

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION

Audited Consolidated
Financial Statements and
Single Audit Reports

June 30, 2025



ADKF

CERTIFIED PUBLIC ACCOUNTANTS

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Table of Contents
June 30, 2025

| | <u>Page</u> |
|---|-------------|
| Audited Consolidated Financial Statements | |
| Independent Auditor's Report | 1 |
| Consolidated Statements of Financial Position | 4 |
| Consolidated Statements of Activities | 6 |
| Consolidated Statements of Functional Expenses | 7 |
| Consolidated Statements of Cash Flows | 9 |
| Notes to Audited Consolidated Financial Statements | 10 |
| | |
| Consolidating Statements | |
| Consolidating Statement of Financial Position | 21 |
| Consolidating Statement of Activities | 23 |
| | |
| Single Audit Reports | |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 25 |
| Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by <i>Uniform Guidance</i> and <i>Texas Grant Management Standards</i> | 27 |
| Schedule of Expenditures of Federal and State Awards | 30 |
| Notes to Schedule of Expenditures of Federal and State Awards | 31 |
| Schedule of Findings and Questioned Costs | 32 |



ADKF

with you
all the way

Member of the
AICPA & TXCPA.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ChildSafe and Salado Creek Campus Holding Corporation
San Antonio, Texas

Report on Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of the ChildSafe and Salado Creek Campus Holding Corporation (collectively, the Organization) (a non-profit organization) which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the ChildSafe and Salado Creek Campus Holding Corporation as of June 30, 2025 and 2024, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to your audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

- 1 -

MAIN OFFICE:

9601 McAllister FWY, STE 800
San Antonio, Texas 78216

Phone: 210.829.1300
Fax: 210.829.4080

672 Ridge Hill Dr., STE A
New Braunfels, TX 78130

Phone: 830.387.4441

371 N. Main St., STE 202
Boerne, TX 78006

Phone: 830.815.1100



WWW.ADKF.COM

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements and schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and *Texas Grant Management Standards*, 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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating statements and schedule of expenditures of federal and state awards are 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 February 23, 2026, on our consideration of the ChildSafe's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ChildSafe's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ChildSafe's internal control over financial reporting and compliance.

ADKF, PC

ADKF, P.C.

San Antonio, Texas

February 23, 2026

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidated Statements of Financial Position
June 30, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|--|-----------------------------|-----------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents: | | |
| Unrestricted | \$ 530,483 | \$ 952,611 |
| Board designated for reserves | 1,385,352 | 1,437,957 |
| Capital campaign | 3,547,414 | 1,987,124 |
| Leverage lender account, designated for construction | - | 662,018 |
| Restricted for reserves, long term debt | - | 495,308 |
| Total cash and cash equivalents | <u>5,463,249</u> | <u>5,535,018</u> |
| Investments, at fair value | 2,151,700 | 2,054,413 |
| Accounts receivable | 692,223 | 885,451 |
| Pledges receivable, current portion | 5,000 | 505,000 |
| Note receivable, current | - | 552,158 |
| Prepaid expenses and other current assets | 19,189 | 30,323 |
| Total current assets | <u>8,331,361</u> | <u>9,562,363</u> |
| Noncurrent Assets: | | |
| Fixed assets: | | |
| Land and improvements | 1,932,168 | 1,708,016 |
| Building and improvements | 30,079,308 | 30,079,308 |
| Leasehold improvements | 170,398 | 170,397 |
| Furniture, fixtures, and equipment | 2,185,598 | 2,125,129 |
| Total fixed assets | <u>34,367,472</u> | <u>34,082,850</u> |
| Less accumulated depreciation | <u>(7,866,339)</u> | <u>(6,631,578)</u> |
| Fixed assets, net | 26,501,133 | 27,451,272 |
| Operating lease right-of-use assets | 966 | 6,655 |
| Note receivable, net of current portion | - | 17,050,182 |
| Total noncurrent assets | <u>26,502,099</u> | <u>44,508,109</u> |
| Total Assets | <u><u>\$ 34,833,460</u></u> | <u><u>\$ 54,070,472</u></u> |

See notes to audited consolidated financial statements.

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidated Statements of Financial Position
June 30, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|---|----------------------|----------------------|
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities: | | |
| Accounts payable | \$ 49,534 | \$ 60,302 |
| Accrued expenses | 230,457 | 166,975 |
| Operating lease liabilities, current portion | 1,046 | 4,878 |
| Long-term debt, current portion | - | 1,143,330 |
| Total current liabilities | <u>281,037</u> | <u>1,375,485</u> |
| Non-Current Liabilities: | | |
| Operating lease liabilities, net of current portion | - | 2,343 |
| Security deposit | 8,250 | - |
| Long-term debt, net of current portion | 14,935,020 | 38,685,690 |
| Total non-current liabilities | <u>14,943,270</u> | <u>38,688,033</u> |
| Total Liabilities | 15,224,307 | 40,063,518 |
| Net Assets: | | |
| Without donor restrictions | | |
| General operations | 14,338,028 | 7,360,442 |
| Board designated | 3,537,052 | 3,492,370 |
| Designated for construction | - | 662,018 |
| Total without donor restrictions | <u>17,875,080</u> | <u>11,514,830</u> |
| With donor restrictions | <u>1,734,073</u> | <u>2,492,124</u> |
| Total net assets | <u>19,609,153</u> | <u>14,006,954</u> |
| Total Liabilities and Net Assets | <u>\$ 34,833,460</u> | <u>\$ 54,070,472</u> |

See notes to audited consolidated financial statements.

