements and transactions with two CDEs and an investment fund affiliated with a commercial bank (the Bank). The CDEs provided funds towards the construction of the new facility and other capital projects. Notes payable to the CDEs totaled \$5,335,000 and \$7,275,000. CHRIS Operations, LLC facilitated the transaction by issuing a note receivable agreement that transferred \$8,563,750 to the investment fund using proceeds from the capital campaign. Cash received from this transaction remaining at December 31, 2018 was \$5,444,522 and is shown as contractually restricted net assets on the Consolidated Statement s of Financial Position.

CHRIS 180, INC.

REPORTS AND OTHER SCHEDULES AND INFORMATION
AS REQUIRED BY THE UNIFORM GUIDANCE
FOR THE YEAR ENDED
DECEMBER 31, 2018

CHRIS 180, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

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:			
Co-occurring Clubhouse	93.243	HTI-44100-026-85502	\$ 55,084
Mental Health Resiliency	93.958	HTI-44100-026-97357	247,364
Mental Health Resiliency	93.958	HTI-44100-026-122946	71,447
Pass Through from Georgia Department of Human Services -			
Substance Abuse and Mental Health Services	93.243	5U79SM063162-02	230,797
Substance Abuse and Mental Health Services	93.243	5U79SM063162-03	135,447
Substance Abuse and Mental Health Services	93.243	6H79T1081230-01M001	93,674
Substance Abuse and Mental Health Services	93.243	1H79SM081767-01	37,912
<u>U.S. Department of Justice-</u>			
<u>Office of Justice Programs</u>			
Second Chance / Re-entry Grant	16.831	* 2016-IG-BX-0005	150,990
<u>U.S. Department of Labor-</u>			
<u>Employment and Training Administration</u>			
Youth Build Grant	17.274	YB-29940-17-60-A-13	261,860
<u>U.S. Department of Housing and Urban Development</u>			
Pass Through DeKalb County			
Continuum of Care	14.267	* GA0345L4B081600	88,616
Pass Through City of Atlanta			
Continuum of Care	14.267	* GA0330L4B001600	217,674
Pass Through Georgia Department of Community Affairs			
ESG Project Homeless Contract	14.231		4,695
ESG Emergency Shelter	14.231		300
			<u>\$ 1,595,860</u>

* Audited as major program

CHRIS 180, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018 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* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The schedule of expenditures of federal awards is not prepared on a consolidated basis and does not include the federal awards of CHRIS Properties Graham Circle, LLC.

2. Accounting Principles

Expenditures for direct costs are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in the Uniform Guidance. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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 180, 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 consolidated financial statements of CHRIS 180, Inc. (a nonprofit organization) (the Organization), which comprise the statements of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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*.

We noted certain matters that we reported to management of the Organization in separate letter dated March 28, 2019.

Organization's Response to Finding

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Brooks, McAnnis & Company, LLC

Atlanta, Georgia
March 28, 2019



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 180, Inc.:

Report on compliance for Each Major Federal Program

We have audited CHRIS 180, Inc.'s (the Organization) (a nonprofit 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, 2018. 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.

Basis for Qualified Opinion on Second Chance / Re-entry Grant

As described 2018-002 in the accompanying schedule of findings and questioned costs, the Organization did not comply with requirements regarding reporting that are applicable to the Second Chance / Re-entry Grant. Compliance with such requirements is necessary, in our opinion, for the Organization to comply with the requirements applicable to that program.

Qualified Opinion on Second Chance / Re-entry Grant

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Second Chance / Re-entry Grant for the year ended December 31, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Organization 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2018.

Other Matters

The Organization's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of CHRIS 180, 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.

