



FLORIDA BAPTIST CHILDREN'S HOMES, INC.

REPORTING PACKAGE

FOR THE YEAR ENDED DECEMBER 31, 2020



FLORIDA BAPTIST CHILDREN'S HOMES, INC.

Lakeland, Florida

**CONSOLIDATED FINANCIAL STATEMENTS AND
RELATED SUPPLEMENTAL INFORMATION AND REPORTS
For The Year Ended December 31, 2020**

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REPORT OF INDEPENDENT AUDITOR

The Board of Trustees
Florida Baptist Children's Homes, Inc. and Affiliates
Lakeland, Florida

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Florida Baptist Children's Homes, Inc. and Affiliates (collectively referred to herein as "the Organization"), which consist of the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, cash flows, and functional expenses for the year 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 consolidated 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 Organization'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 Organization'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 consolidated financial position of Florida Baptist Children's Homes, Inc. and Affiliates as of December 31, 2020, the consolidated changes in its net assets, and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Florida Baptist Children's Homes, Inc. and Affiliates' 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental consolidating statement of financial position as of December 31, 2020, the supplemental consolidating statements of activities and cash flows for the year ended December 31, 2020, and the accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650 Rules of the Auditor General, 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, except for that portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. That 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, that information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2021 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 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 the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida

September 6, 2021 (except for our report on the supplementary information for which the date is September 28, 2021)

FLORIDA BAPTIST CHILDREN'S HOMES, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2020

(With Summarized Comparative Totals as of December 31, 2019)

ASSETS

	December 31, 2020			December 31, 2019
	Without Donor Restrictions	With Donor Restrictions	Total	
ASSETS				
Cash and cash equivalents	\$ 13,838,480	\$ 2,330,345	\$ 16,168,825	\$ 8,048,633
Cash designated for long-term purposes	2,870,020	—	2,870,020	1,470,362
Assets restricted for long-term purposes	—	13,838,882	13,838,882	8,115,540
Investments	65,373,698	5,801,872	71,175,570	67,653,905
Property and equipment, net	25,646,001	—	25,646,001	24,064,292
Beneficial interest in perpetual trusts held by others	—	3,058,741	3,058,741	2,812,691
Other assets	873,954	—	873,954	953,913
Total assets	\$ 108,602,153	\$ 25,029,840	\$ 133,631,993	\$ 113,119,336

LIABILITIES AND NET ASSETS

LIABILITIES				
Accounts payable and accrued expenses	\$ 1,396,338	\$ —	\$ 1,396,338	\$ 1,602,125
Present value of charitable gift annuities payable	—	447,601	447,601	421,296
Total liabilities	1,396,338	447,601	1,843,939	2,023,421
NET ASSETS				
Without donor restrictions				
Operating	78,689,794	—	78,689,794	68,591,480
Net investment in property and equipment	25,646,001	—	25,646,001	24,064,292
Board designated	2,870,020	—	2,870,020	1,470,362
Total net assets without donor restrictions	107,205,815	—	107,205,815	94,126,134
With donor restrictions	—	24,582,239	24,582,239	16,969,781
Total net assets	107,205,815	24,582,239	131,788,054	111,095,915
Total liabilities and net assets	\$ 108,602,153	\$ 25,029,840	\$ 133,631,993	\$ 113,119,336

FLORIDA BAPTIST CHILDREN'S HOMES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2020
(With Summarized Comparative Totals For The Year Ended December 31, 2019)

	For The Year Ended December 31, 2020			For The Year Ended December 31, 2019
	Without Donor Restrictions	With Donor Restrictions	Total	
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS				
Contributions - noncash	\$ 23,878,362	\$ —	\$ 23,878,362	\$ 11,124,942
Contributions	12,503,958	5,636,499	18,140,457	13,986,116
Net gain on investments	10,095,098	1,652,610	11,747,708	13,982,957
Child support and contracts	4,768,293	—	4,768,293	4,575,714
Grant revenue	1,919,162	—	1,919,162	—
Interest and dividend income	817,392	209,664	1,027,056	1,067,864
Other revenue	339,922	—	339,922	158,186
Gain on sale of property and equipment	8,100	—	8,100	22,375
Change in beneficial interest in perpetual trusts held by others	—	246,050	246,050	291,462
Net change in present value of charitable gift annuities payable	—	4,075	4,075	56,592
Net assets released from time and use restrictions	136,440	(136,440)	—	—
	<u>54,466,727</u>	<u>7,612,458</u>	<u>62,079,185</u>	<u>45,266,208</u>
Total public support and revenue and net assets released from restrictions				
EXPENSES				
Program services				
Child hunger	24,656,943	—	24,656,943	11,839,003
Foster care	3,999,820	—	3,999,820	3,941,357
Global	1,764,498	—	1,764,498	2,647,983
Family support	1,592,968	—	1,592,968	307,952
Anti-trafficking	1,563,063	—	1,563,063	1,699,799
Campus ministries	1,126,751	—	1,126,751	2,282,587
State programs	1,091,394	—	1,091,394	987,516
Single moms	813,036	—	813,036	675,988
	<u>36,608,473</u>	<u>—</u>	<u>36,608,473</u>	<u>24,382,185</u>
Total program services				
Support services				
General administration	2,170,436	—	2,170,436	1,943,009
Promotion and development	2,608,137	—	2,608,137	2,461,353
	<u>4,778,573</u>	<u>—</u>	<u>4,778,573</u>	<u>4,404,362</u>
Total support services				
Total expenses	<u>41,387,046</u>	<u>—</u>	<u>41,387,046</u>	<u>28,786,547</u>
CHANGE IN NET ASSETS	13,079,681	7,612,458	20,692,139	16,479,661
NET ASSETS - Beginning of year	<u>94,126,134</u>	<u>16,969,781</u>	<u>111,095,915</u>	<u>94,616,254</u>
NET ASSETS - End of year	<u>\$ 107,205,815</u>	<u>\$ 24,582,239</u>	<u>\$ 131,788,054</u>	<u>\$ 111,095,915</u>