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidated Statements of Activities
Years Ended June 30, 2025 and 2024

| | 2025 | | | 2024 | | |
|--|-----------------------------|----------------------------|-----------------------------|-----------------------------|----------------------------|-----------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and Revenues | | | | | | |
| United Way | \$ 548,383 | \$ - | \$ 548,383 | \$ 548,383 | \$ - | \$ 548,383 |
| University Health System | 175,000 | - | 175,000 | 175,000 | - | 175,000 |
| Government contracts: | | | | | | |
| Federal | 1,652,820 | - | 1,652,820 | 1,604,931 | - | 1,604,931 |
| State | 1,621,534 | - | 1,621,534 | 1,519,167 | - | 1,519,167 |
| Local | 216,318 | - | 216,318 | 231,056 | - | 231,056 |
| Contributions and grants: | | | | | | |
| Foundations | 910,469 | 40,000 | 950,469 | 1,253,418 | - | 1,253,418 |
| Corporations and business | 45,517 | - | 45,517 | 203,204 | - | 203,204 |
| Individuals | 183,386 | - | 183,386 | 335,819 | - | 335,819 |
| Other | 27,047 | - | 27,047 | 13,947 | - | 13,947 |
| Special events, net of expenses of \$18,966 and \$35,113 | 32,759 | - | 32,759 | 32,118 | - | 32,118 |
| Capital campaign | - | - | - | - | 1,300,000 | 1,300,000 |
| Program revenue | 23,493 | - | 23,493 | 169,036 | - | 169,036 |
| Rental revenue | 128,501 | - | 128,501 | 5,723 | - | 5,723 |
| Investment earnings, net | 230,530 | - | 230,530 | 137,025 | - | 137,025 |
| In-kind support | 67,310 | - | 67,310 | 66,147 | - | 66,147 |
| Total support and revenues | <u>5,863,067</u> | <u>40,000</u> | <u>5,903,067</u> | <u>6,294,974</u> | <u>1,300,000</u> | <u>7,594,974</u> |
| Expenses | | | | | | |
| Program services | 6,537,851 | - | 6,537,851 | 6,539,732 | - | 6,539,732 |
| Supporting services | 509,935 | - | 509,935 | 465,427 | - | 465,427 |
| Fundraising | 403,806 | - | 403,806 | 338,374 | - | 338,374 |
| Total expenses | <u>7,451,592</u> | <u>-</u> | <u>7,451,592</u> | <u>7,343,533</u> | <u>-</u> | <u>7,343,533</u> |
| (Loss) Income from Operations | (1,588,525) | 40,000 | (1,548,525) | (1,048,559) | 1,300,000 | 251,441 |
| Other Revenues (Expenses) | | | | | | |
| Interest income | 84,589 | - | 84,589 | 130,051 | 45,972 | 176,023 |
| Interest expense | (448,051) | - | (448,051) | (448,051) | - | (448,051) |
| Gain on close out of New Market Tax Credit | 7,514,812 | - | 7,514,812 | - | - | - |
| Other | (626) | - | (626) | (1,040) | - | (1,040) |
| Total other revenues (expenses), net | <u>7,150,724</u> | <u>-</u> | <u>7,150,724</u> | <u>(319,040)</u> | <u>45,972</u> | <u>(273,068)</u> |
| Change in Net Assets | 5,562,199 | 40,000 | 5,602,199 | (1,367,599) | 1,345,972 | (21,627) |
| Net assets released from restrictions | 798,051 | (798,051) | - | 449,927 | (449,927) | - |
| Net assets at beginning of year | <u>11,514,830</u> | <u>2,492,124</u> | <u>14,006,954</u> | <u>12,432,502</u> | <u>1,596,079</u> | <u>14,028,581</u> |
| Net Assets at End of Year | <u>\$ 17,875,080</u> | <u>\$ 1,734,073</u> | <u>\$ 19,609,153</u> | <u>\$ 11,514,830</u> | <u>\$ 2,492,124</u> | <u>\$ 14,006,954</u> |

See notes to audited consolidated financial statements.

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidated Statement of Functional Expenses
Year Ended June 30, 2025

| | Program Services | Supporting Services | Fundraising | Totals |
|---|---------------------|------------------------|-------------------|---------------------|
| ChildSafe | | | | |
| Salaries | \$ 3,479,800 | \$ 318,957 | \$ 280,015 | \$ 4,078,772 |
| Payroll taxes | 280,536 | 24,156 | 23,170 | 327,862 |
| Retirement plan | 92,096 | 9,075 | 7,041 | 108,212 |
| Health insurance and benefits | 308,864 | 22,812 | 21,891 | 353,567 |
| Conference and training | 28,341 | 3,626 | 2,072 | 34,039 |
| Insurance | 125,293 | 13,097 | 5,883 | 144,273 |
| Dues | 34,457 | 6,257 | 10,958 | 51,672 |
| Equipment rental and maintenance | 14,163 | 1,713 | 1,532 | 17,408 |
| Miscellaneous | 5,812 | 3,207 | 344 | 9,363 |
| Occupancy | 150,077 | 15,537 | 6,911 | 172,525 |
| Postage | 1,249 | 146 | 204 | 1,599 |
| Program marketing | 38,313 | 605 | - | 38,918 |
| Printing | 25,799 | 899 | 731 | 27,429 |
| Professional fees | 278,441 | 21,944 | 10,332 | 310,717 |
| Repairs and maintenance | 35,564 | 3,497 | 1,543 | 40,604 |
| Supplies | 37,820 | 2,792 | 930 | 41,542 |
| Telephone | 33,398 | 3,837 | 1,128 | 38,363 |
| Travel | 24,014 | 50 | 256 | 24,320 |
| Specific assistance | 97 | - | - | 97 |
| Public education and training | 109,972 | - | - | 109,972 |
| Depreciation | 481,382 | 56,633 | 28,317 | 566,332 |
| In-kind expense | 63,987 | 1,095 | 548 | 65,630 |
| Total Functional Expenses - ChildSafe | 5,649,475 | 509,935 | 403,806 | 6,563,216 |
| Salado Creek Campus Holding Corporation | | | | |
| Professional fees | 65,849 | - | - | 65,849 |
| Depreciation | 668,429 | - | - | 668,429 |
| Interest | 136,896 | - | - | 136,896 |
| Miscellaneous | 17,202 | - | - | 17,202 |
| Total Functional Expenses - Salado Creek | 888,376 | - | - | 888,376 |
| Total Functional Expenses | \$ 6,537,851 | \$ 509,935 | \$ 403,806 | \$ 7,451,592 |
| Other costs not included above: | | | | |
| Special events, direct costs | | | <u>\$ 18,966</u> | |

See notes to audited consolidated financial statements.