Report on Internal Control Over Compliance – Continued

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, 2019

CHRIS 180, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

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?	Yes
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?	None reported
Type of auditor’s report issued on compliance for major programs	Modified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	Yes

Identification of major programs:

<u>Name</u>	<u>CFDA Number</u>
Continuum of Care	14.267
Second Chance / Re-entry Grant	16.831
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

CHRIS 180, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Section II – Financial Statement Findings

2018-001 – General Ledger Account Reconciliations – Internal Control (Significant Deficiency)

Criteria: Regulations require that adequate internal controls over financial reporting be maintained in order to prevent, or detect and correct, misstatements on a timely basis.

Condition: Certain key general ledger accounts were not adequately reconciled including accounts receivable. Several of the government accounts receivable and related grant revenue balances were overstated due to not reversing prior months accruals timely resulting in proposed audit adjustments to correct balances.

Effect: Certain accounts receivable and related revenue balances were misstated at year end. Failure to properly reconcile key general ledger accounts on a timely basis could result in intentional or unintentional misstatements.

Cause: Account reconciliations were not monitored on a timely basis in part due to several changes in personnel within the accounting area, and additional resources and time required in construction of new facility during the year. As a result, certain accounts receivable and related revenue balances were overstated.

Recommendations: We recommend that internal controls be strengthened and processes implemented to ensure key accounts are reconciled timely on a monthly basis and variances are investigated and resolved. This process should include a close review of journal entries with approval by supervisory personnel.

Grantee Response and Corrective Action Plan: We concur with this finding and have implemented measures to mitigate the repetition or additional occurrences.

During the first quarter of 2019, management implemented a more rigorous and timely detailed review and account reconciliation process to include all bank accounts and other balance sheet accounts. All variances will be investigated and necessary adjustment to the accounting records will be made monthly. This corrective action consists of reassigning tasks to even out and redistribute the workload in the department and includes a review and approval process by both the Controller and CFO. This process will be completed by the 25th of each month.

At the end of 2018 we hired a full time accounting supervisor and a part time accounts payable specialist to ensure proper segregation of duties and to enhance internal controls over transactional processing, reconciliations, and financial reporting.

The CFO and Controller will meet monthly with the program managers to review and discuss their financial reports and programmatic activity. These meetings will promote accountability, consistent communication, timely identification of miscoded transactions and better understanding of programmatic activity.

CHRIS 180, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Section III – Federal Award Findings and Questioned Costs

2018-002 -The Second Chance / Re-entry Grant – CFDA No. 16.831

Grant No. 2016-IG-BX-0005

Passed through Office of Justice Program

Grant Period: Year Ended September 30, 2019

Condition: The Organization overbilled the amount to be reimbursed in salary costs for 2018 due to not following the contract budget for salary reimbursement. The grantee inadvertently miscalculated the percentages used to calculate salary reimbursement for certain employees .

Criteria: The contract specifies the percentage the contract will reimburse each employee working on the contract. For each billing period, the grantee calculates the amount to be reimbursed for salary costs from a spreadsheet listing all employees working on the contract, the salary for each employee and the percentage the contract will reimburse each employee.

Questioned Costs/Effect: The amount overpaid to the grantee for salary costs for 2018 was \$45,840.

Cause: The salary percentages used in the billing spreadsheet were not agreed to the contract to ensure accurate information was used.

Recommendation: We recommend procedures be implemented to ensure proper review of monthly billing to contract before requesting reimbursement to grantor. We also recommend that the Organization discuss with the grantor the best method for reimbursing the grantor for the overpaid amount.

Grantee Response and Corrective Action Plan: We concur with this finding and have implemented measures to mitigate the repetition or additional occurrences.

The internal grant tracker established for the Second Chance Grant, which is utilized to track cost as a basis to draw down grant funds, inadvertently was formulated with an incorrect allocation percentage for certain personnel costs. We have contacted the funder and made arrangements to refund the amount that was overbilled. The payback amount for 2018 is \$45,840 which is the difference between total salaries per the contract and the billing calculation. Upon notification of the calculation error, we implemented an immediate review of all grant trackers to double check the expense allocations against the contract amounts. We also have instituted a process to double check expense allocation formulas when establishing grant trackers. All grant trackers are distributed to the programs managers on a monthly basis prior to billing the funder. In addition, a training program is currently being scheduled with program managers to review the best process for analyzing grant trackers against contracts before they give an approval to invoice the funder.