The Accompanying Notes are an Integral
Part of These Consolidated Financial Statements

FLORIDA BAPTIST CHILDREN'S HOMES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2020
(With Summarized Comparative Totals For The Year Ended December 31, 2019)

	For The Years Ended December 31,	
	2020	2019
OPERATING CASH FLOWS		
Cash received from contributors	\$ 12,590,789	\$ 12,663,771
Cash received for child support and contracts	4,784,598	4,556,961
Cash received from interest and dividends	1,027,056	1,067,864
Other revenue received	339,922	158,186
Cash paid for operating activities and costs	(17,120,140)	(17,060,564)
Net operating cash flows	1,622,225	1,386,218
INVESTING CASH FLOWS		
Net sales of investments	8,226,043	2,038,678
Net investment in assets restricted for long-term purposes	(3,178,158)	(657,446)
Net proceeds from sale of property and equipment	8,600	22,938
Purchases of and improvements to property and equipment	(2,082,506)	(2,220,739)
Net investing cash flows	2,973,979	(816,569)
FINANCING CASH FLOWS		
Proceeds from contributions restricted for:		
Investment in property and equipment	1,531,668	803,345
Endowment	3,018,000	519,000
Borrowings	1,919,162	—
Net financing cash flows	6,468,830	1,322,345
NET CHANGE IN CASH AND CASH EQUIVALENTS, DESIGNATED CASH, AND RESTRICTED CASH	11,065,034	1,891,994
CASH AND CASH EQUIVALENTS, DESIGNATED CASH, AND RESTRICTED CASH - Beginning of year	11,833,521	9,941,527
CASH AND CASH EQUIVALENTS, DESIGNATED CASH, AND RESTRICTED CASH - End of year	\$ 22,898,555	\$ 11,833,521
REPORTED IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS FOLLOWS		
Cash and cash equivalents	\$ 16,168,825	\$ 8,048,633
Cash designated for long-term purposes	2,870,020	1,470,362
Restricted cash included in "Assets restricted for long-term purposes"	3,859,710	2,314,526
Total cash and cash equivalents, designated cash, and restricted cash	\$ 22,898,555	\$ 11,833,521

SUPPLEMENTAL DISCLOSURE

During 2020, \$1,919,162 of principal reductions of a certain note payable is included in "grant revenue" in the consolidated statement of activities. See Note J.

FLORIDA BAPTIST CHILDREN'S HOMES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2020
(With Summarized Comparative Totals For The Year Ended December 31, 2019)