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidated Statement of Functional Expenses
Year Ended June 30, 2024

| | <u>Program Services</u> | <u>Supporting Services</u> | <u>Fundraising</u> | <u>Totals</u> |
|---|-----------------------------|--------------------------------|--------------------|---------------------|
| ChildSafe | | | | |
| Salaries | \$ 3,251,915 | \$ 296,010 | \$ 237,479 | \$ 3,785,404 |
| Payroll taxes | 260,766 | 23,004 | 18,633 | 302,403 |
| Retirement plan | 84,999 | 8,191 | 6,789 | 99,979 |
| Health insurance and benefits | 292,963 | 25,400 | 18,883 | 337,246 |
| Conference and training | 62,186 | 3,613 | 341 | 66,140 |
| Insurance | 97,985 | 10,273 | 4,629 | 112,887 |
| Dues | 28,498 | 7,786 | 10,603 | 46,887 |
| Equipment rental and maintenance | 19,235 | 3,901 | 976 | 24,112 |
| Miscellaneous | 5,679 | 2,183 | 2,506 | 10,368 |
| Occupancy | 126,526 | 13,059 | 5,804 | 145,389 |
| Postage | 2,265 | 286 | 220 | 2,771 |
| Program marketing | 36,895 | 370 | 185 | 37,450 |
| Printing | 29,778 | 1,780 | 302 | 31,860 |
| Professional fees | 360,881 | 20,462 | 9,616 | 390,959 |
| Repairs and maintenance | 50,025 | 6,496 | 2,310 | 58,831 |
| Supplies | 37,078 | 4,504 | 1,385 | 42,967 |
| Telephone | 36,669 | 5,693 | 1,215 | 43,577 |
| Travel | 10,162 | 428 | 505 | 11,095 |
| Public education and training | 73,510 | - | - | 73,510 |
| Bad debt | 250 | - | - | 250 |
| Depreciation | 251,214 | 29,555 | 14,777 | 295,546 |
| In-kind expenses | 62,498 | 2,433 | 1,216 | 66,147 |
| Total Functional Expenses - ChildSafe | 5,181,977 | 465,427 | 338,374 | 5,985,778 |
| Salado Creek Campus Holding Corporation | | | | |
| Professional fees | 24,580 | - | - | 24,580 |
| Depreciation | 1,014,706 | - | - | 1,014,706 |
| Interest | 303,220 | - | - | 303,220 |
| Miscellaneous | 15,249 | - | - | 15,249 |
| Total Functional Expenses - Salado Creek | 1,357,755 | - | - | 1,357,755 |
| Total Functional Expenses | \$ 6,539,732 | \$ 465,427 | \$ 338,374 | \$ 7,343,533 |

Other costs not included above:
Special events, direct costs

\$ 35,113

See notes to audited consolidated financial statements.

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidated Statements of Cash Flows
Years Ended June 30, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|--|---------------------|---------------------|
| Operating Activities | | |
| Change in net assets | \$ 5,602,199 | \$ (21,627) |
| Adjustments to reconcile changes in net assets to cash provided by operating activities: | | |
| Depreciation | 1,234,761 | 1,310,252 |
| Unrealized (gain) loss on investments | - | (827) |
| Bad debt | - | 250 |
| Noncash operating lease expense | 321,196 | 321,198 |
| (Gain) on New Market Tax Credit closeout | (7,514,812) | - |
| Change in operating assets and liabilities: | | |
| Accounts receivable | 193,228 | (313,903) |
| Pledges receivable | 500,000 | 500,000 |
| Prepaid expenses and other current assets | 11,134 | (6,584) |
| Security deposit | 8,250 | - |
| Accounts payable and accrued expenses | 52,714 | 60,192 |
| Operating lease liabilities | (321,682) | (321,682) |
| Net cash provided by operating activities | <u>86,988</u> | <u>1,527,269</u> |
| Investing Activities | | |
| Net investment activity | (97,287) | (1,793,913) |
| Proceeds from sale of fixed assets | - | 5,037 |
| Acquisition of fixed assets | (61,470) | (104,836) |
| Net cash (used) by investing activities | <u>(158,757)</u> | <u>(1,893,712)</u> |
| Net change in cash and cash equivalents | (71,769) | (366,443) |
| Cash and cash equivalents, beginning of year | <u>5,535,018</u> | <u>5,901,461</u> |
| Cash and Cash Equivalents, at End of Year | <u>\$ 5,463,249</u> | <u>\$ 5,535,018</u> |
| Supplemental Disclosures | | |
| Cash paid for interest | \$ 584,947 | \$ 751,271 |
| Cash paid for income taxes | - | - |

See notes to audited consolidated financial statements.

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION**
Notes to Audited Consolidated Financial Statements
June 30, 2025 and 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities: ChildSafe is a Texas not-for-profit organization located in San Antonio, Texas and primarily serves residents of Bexar County to restore hope and healing through expert treatment to children and their families who have been traumatized by sexual abuse, physical abuse, and neglect. ChildSafe works with a multi-disciplinary team of Child Protective Services, the District Attorney's office and law enforcement to provide a continuum of care to each child and their family and bring perpetrators to justice. Services include forensic interviews, crisis intervention, case management, individual, group and family therapy, and adventure therapy to aid in the healing of child victims, with the support of their protective family members.

Salado Creek Campus Holding Corporation (Salado Creek) is a Texas not-for-profit corporation organized in 2017 to construct and maintain a campus for ChildSafe. Salado Creek held title to the property and leased the facilities to ChildSafe, through December 23, 2024, when title was transferred to Childsafe. The campus is situated on 15 acres of land in San Antonio, Texas located at IH-10 and Houston Street.

ChildSafe and Salado Creek (collectively, the Organization) are considered affiliates, and accordingly, these financial statements include the operations of both entities and are therefore referred to as “*consolidated*”. Intercompany transactions have been eliminated from these financial statements.

Basis of Presentation: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions: Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Grants and contributions gifted for recurring programs are generally not considered “restricted” under GAAP, though for internal reporting the Organization tracks such grants and contributions to verify the disbursement matches the intent. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions, board designated.

With Donor Restrictions: Net assets with donor restrictions are subject to donor-imposed stipulations that are more restrictive than the Organization’s mission and purpose. 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. Donor imposed restrictions are released when the 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition: Revenue from government contracts consists of cost reimbursable federal and state contracts and grants, which are generally conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barriers and a right of return - are not recognized until the conditions on which they depend have been met.

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION**
Notes to Audited Consolidated Financial Statements
June 30, 2025 and 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Program revenue includes income from the sublease of campus office space to two unrelated organizations, a government agency and a nonprofit, which benefit the public as a whole. Rental income from the organizations is earned when the rental period applies.

Contributions: Contributions and grants are reported as without or with donor restrictions, depending on the existence and/or nature of any restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restriction depending on the nature of the restriction. When a restriction expires, the net assets are reclassified to net assets without donor restriction. Non-cash contributions are recorded at their fair market value at the date of contribution.