CHRIS 180, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

The audit for the year ended December 31, 2017 disclosed no findings that were required to be reported under the Uniform Guidance.

CHRIS 180, INC.

OTHER SCHEDULES AS REQUIRED BY
THE STATE OF GEORGIA

CHRIS 180, INC.
SCHEDULE OF STATE AWARDS EXPENDED
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>State Contract Number</u>	<u>Earned</u>		<u>Due From (To)</u>
	<u>Revenues</u>	<u>Receipts</u>	<u>State Agency</u>
Contract #42700-040C-20180 Georgia Dept. of Human Services - Adoption Services	\$ 92,241	\$ 92,241	\$ -
Contract #42700-040C-RBWO-19-024 Georgia Dept. of Human Services - Adoption Services	264,507	247,414	17,093
Contract #42700-040C-20180 Georgia Dept. of Human Services - TransitionZ	331,735	302,977	28,758
Contract #42700-040C-RBWO-19-024 Georgia Dept. of Human Services - JourneyZ RBWO	1,470,816	1,118,942	351,874
Contract #42700-040C-RBWO-18-032 Georgia Dept. of Human Services - JourneyZ RBWO	1,253,806	1,253,806	-
Contract # 44100-026-0000073702 Georgia DBHDD -Emerging Adults	54,877	54,877	-
Contract #42700-040C-RBWO-18-032 Georgia Dept. of Human Services - Adoption Services	121,069	121,069	-
Contract #46100-324-J2N1600017 Georgia Dept. of Juvenile Justice	105,661	99,073	6,588
Contract #44100-026-0000097357 Georgia DBHDD - Mental Health Resiliency	247,364	247,364	-
Contract #44100-026-0000122946 Georgia DBHDD - Mental Health Resiliency	71,447	-	71,447
Contract # 44100-026-0000085502 State of GA DBHDD - Co-occurring Clubhouse	55,084	55,084	-
Fulton County Behavioral Core Services	1,999,419	1,666,086	333,333
Fulton County BH Clubhouse	328,837	303,056	25,781
Fulton County BH Apex	187,350	173,507	13,843
Amerigroup - WRAP	323,651	265,069	58,582
Contract # 42700-040C-NS18004 DHS Youth matters - Care Coordination	52,084	52,084	-
Contract # 42700-040C-NS19044 DHS Youth matters - Care Coordination	66,442	36,507	29,935
Lookout Mountain - Wrap	486,421	443,595	42,826

(Continued on next page.)

CHRIS 180, INC.
SCHEDULE OF STATE AWARDS EXPENDED – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

State Contract Number	Earned Revenues	Receipts	Due From (To) State Agency
Contract # 1U79SM063162-02 Dept. of Health and Human Services - SAMSA Grant	230,797	230,797	-
Contract # 1U79SM063162-03 Dept. of Health and Human Services - SAMSA Grant	135,447	85,179	50,268
Gwinnett County Juvenile Justice - Incentive Grant	469,966	420,817	49,149
Contract # 44100-026-0000114997 DBHDD SOC Community Enhancement & Expansion	70,871	35,649	35,222
Contract # 44100-026-03365 DBHDD SOC Community Enhancement & Expansion	42,258	42,258	-
Contract # 44100-026-0000114054 DBHDD Georgia Apex	252,118	151,754	100,364
Contract # 44100-026-0000097174 DBHDD Georgia Apex	324,568	324,568	-
Contract # 6H79T1081230-01M001 Georgia Dept. of Human Services - SAMSA Grant	93,674	50,291	43,383
Contract # 42700-040C-PSSF-18138 Georgia Dept. of Human Services - DFCS-PSSF, WRAP	38,432	38,432	-
Contract # 1H79SM081767-01 Georgia Dept. of Human Services - SAMSA Grant	37,912	9,987	27,925
Contract # 42700-040C-PSSF-18149 Georgia Dept. of Human Services - DFCS-PSSF, Counseling Center	25,744	25,744	-
Contract # YB-29940-17-60-A-13 Youth Build - 3 year	261,860	197,034	64,826
Contract # GA0330L4B001600 U.S. Department of Housing and Urban Development	306,291	223,707	82,584
Contract # 2016-IG-BX-0005 Dept of Justice Second Chance/Re-entry	150,990	136,740	14,250
Multi-Agency Alliance for Children (MAAC)	953,806	882,734	71,072
Fulton County Sheriff's Office	166,232	154,903	11,329
Partners for Home - TANF	455,338	415,705	39,633
Miscellaneous contracts	43,463	43,382	81
	<u>\$ 11,572,578</u>	<u>\$ 10,002,432</u>	<u>\$ 1,570,146</u>