For The Year Ended December 31, 2020									
Program services									
	Child hunger	Foster care	Global	Family support	Anti-trafficking	Campus ministries	State programs	Single moms	Total program services
Salaries and related expenses									
Salaries	\$ 413,875	\$ 2,385,663	\$ 388,885	\$ 393,120	\$ 964,687	\$ 238,414	\$ 580,838	\$ 359,053	\$ 5,724,535
Employee benefits	35,774	171,779	32,548	11,502	24,521	21,722	58,768	31,982	388,596
Payroll taxes	25,873	171,833	24,184	29,061	71,322	17,128	40,018	25,309	404,728
Total salaries and related expenses	475,522	2,729,275	445,617	433,683	1,060,530	277,264	679,624	416,344	6,517,859
Client care									
Gift in kind	23,728,362	—	—	—	—	—	—	—	23,728,362
Other client care	2,186	39,307	—	1,037,072	675	—	—	29,501	1,108,741
International projects	—	—	578,525	—	—	—	—	—	578,525
International sponsorship	—	—	475,405	—	—	—	—	—	475,405
Food	140,618	3,431	—	1,935	6,210	483	—	—	152,677
International travel	—	—	108,070	420	—	—	—	—	108,490
Activities	—	3,058	—	—	7,593	16,199	—	—	26,850
Supplies	1,772	4,454	—	1,127	1,929	2,327	—	3,561	15,170
Foster home payments	—	9,098	—	—	—	—	—	—	9,098
Allowances/work	—	2,202	—	—	1,564	—	—	—	3,766
Clothing	—	1,143	—	—	2,064	—	—	—	3,207
Medical/dental	—	162	—	—	578	—	—	—	740
Total client care	23,872,938	62,855	1,162,000	1,040,554	20,613	19,009	—	33,062	26,211,031
Other expenses									
Insurance	74,604	526,614	56,814	64,023	159,487	115,318	119,538	99,230	1,215,628
Promotion and development	18,561	21,186	18,678	—	9,766	—	23,150	84	91,425
Utilities	21,828	194,785	2,955	20,286	19,688	78,231	34,967	144,543	517,283
Office supplies	21,673	84,452	10,776	17,283	16,947	3,885	100,751	7,359	263,126
Professional services	6,834	41,248	2,928	1,938	152,774	5,345	16,040	9,706	236,813
Other	53,311	49,682	—	4,185	3,194	—	—	12,569	122,941
Repairs and maintenance	56,375	83,241	—	1,573	18,657	132,496	19,154	53,843	365,339
Travel	47,257	43,605	24,301	2,018	73,152	10,421	17,392	6,157	224,303
Telephone	4,230	63,851	9,284	3,952	13,127	5,686	24,246	16,970	141,346
Bank fees	—	—	23,409	737	—	—	—	—	24,146
Memberships and training	2,188	15,843	1,050	956	3,913	—	11,438	1,493	36,881
Postage	—	3,452	5,484	—	—	—	4,690	—	13,626
Scholarship	—	—	—	—	—	—	—	490	490
Furnishings and capital	—	3,951	—	879	2,203	170	—	9,654	16,857
Meetings and exhibits	781	—	516	—	715	—	7,282	—	9,294
Recruiting and hiring	841	4,005	686	901	2,766	461	1,131	1,532	12,323
Trustee travel	—	—	—	—	—	—	—	—	—
Total other expenses	308,483	1,135,915	156,881	118,731	476,389	352,013	379,779	363,630	3,291,821
Total expenses before depreciation	24,656,943	3,928,045	1,764,498	1,592,968	1,557,532	648,286	1,059,403	813,036	36,020,711
Depreciation	—	71,775	—	—	5,531	478,465	31,991	—	587,762
Total expenses	\$ 24,656,943	\$ 3,999,820	\$ 1,764,498	\$ 1,592,968	\$ 1,563,063	\$ 1,126,751	\$ 1,091,394	\$ 813,036	\$ 36,608,473

The Accompanying Notes are an Integral
Part of These Consolidated Financial Statements

FLORIDA BAPTIST CHILDREN'S HOMES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (Continued)
For The Year Ended December 31, 2020
(With Summarized Comparative Totals For The Year Ended December 31, 2019)