Gifts of equipment are reported as without donor restrictions support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as with donor restrictions support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

United Way: The Organization typically receives an allocated grant on an annual basis from United Way, covering the Organization's year July 1 to the following June 30. The grant is generally confirmed by United Way near the Organization's year end or shortly thereafter and is recognized as revenue in the year to which the grant applies.

Special Events: Costs associated with special events are netted against the related revenue.

Advertising: Advertising costs are expensed as incurred.

Functional Expenses: The costs of providing services and other activities are summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited. Expenses are allocated on a basis of time and effort (such as salaries and benefits) as well as square footage (such as depreciation, office and occupancy) or other reasonable basis.

Joint Costs: The Organization conducts a program specific marketing campaign for public awareness. Such costs are allocated primarily to program costs as there is not a direct plea for financial support in conjunction with this campaign.

Cash and Cash Equivalents: Cash consists of unrestricted cash-on-hand, demand deposits held by financial institutions and any equivalent securities with an original maturity of three months or less. Board designated cash represents amounts designated for major capital improvements and to provide emergency funds in cases of operating cash shortfalls. Board approval is required for expenditures in accordance with the Organization's policy. Capital campaign cash represents amounts collected from pledges for construction of the Salado Creek Campus. The leverage lender account was set-up from the bridge loan proceeds to facilitate the construction of the Salado Creek Campus. See Note D. The reserves accounts were created based on guidelines established by the third-party lenders of the long-term debt related to the construction of the Salado Creek Campus. Approval from a designated disbursing agent is required for expenditures from these accounts.

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION**
Notes to Audited Consolidated Financial Statements
June 30, 2025 and 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Accounts Receivable: Accounts receivable are reported at outstanding principal net of an allowance for expected credit losses and represent amounts due from local, state and federal agencies for grants. The Organization generally does not charge interest on accounts receivable. An allowance was not required at June 30, 2025 and 2024. There were no receivables due for program service revenues at June 30, 2025 and 2024.

Pledges Receivable: Pledges receivable, less an allowance for uncollectible amounts, are recorded as receivables and revenue in the year made unless the pledge is dependent upon the occurrence of a specified future and uncertain event to bind the promisor. Conditional pledges are recognized when the conditions upon which they depend are substantially met or when the possibility that the condition will not be met is remote. Pledges with terms in excess of one year are discounted to present value.

Note Receivable: Note receivable is reported at outstanding principal net of an allowance for expected credit losses. No allowance was necessary at June 30, 2025 or 2024.

Investments: Investments are reported at fair value. Interest, dividends, gains and losses (realized and unrealized) and expenses are reported as investment earnings, net in the accompanying statements of activities.

Fixed Assets: Property and equipment is valued at historical cost or estimated fair value at the date of donation. Expenditures for betterments that materially extend the useful life of an asset are capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets, which is generally three to thirty years. The Salado Creek Campus was built for and is used by ChildSafe, as such, management determined 100% of the campus depreciation will be allocated to program services.

Employee Benefit Plan: The Organization has established a 401(k) retirement plan for the benefit of substantially all of its full-time employees. The Organization contributed 3% of plan compensation for all eligible employees under the Safe Harbor provisions of the Plan. Contributions by the Organization to the Plan totaled approximately \$108,000 in 2025 and \$100,000 in 2024.

Income Taxes: ChildSafe is a tax-exempt organization under Internal Revenue Service Code Section 501(c)(3). Salado Creek is a tax-exempt organization under Internal Revenue Service Code Section 501(c)(2). Therefore, no provision for income taxes has been provided in these consolidated financial statements. In addition, the Internal Revenue Service has determined Child Safe and Salado Creek are not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code; accordingly, donors of money and/or property are entitled to the maximum charitable contribution deduction allowed by law. The Organization is not subject to Texas margin tax. Management is not aware of any tax positions that would have a significant impact on its financial position. Its federal tax returns for the last 4 years remain subject to examination.

Compliance with Government Assistance, Grants and Contributions: The Organization participates in a number of federal and state grant programs. These programs require the Organization to comply with various conditions and stipulations. Management believes it is in compliance with, or will comply with, all such conditions and stipulations.

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION**
Notes to Audited Consolidated Financial Statements
June 30, 2025 and 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Operating Leases: Operating leases with a term greater than 12 months, lease assets and obligations are recognized at the lease commencement date based on the present value of lease payments over the term of the lease. The Organization uses the risk-free discount rate to determine the present value of lease payments, according to the Organization's elected policy, unless a readily determinable implicit rate is available. In determining lease asset values, the Organization considers fixed and variable payment terms, repayments, incentives, and options to extend, terminate or purchase. Renewal, termination, or purchase options affect the lease term used for determining lease asset value only if the option is reasonably certain to be exercised. Leased assets are presented as a right-to-use asset with the corresponding liability on the balance sheet. Operating lease expense is recognized in operating expenses on a straight-line basis over the lease term. The Organization's leases may include a non-lease component representing additional services transferred to the Organization. The Organization elected an accounting policy to treat each separate lease component and its related non-lease components as a single lease component. Non-lease components that are variable in nature are recorded in variable lease expense in the period incurred.

Concentrations of Credit Risk: Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, accounts receivable and pledges receivable. The Organization places its cash with financial institutions, and limits the amount of credit exposure, although it may from time to time have cash balances in excess of that insured by the FDIC. At June 30, 2025, the Organization had cash and investments of approximately \$7,100,000 in excess of the FDIC insured limit. Accounts receivable are due primarily from federal, state and local governments and governmental units. A majority of the Organization's contributions and pledges are from individuals, corporations and foundations located in San Antonio and South Texas.

Subsequent Events: Subsequent events have been evaluated by management through the date of the independent auditor's report, the date the consolidated financial statements were available to be issued. Material subsequent events, if any, are disclosed in a separate footnote to these consolidated financial statements.

Reclassification: Certain amounts reported have been reclassified to maintain consistency between periods presented. The reclassifications, none of which were significant, had no effect on the previously reported change in net assets.

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

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION**
Notes to Audited Consolidated Financial Statements
June 30, 2025 and 2024

NOTE B – PLEDGES RECEIVABLE

| | <u>2025</u> | <u>2024</u> |
|-------------------------------------|-----------------|-------------------|
| Receivable in less than one year | \$ 5,000 | \$ 505,000 |
| Receivable in one to five years | - | - |
| Total pledges receivable | <u>5,000</u> | <u>505,000</u> |
| Less discount for long-term pledges | - | - |
| Pledges receivable, net of discount | <u>\$ 5,000</u> | <u>\$ 505,000</u> |

Discounting multi-year pledges at June 30, 2025 is not significant for recognition.