CHRIS 180, INC.

SUPPLEMENTAL CONSOLIDATING
FINANCIAL STATEMENTS

CHRIS 180, INC.
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018

	CHRIS Operations, LLC	CHRIS Homes Properties, LLC	CHRIS Properties Graham Circle, LLC	CHRIS Properties, LLC	CHRIS 180 Support Organization, Inc.	Eliminations	Consolidated
ASSETS							
Cash and cash equivalents	\$ 1,463,395	\$ 1,976	\$ 106,610	\$ 6,617	\$ -	\$ -	\$ 1,578,598
Cash restricted for capital improvements	1,603,352	-	-	-	5,444,522	-	7,047,874
Contracts receivable - federal, state, and local	2,084,638	-	-	-	-	-	2,084,638
Accounts receivable, net	10,566	-	4,770	-	6,667	(6,667)	15,336
Unconditional promises to give, net	1,286,469	-	-	-	-	-	1,286,469
Notes receivable - NMTC	8,563,750	-	-	-	-	-	8,563,750
Prepaid expenses and other assets	89,479	-	-	-	-	-	89,479
Property and equipment, net	-	717,827	5,041,042	2,870,347	7,968,900	-	16,598,116
Deferred line of credit costs, net of \$12,295 in accumulated amortization	4,358	-	-	-	-	-	4,358
Other assets	4,863	-	165,780	-	-	-	170,643
Total assets	\$ 15,110,870	\$ 719,803	\$ 5,318,202	\$ 2,876,964	\$ 13,420,089	\$ (6,667)	\$ 37,439,261
LIABILITIES AND NET ASSETS							
Liabilities:							
Accounts payable	\$ 312,421	\$ 1,954	\$ 17,143	\$ -	\$ -	\$ -	\$ 331,518
Accounts payable - construction	-	-	-	-	562,958	-	562,958
Accrued expenses	776,568	2,001	20,850	2,001	12,812	(6,667)	807,565
Deferred revenue	172,937	-	-	-	-	-	172,937
Lines of credit payable	85,146	-	-	-	-	-	85,146
Notes payable							
Notes payable - principal	-	757,379	5,130,639	-	12,610,000	-	18,498,018
Less unamortized debt issuance costs	-	(10,582)	(14,467)	-	-	-	(25,049)
Notes payable, net	-	746,797	5,116,172	-	12,610,000	-	18,472,969
Total liabilities	1,347,072	750,752	5,154,165	2,001	13,185,770	(6,667)	20,433,093
Commitments and contingencies							
Net Assets:							
Without donor restrictions:							
Available for operations	683,302	(1,979)	239,167	4,616	(6,145)	-	918,961
Board designated	1,006,868	-	-	-	-	-	1,006,868
Contractually restricted	-	-	-	-	5,444,522	-	5,444,522
Expended for (invested in) property and equipment, net of debt	8,563,750	(28,970)	(75,130)	2,870,347	(5,204,058)	-	6,125,939
Total net assets without donor restrictions	10,253,920	(30,949)	164,037	2,874,963	234,319	-	13,496,290
With donor restrictions	3,509,878	-	-	-	-	-	3,509,878
Total net assets	13,763,798	(30,949)	164,037	2,874,963	234,319	-	17,006,168
Total liabilities and net assets	\$ 15,110,870	\$ 719,803	\$ 5,318,202	\$ 2,876,964	\$ 13,420,089	\$ (6,667)	\$ 37,439,261

See Independent Auditor's Report.