NOTE C – NOTE RECEIVABLE

| | <u>2025</u> | <u>2024</u> |
|--|-------------|----------------------|
| Note receivable from Twain Investment Fund 214, LLC, with interest at 1.00%, quarterly interest only payments through December 2024, quarterly principal and interest payments of \$297,969 commencing March 2025 through December 2040. | <u>\$ -</u> | <u>\$ 17,602,340</u> |

NOTE D – SALADO CREEK CAMPUS, NEW MARKET TAX CREDIT FINANCING AND NOTE RECEIVABLE

In May 2017, the Organization purchased approximately 36 acres of land in San Antonio, Texas located on IH-10 at Houston Street for a new campus. On September 22, 2017, 21 of the 36 acres were donated to the City of San Antonio and will become part of the City’s linear *Creekway Parks Development* program. Total costs of land, construction, architectural, closing and other “soft” costs have been capitalized as part of the Salado Creek Campus.

Construction financing was secured through a bridge loan for \$18,000,000 and six construction loans for approximately \$25,000,000, which qualify as new market tax credit mortgage loans, see Note E. In conjunction with the construction loans Twain Investment Fund 214, LLC committed approximately \$18,000,000 in the form of a note receivable to ChildSafe, see Note C.

The NMTC compliance period ended on December 23, 2024, and on which date Salado Creek completed the exit process. Effective December 23, 2024, Salado Creek was dissolved, and all remaining assets and liabilities were transferred to ChildSafe. This dissolution resulted in a realized gain of \$7,514,812.

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION**
Notes to Audited Consolidated Financial Statements
June 30, 2025 and 2024

NOTE E – LONG-TERM DEBT

Long-term debt consists of the following at June 30:

| | <u>2025</u> | <u>2024</u> |
|---|----------------------|----------------------|
| Note payable to Ed Rachal Foundation, with interest at 3.00%, interest only payments through December 11, 2026 (maturity), unpaid principal and interest due upon maturity, secured by depository accounts. | \$ 14,935,020 | \$ 14,935,020 |
| Notes payable to PeopleFund NMTC 5, LLC, with interest at 1.218%, quarterly interest only payments through December 2024, quarterly principal and interest payments of \$95,393 commencing March 2025 through December 2047, secured by land and building. Forgiven in December 2024. | - | 7,644,000 |
| Notes payable to MBS-UI SUB-CDE 35, LLC, with interest at 1.218%, quarterly interest only payments through December 2024, quarterly principal and interest payments of \$91,725 commencing March 2025 through December 2047, secured by land and building. Forgiven in December 2024. | - | 7,350,000 |
| Notes payable to TMF SUB-CDE XXVIII, LLC, with interest at 1.218%, quarterly interest only payments through December 2024, quarterly principal and interest payments of \$123,548 commencing March 2025 through December 2047, secured by land and building. Forgiven in December 2024. | - | 9,900,000 |
| Total long-term debt | <u>\$ 14,935,020</u> | <u>\$ 39,829,020</u> |

Maturities of long-term debt will require the following principal repayments for the year ended June 30:

| | |
|-------|----------------------|
| 2025 | \$ - |
| 2026 | <u>14,935,020</u> |
| Total | <u>\$ 14,935,020</u> |

PeopleFund, MBS and TMF notes require certain amounts to be maintained in reserve for interest, audit and tax reimbursements, service fees and various other expenses over the term of the loan. Reserves in cash and cash equivalents restricted by these lenders totaled \$0 and \$495,308 at June 30, 2025 and 2024, respectively.

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION**
Notes to Audited Consolidated Financial Statements
June 30, 2025 and 2024

NOTE F – NET ASSETS

Net assets with donor restrictions consist of the following at June 30:

| <u>Asset / Item</u> | <u>Purpose / Restriction</u> | <u>2025</u> | <u>2024</u> |
|--|----------------------------------|---------------------|---------------------|
| Pledges receivable - capital campaign | Capital campaign | \$ 5,000 | \$ 505,000 |
| Pledges received, not expended: | | | |
| Cash | Capital campaign | 1,729,073 | 1,987,124 |
| Total net assets with donor restrictions | | <u>\$ 1,734,073</u> | <u>\$ 2,492,124</u> |

Net assets designated for construction of \$0 and \$662,018 at June 30, 2025 and 2024, respectively, consist of the designated balance held in the Leverage Lender account. Advances on the bridge loan and annual interest income earned on the note receivable with Twain Investment Fund 214, LLC are funded to this account. The advances on the loan were designated by the lender to bridge funding periods between capital campaign pledges made to ChildSafe and the actual receipt of those funds, and to indirectly facilitate the construction of the Salado Creek Campus.

NOTE G – GOVERNMENT ASSISTANCE

The Organization receives government assistance for certain programs it administers. A description of the federal and state programs with assistance received is as follows for the year ended June 30, 2025:

| <u>Program Description</u> | <u>Federal Funds Received</u> | <u>State Funds Received</u> |
|----------------------------|------------------------------------|------------------------------------|
| Victim Services | <u>\$ 1,652,820</u> ⁽¹⁾ | <u>\$ 1,621,534</u> ⁽²⁾ |

⁽¹⁾ *The Organization expended more than \$750,000 in federal funding during the fiscal year ended June 30, 2025. Accordingly, a Federal Single Audit is required for these expenditures.*

⁽²⁾ *The Organization expended more than \$750,000 in state funding during the fiscal year ended June 30, 2025. Accordingly, a State Single Audit is required for these expenditures.*

In accordance with U.S. generally accepted accounting principles, the Organization utilizes a fair value hierarchy that prioritizes the inputs for the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION**
Notes to Audited Consolidated Financial Statements
June 30, 2025 and 2024

NOTE H – FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets
 - quoted prices for identical or similar assets or liabilities in inactive markets
 - inputs other than quoted prices that are observable for the asset or liability
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means
 - the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

The following table sets forth, by level within the fair value hierarchy, the Organization’s investments at fair value as follows:

| | Fair Value Measurements Using | | | Total |
|------------------------------------|--------------------------------------|----------------|----------------|--------------------|
| | Level 1 | Level 2 | Level 3 | |
| <i>June 30, 2025</i> | | | | |
| Certificates of deposit | <u>\$2,151,700</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$2,151,700</u> |
| Investments measured at fair value | <u>\$2,151,700</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$2,151,700</u> |
| <i>June 30, 2024</i> | | | | |
| Certificates of deposit | <u>\$2,054,413</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$2,054,413</u> |
| Investments measured at fair value | <u>\$2,054,413</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$2,054,413</u> |

There have been no changes in methodologies used nor transfers between levels. Following is a description of the valuation methodologies used for various types of assets measured at fair value:

Certificates of deposit: Valued at the principal plus earned and accrued interest.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION**
Notes to Audited Consolidated Financial Statements
June 30, 2025 and 2024

NOTE I – INVESTMENT EARNINGS, NET

Investment earnings are comprised of the following for the years ended June 30:

| | <u>2025</u> | <u>2024</u> |
|-----------------------------------|-------------------|-------------------|
| Interest and dividends | \$ 231,645 | \$ 138,527 |
| Net realized and unrealized gains | - | 827 |
| Investment expense | <u>(1,115)</u> | <u>(2,329)</u> |
| Investment earnings, net | <u>\$ 230,530</u> | <u>\$ 137,025</u> |

NOTE J – IN-KIND SUPPORT

The Organization received donated goods and services in the amount of \$67,310 in 2025 and \$66,147 in 2024, which are recorded as in-kind support on the consolidated statement of activities. These goods are primarily clothing, toys, professional services and supplies which are used in the Organization’s program, general and administrative and fundraising activities as detailed in the statement of functional expenses. In valuing the donated goods, the Organization estimates the fair value on the basis of wholesale values that would be received for selling similar products in the United States. Services are valued based on an amount determined to be appropriate if individuals were employed by the Organization to perform such services. Donated materials and services (in-kind support) are as follows for the years ended June 30:

| | <u>2025</u> | <u>2024</u> |
|-----------------------|------------------|------------------|
| Clothing and toys | \$ 36,464 | \$ 23,665 |
| Professional services | 1,093 | 24,329 |
| Program supplies | <u>29,753</u> | <u>18,153</u> |
| Total | <u>\$ 67,310</u> | <u>\$ 66,147</u> |

In-kind expense per the statement of functional expenses totaled \$65,360. The difference between in-kind revenue and in-kind expense relates to gift cards totaling \$1,680 that have not been used for client services at year-end and are recorded in other current assets.

**CHILDSAFE
AND SALADO CREEK CAMPUS HOLDING CORPORATION**
Notes to Audited Consolidated Financial Statements
June 30, 2025 and 2024

NOTE K – OPERATING LEASES

The Organization has an operating lease for office equipment. The lease term for this lease extends through August 2025. Office equipment lease expense totaled approximately \$5,800 in 2025 and \$14,000 in 2024. Future commitments relating to these lease agreements are as follows:

| | | |
|----------------------------------|-----------------------------|----------|
| | <u>Year Ending June 30:</u> | |
| | 2026 | 1,050 |
| Total minimum future payments | | \$ 1,050 |
| Less: imputed interest | | (4) |
| Present value of lease liability | | 1,046 |

At June 30, 2025 and 2024, the weighted average discount rate is approximately 2.00% and 3.10%, respectively and the weighted average remaining lease term is approximately one year.

Campus Lease: In August 2019, ChildSafe executed the lease agreement with Salado Creek for housing ChildSafe’s operations. The term of the lease is for thirty years, subject to an extension option, or terminates upon transfer of property ownership to ChildSafe. Intercompany lease transactions are eliminated in consolidation. On December 23, 2024 the lease was terminated with the transfer of the property to Childsafe.

Sublease Rental: In 2020, the Organization began to sublease space in the Salado Creek Campus to two organizations, including a government agency and a local nonprofit. During the fiscal year, the non-profit organization dissolved and currently only the government agency is subleasing. Total sublease rental income recognized totaled \$128,501 and \$157,024 in 2025 and 2024, respectively, and is recognized in the consolidated statement of activities.

NOTE L – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Organization has net financial assets of approximately \$8,300,000 at June 30, 2025 to conduct its mission during the next fiscal year. The Organization has a goal to maintain financial assets to meet two months of recurring operating expenses, which on average, total approximately \$596,000 per month given full programmatic operations, excluding fundraising costs. The Organization relies on operations to fund its activities throughout the year.

NOTE M – SUBSEQUENT EVENT

The Organization is in negotiations with The Ed Rachal Foundation to modify the terms of the building note. The Foundation has agreed to a 10-year note amortized over 30 years, with a balloon payment due at the end of the tenth year. The interest rate will be 3% for the first five years and will be reviewed beginning in year six. Under the revised terms, the Organization will pay down the note to \$10,000,000.

**CHILDSAFE
AND
SALADO CREEK CAMPUS
HOLDING CORPORATION**

Consolidating Statements

June 30, 2025

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidating Statement of Financial Position
June 30, 2025

| | <u>ChildSafe</u> | <u>Salado Creek</u> | <u>Eliminations</u> | <u>Consolidated Total</u> |
|--|----------------------|---------------------|---------------------|-------------------------------|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents: | | | | |
| Unrestricted | \$ 530,483 | \$ - | \$ - | \$ 530,483 |
| Board designated for reserves | 1,385,352 | - | - | 1,385,352 |
| Capital campaign | 3,547,414 | - | - | 3,547,414 |
| Total cash and cash equivalents | <u>5,463,249</u> | <u>-</u> | <u>-</u> | <u>5,463,249</u> |
| | | | | |
| Investments, at fair value, board designated | 2,151,700 | - | - | 2,151,700 |
| Accounts receivable | 692,223 | - | - | 692,223 |
| Pledges receivable, current portion | 5,000 | - | - | 5,000 |
| Prepaid expenses and other current assets | 19,189 | - | - | 19,189 |
| Total current assets | <u>8,331,361</u> | <u>-</u> | <u>-</u> | <u>8,331,361</u> |
| Noncurrent Assets: | | | | |
| Fixed assets: | | | | |
| Land and improvements | 1,932,168 | - | - | 1,932,168 |
| Building and improvements | 30,079,308 | - | - | 30,079,308 |
| Leasehold improvements | 170,398 | - | - | 170,398 |
| Furniture, fixtures, and equipment | 2,185,598 | - | - | 2,185,598 |
| Total fixed assets | <u>34,367,472</u> | <u>-</u> | <u>-</u> | <u>34,367,472</u> |
| Less accumulated depreciation | <u>(7,866,339)</u> | <u>-</u> | <u>-</u> | <u>(7,866,339)</u> |
| Fixed assets, net | 26,501,133 | - | - | 26,501,133 |
| Operating lease right-of-use assets | 966 | - | - | 966 |
| Total noncurrent assets | <u>26,502,099</u> | <u>-</u> | <u>-</u> | <u>26,502,099</u> |
| | | | | |
| Total Assets | <u>\$ 34,833,460</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 34,833,460</u> |

See notes to audited consolidated financial statements.