CHRIS 180, INC.
CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	CHRIS Operations, LLC	CHRIS Homes Properties, LLC	CHRIS Properties Graham Circle, LLC	CHRIS Properties, LLC	CHRIS 180 Support Organization, Inc.	Eliminations	Consolidated
Changes in net assets without donor restrictions:							
Revenues, gains and support:							
Grants and contracts	\$ 15,201,181	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,201,181
Contributions	1,135,072	-	-	-	-	-	1,135,072
In-kind donations	113,210	-	-	-	-	-	113,210
Interest income	95,688	1	-	4	-	-	95,693
Special event revenue, net of \$256,866 in direct expenses	137,024	-	-	-	-	-	137,024
Rental income	-	-	398,997	-	-	-	398,997
Rent and lease income from related party	-	384,000	-	303,708	6,667	(694,375)	-
Other income	300,411	910	4,001	-	-	(199,200)	106,122
Total revenues	16,982,586	384,911	402,998	303,712	6,667	(893,575)	17,187,299
Net assets released from restrictions	10,575,493	-	-	-	-	-	10,575,493
Total revenues, gains and support without donor restrictions	27,558,079	384,911	402,998	303,712	6,667	(893,575)	27,762,792
Expenses:							
Program services:							
Counseling Services	6,692,461	-	-	-	-	(135,528)	6,556,933
Community Services & Keeping Families Together	2,504,031	-	-	2,414	-	(22,800)	2,483,645
JourneyZ	4,396,536	-	-	-	-	(312,000)	4,084,536
TransitionZ	727,900	-	77,855	-	-	(21,000)	784,755
Clubhouse	489,244	-	-	-	-	(30,000)	459,244
AdoptionZ	604,680	-	-	-	-	(78,000)	526,680
Youth Build	281,606	-	-	-	-	-	281,606
Training Center	244,226	-	-	-	-	(21,600)	222,626
Housing and Property	-	139,794	599,970	271,996	24,932	(43,200)	993,492
Total program services	15,940,684	139,794	677,825	274,410	24,932	(664,128)	16,393,517
Supporting services:							
Management and general	1,790,863	145,000	11,552	13,000	24,166	(220,447)	1,764,134
Fundraising	663,158	-	-	-	-	(9,000)	654,158
Total expenses	18,394,705	284,794	689,377	287,410	49,098	(893,575)	18,811,809
Increase (decrease) in net assets without donor restrictions before transfers	9,163,374	100,117	(286,379)	16,302	(42,431)	-	8,950,983
Transfers to related parties	523,055	(234,303)	176,559	(742,061)	276,750	-	-
Increase (decrease) in net assets without donor restrictions	9,686,429	(134,186)	(109,820)	(725,759)	234,319	-	8,950,983
Changes in net assets with donor restrictions:							
Contributions	4,275,997	-	-	-	-	-	4,275,997
Interest income	32,943	-	-	-	-	-	32,943
Net assets released from restrictions	(10,575,493)	-	-	-	-	-	(10,575,493)
Decrease in net assets with donor restrictions	(6,266,553)	-	-	-	-	-	(6,266,553)
Increase (decrease) in net assets	3,419,876	(134,186)	(109,820)	(725,759)	234,319	-	2,684,430
Net assets, beginning of year	10,343,922	103,237	273,857	3,600,722	-	-	14,321,738
Net assets, end of year	\$ 13,763,798	\$ (30,949)	\$ 164,037	\$ 2,874,963	\$ 234,319	\$ -	\$ 17,006,168

See Independent Auditor's Report.