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidating Statement of Financial Position
June 30, 2025

| | <u>ChildSafe</u> | <u>Salado Creek</u> | <u>Eliminations</u> | <u>Consolidated Total</u> |
|--|-----------------------------|---------------------|---------------------|-------------------------------|
| LIABILITIES AND NET ASSETS | | | | |
| Current Liabilities: | | | | |
| Accounts payable | \$ 49,534 | \$ - | \$ - | \$ 49,534 |
| Accrued expenses | 230,457 | - | - | 230,457 |
| Operating lease liabilities, current portion | 1,046 | - | - | 1,046 |
| Total current liabilities | <u>281,037</u> | <u>-</u> | <u>-</u> | <u>281,037</u> |
| Non-Current Liabilities: | | | | |
| Security deposit | 8,250 | - | - | 8,250 |
| Long-term debt, net of current portion | 14,935,020 | - | - | 14,935,020 |
| Total Liabilities | <u>15,224,307</u> | <u>-</u> | <u>-</u> | <u>15,224,307</u> |
| Net Assets: | | | | |
| Without donor restrictions: | | | | |
| General operations | 14,338,028 | - | - | 14,338,028 |
| Board designated | 3,537,052 | - | - | 3,537,052 |
| Total without donor restrictions | <u>17,875,080</u> | <u>-</u> | <u>-</u> | <u>17,875,080</u> |
| With donor restrictions | 1,734,073 | - | - | 1,734,073 |
| Total net assets | <u>19,609,153</u> | <u>-</u> | <u>-</u> | <u>19,609,153</u> |
| Total Liabilities and Net Assets | <u><u>\$ 34,833,460</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 34,833,460</u></u> |

See notes to audited consolidated financial statements.

CHILDSAFE AND SALADO CREEK CAMPUS HOLDING CORPORATION
Consolidating Statement of Activities
Year Ended June 30, 2025

| | ChildSafe | | Salado Creek | | Consolidated Total | | |
|---|----------------------------|-------------------------|----------------------------|---------------------|----------------------------|-------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Without Donor Restrictions | Eliminations | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and Revenues | | | | | | | |
| United Way | \$ 548,383 | \$ - | \$ - | \$ - | \$ 548,383 | \$ - | \$ 548,383 |
| University Health System | 175,000 | - | - | - | 175,000 | - | 175,000 |
| Government grants: | | | | | | | |
| Federal | 1,652,820 | - | - | - | 1,652,820 | - | 1,652,820 |
| State | 1,621,534 | - | - | - | 1,621,534 | - | 1,621,534 |
| Local | 216,318 | - | - | - | 216,318 | - | 216,318 |
| Contributions and grants: | | | | | | | |
| Foundations | 910,469 | 40,000 | - | - | 910,469 | 40,000 | 950,469 |
| Corporations and business | 45,517 | - | 17,665,230 | (17,665,230) | 45,517 | - | 45,517 |
| Individuals | 183,386 | - | - | - | 183,386 | - | 183,386 |
| Other | 27,047 | - | - | - | 27,047 | - | 27,047 |
| Special events, net of expenses of \$18,966 | 32,759 | - | - | - | 32,759 | - | 32,759 |
| Program revenue | 23,493 | - | - | - | 23,493 | - | 23,493 |
| Rental revenue | 128,501 | - | 157,691 | (157,691) | 128,501 | - | 128,501 |
| Investment earnings, net | 230,530 | - | - | - | 230,530 | - | 230,530 |
| In-kind support | 67,310 | - | - | - | 67,310 | - | 67,310 |
| Total support and revenues | <u>5,863,067</u> | <u>40,000</u> | <u>17,822,921</u> | <u>(17,822,921)</u> | <u>5,863,067</u> | <u>40,000</u> | <u>5,903,067</u> |
| Expenses | | | | | | | |
| Program services | 23,472,396 | - | 45,786,761 | (62,721,306) | 6,537,851 | - | 6,537,851 |
| Supporting services | 509,935 | - | - | - | 509,935 | - | 509,935 |
| Fundraising | 403,806 | - | - | - | 403,806 | - | 403,806 |
| Total expenses | <u>24,386,137</u> | <u>-</u> | <u>45,786,761</u> | <u>(62,721,306)</u> | <u>7,451,592</u> | <u>-</u> | <u>7,451,592</u> |
| (Loss) Income from Operations | (18,523,070) | 40,000 | (27,963,840) | 44,898,385 | (1,588,525) | 40,000 | (1,548,525) |
| Other Revenues (Expenses) | | | | | | | |
| Interest income | 84,589 | - | - | - | 84,589 | - | 84,589 |
| Interest expense | (448,051) | - | - | - | (448,051) | - | (448,051) |
| Gain on close out of New Market Tax Credit | 27,295,045 | - | 24,894,000 | (44,674,233) | 7,514,812 | - | 7,514,812 |
| Other | (626) | - | - | - | (626) | - | (626) |
| Other revenues (expenses), net | <u>26,930,957</u> | <u>-</u> | <u>24,894,000</u> | <u>(44,674,233)</u> | <u>7,150,724</u> | <u>-</u> | <u>7,150,724</u> |
| Change in Net Assets | 8,407,887 | 40,000 | (3,069,840) | 224,152 | 5,562,199 | 40,000 | 5,602,199 |
| Net assets released from restrictions | 798,051 | (798,051) | - | - | 798,051 | (798,051) | - |
| Net assets at beginning of year | <u>8,669,142</u> | <u>2,492,124</u> | <u>3,069,840</u> | <u>(224,152)</u> | <u>11,514,830</u> | <u>2,492,124</u> | <u>14,006,954</u> |
| Net Assets at End of Year | <u>\$ 17,875,080</u> | <u>\$ 1,734,073</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 17,875,080</u> | <u>\$ 1,734,073</u> | <u>\$ 19,609,153</u> |

See notes to audited consolidated financial statements.

CHILDSAFE

**Single Audit Reports
Federal and State Awards**

June 30, 2025



ADKF

with you
all the way

Member of the
AICPA & TXCPA.

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
ChildSafe
San Antonio, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of ChildSafe (Organization), which comprise the statement of financial position as of June 30, 2025, and the changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 23, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ChildSafe's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ChildSafe's internal control. Accordingly, we do not express an opinion on the effectiveness of ChildSafe's internal control.

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

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

- 25 -

MAIN OFFICE:

9601 McAllister FWY, STE 800
San Antonio, Texas 78216

Phone: 210.829.1300
Fax: 210.829.4080

672 Ridge Hill Dr., STE A
New Braunfels, TX 78130

Phone: 830.387.4441

371 N. Main St., STE 202
Boerne, TX 78006

Phone: 830.815.1100



WWW.ADKF.COM

Report on Compliance and Other Matters

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

Purpose of this Report

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

ADKF, PC
ADKF, P.C.
San Antonio, Texas
February 23, 2026



ADKF

with you
all the way

Member of the
AICPA & TXCPA.

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *UNIFORM GUIDANCE* AND TEXAS GRANT MANAGEMENT STANDARDS

To the Board of Directors
ChildSafe
San Antonio, Texas

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited ChildSafe’s (Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of ChildSafe’s major federal and state programs for the year ended June 30, 2025. ChildSafe’s major federal and state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, ChildSafe complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2025.

Basis for Opinion of Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and *Texas Grant Management Standards* (TxGMS). Our responsibilities under those standards, Uniform Guidance, and TxGMS are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of ChildSafe and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination on ChildSafe’s compliance with the compliance requirements referred to above.

MAIN OFFICE:

9601 McAllister FWY, STE 800
San Antonio, Texas 78216

Phone: 210.829.1300

Fax: 210.829.4080

672 Ridge Hill Dr.,STE A
New Braunfels, TX 78130

Phone: 830.387.4441

371 N. Main St., STE 202
Boerne, TX 78006

Phone: 830.815.1100



Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grants agreements applicable to the Organization's federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, Uniform Guidance, and TxGMS will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, Uniform Guidance and TxGMS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding ChildSafe's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance and TxGMS, but not for the purpose of expressing an opinion on the effectiveness of ChildSafe's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weakness in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Report on Internal Control Over Compliance - continued

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 and TxGMS. Accordingly, this report is not suitable for any other purpose.

ADKF, PC
ADKF, P.C.
San Antonio, Texas
February 23, 2026

CHILDSAFE
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2025

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Assistance Listing Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|--|---------------------------------|---|----------------------------|
| <i>FEDERAL AWARDS</i> | | | |
| <i>U. S. Department of Justice</i> | | | |
| <i>Office of Justice Programs - Office for Victims of Crime</i> | | | |
| Victims of Crime Act Formula Grant Program | | | |
| Pass-through from: | | | |
| The Children's Advocacy Centers of Texas (CACTX) | 16.575 | 15POVC-21 VOCA I-FY24-4 | \$ 490,601 |
| The Children's Advocacy Centers of Texas (CACTX) | 16.575 | VOCA I-FY25-4 | <u>1,162,219</u> |
| Total Assistance Listing Number 16.575 | | | <u>1,652,820</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 1,652,820</u> |

| State Grantor/Pass-Through Grantor/Program or Contract Title | Pass-Through Entity Identifying Contract Number | State Expenditures |
|---|--|----------------------------|
| <i>STATE AWARDS</i> | | |
| <i>Texas Health and Human Services Commission</i> | | |
| Pass-through from: | | |
| The Children's Advocacy Centers of Texas (CACTX) | | |
| Local Children's Advocacy Centers Program | HHSC-FY24-4 | \$ 306,186 |
| Local Children's Advocacy Centers Program | HHSC-FY25-4 | <u>1,266,497</u> |
| | | 1,572,683 |
| <i>Office of the Attorney General</i> | | |
| Other Victim Assistance Grant Program | C-00774 | 7,333 |
| Other Victim Assistance Grant Program | C-01916 | <u>41,518</u> |
| | | <u>48,851</u> |
| Total Expenditures of State Awards | | |
| | | <u>\$ 1,621,534</u> |

See notes to schedule of expenditures of federal and state awards
See independent auditor's report

CHILDSAFE
Notes to Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2025

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards (the Schedules) includes the federal and state grant activity of ChildSafe (Organization) under programs of the federal and state government for the year ended June 30, 2025. The information in the Schedule is presented in accordance with the requirements of the *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and *Texas Grant Management Standards (TxGMS)*. Because the schedule presents only a selected portion of the operations of ChildSafe, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of ChildSafe. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

All of ChildSafe's federal and state awards were in the form of cash assistance. ChildSafe had no federal or state funded insurance programs or loan guarantees during the year ended June 30, 2025.

There is no indirect cost rate approved for these grants and ChildSafe did not elect to use the 15% de minimis indirect cost rate.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

CHILDSAFE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Section I - Summary of Auditor's Results

Description

Financial statements

| | |
|---|------------|
| Type of report of independent auditor | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified | No |
| Significant deficiencies identified | No |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|--|------------|
| Internal control over major programs: | |
| Material weaknesses identified | No |
| Significant deficiencies identified | No |
| Type of report of independent auditor issued on compliance for major programs | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of Uniform Guidance? | No |

Major Federal Programs:

| <u>Name of Federal Program or Cluster:</u> | <u>Assistance Listing Number</u> |
|---|----------------------------------|
| Victims of Crime Act Formula Grant Program | 16.575 |
| Dollar threshold used to distinguish between Type A and Type B programs | \$750,000 |
| Auditee qualified as low-risk auditee? | Yes |

CHILDSAFE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Section I - Summary of Auditor's Results - continued

Description

State Awards

| | |
|---|------------------|
| Internal control over major programs: | |
| Material weaknesses identified | No |
| Significant deficiencies identified | No |
| Type of report of independent auditor issued on compliance for major programs | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of Uniform Guidance and Texas Grant Management Standards? | No |
| Major State Programs: | |
| <u>Name of State Program or Cluster:</u> | <u>ID Number</u> |
| Texas Health and Human Services Commission | |
| Local Children's Advocacy Centers Program | HHSC-FY24-4 |
| Local Children's Advocacy Centers Program | HHSC-FY25-4 |
| Dollar threshold used to distinguish between Type A and Type B programs | \$750,000 |
| Auditee qualified as low-risk auditee? | Yes |

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings

None

Section III – State Awards Findings

None