	For The Year Ended December 31, 2020				For The Year Ended December 31, 2019	
	Support services				Total expenses	Total expenses
	Total program services	General administration	Promotion and development	Total support services		
Salaries and related expenses						
Salaries	\$ 5,724,535	\$ 950,150	\$ 1,303,636	\$ 2,253,786	\$ 7,978,321	\$ 8,048,955
Employee benefits	388,596	95,032	98,096	193,128	581,724	607,497
Payroll taxes	404,728	51,879	91,407	143,286	548,014	569,443
Total salaries and related expenses	<u>6,517,859</u>	<u>1,097,061</u>	<u>1,493,139</u>	<u>2,590,200</u>	<u>9,108,059</u>	<u>9,225,895</u>
Client care						
Gift in kind	23,728,362	—	—	—	23,728,362	10,956,791
Other client care	1,108,741	—	—	—	1,108,741	115,210
International projects	578,525	—	—	—	578,525	629,178
International sponsorship	475,405	—	—	—	475,405	400,792
Food	152,677	—	—	—	152,677	253,711
International travel	108,490	—	—	—	108,490	892,985
Activities	26,850	—	—	—	26,850	22,812
Supplies	15,170	—	—	—	15,170	18,470
Foster home payments	9,098	—	—	—	9,098	8,331
Allowances/work	3,766	—	—	—	3,766	7,068
Clothing	3,207	—	—	—	3,207	35,124
Medical/dental	740	—	—	—	740	3,822
Total client care	<u>26,211,031</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>26,211,031</u>	<u>13,344,294</u>
Other expenses						
Insurance	1,215,628	120,883	218,568	339,451	1,555,079	1,465,053
Promotion and development	91,425	—	638,572	638,572	729,997	862,697
Utilities	517,283	10,914	36,724	47,638	564,921	569,882
Office supplies	263,126	234,084	60,764	294,848	557,974	125,029
Professional services	236,813	291,397	24,414	315,811	552,624	260,827
Other	122,941	281,161	—	281,161	404,102	322,131
Repairs and maintenance	365,339	8,132	18,401	26,533	391,872	852,996
Travel	224,303	5,624	24,015	29,639	253,942	536,740
Telephone	141,346	9,919	32,345	42,264	183,610	188,698
Bank fees	24,146	9,077	32,791	41,868	66,014	61,210
Memberships and training	36,881	4,456	8,959	13,415	50,296	114,370
Postage	13,626	7,126	10,294	17,420	31,046	42,193
Scholarship	490	19,527	—	19,527	20,017	3,311
Furnishings and capital	16,857	—	—	—	16,857	60,895
Meetings and exhibits	9,294	—	7,282	7,282	16,576	65,366
Recruiting and hiring	12,323	570	1,869	2,439	14,762	16,411
Trustee travel	—	7,970	—	7,970	7,970	42,353
Total other expenses	<u>3,291,821</u>	<u>1,010,840</u>	<u>1,114,998</u>	<u>2,125,838</u>	<u>5,417,659</u>	<u>5,590,162</u>
Total expenses before depreciation	36,020,711	2,107,901	2,608,137	4,716,038	40,736,749	28,160,351
Depreciation	587,762	62,535	—	62,535	650,297	626,196
Total expenses	\$ 36,608,473	\$ 2,170,436	\$ 2,608,137	\$ 4,778,573	\$ 41,387,046	\$ 28,786,547

The Accompanying Notes are an Integral
Part of These Consolidated Financial Statements

FLORIDA BAPTIST CHILDREN'S HOMES, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

(With Comparative Information For December 31, 2019)

NOTE A – NATURE OF ACTIVITIES

Florida Baptist Children's Homes, Inc. ("the Organization") is a faith-based not-for-profit corporation dedicated to providing Christ-centered services to children and families in need. The Organization is a cooperating ministry of the Florida Baptist State Convention. The Organization operates service centers in Lakeland, Bradenton, Orlando, Jacksonville, Gainesville, Tallahassee, Panama City, Fort Myers, Miami, Pensacola, Chipley, Largo, Leesburg, Naples, Palatka, Sarasota, and Tampa, Florida. These service centers operate for the care, maintenance, support, and education of children who are residents of the state of Florida. The Organization also provides support to orphanages and other childcare centers throughout the world as part of its international ministries operation.

In conformity with accounting principles generally accepted in the United States of America ("GAAP"), the Organization's consolidated financial statements include the accounts of the following entities, which are separate legal entities:

- FBCH Land Holdings, Inc. – a not-for-profit Florida corporation established in 2011 for the purpose of holding title to certain real property and allowing such property to be used by the Organization at a cost that is well below market value. The Organization has the authority to appoint FBCH Land Holdings, Inc.'s board of directors.
- FBCH Land Holdings II, Inc. – a not-for-profit Florida corporation established in 2011 for the purpose of holding title to certain real property. The Organization has the authority to appoint FBCH Land Holdings II, Inc.'s board of directors.
- One More Child Foundation, Inc. ("the Foundation") – a not-for-profit Florida corporation established in 2011 for the purpose of pursuing and administering non-traditional donations for the benefit of the Organization. The Organization has the authority to appoint the Foundation's board of directors.

All entities are collectively referred to herein as "the Organization."

All significant interorganization balances and transactions have been eliminated in consolidation.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Organization recognizes cash contributions as revenue when the contributions are received by the Organization. Contributions received are recorded as without or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. 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 accompanying consolidated statement of activities as "net assets released from time and use restrictions."

Child support and contract revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled for providing child support and other services. Such amounts are generally due from Florida community-based care lead agencies and other state institutions. Generally, the Organization invoices such agencies and institutions throughout the year as services are provided. Revenue is recognized in the period the related services are provided. Performance obligations are determined based on the nature of the services provided by the Organization. Generally, the Organization measures the performance obligation for child support from when a child is placed into the care of the Organization, to the point when the Organization is no longer required to provide such support services. The Organization determines the transaction prices based on agreed upon rate agreements and contract terms.

FLORIDA BAPTIST CHILDREN'S HOMES, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

(With Comparative Information For December 31, 2019)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Split-interest gifts

For irrevocable split-interest arrangements such as charitable gift annuities, charitable remainder trusts, and similar arrangements in which the Organization is trustee or custodian, the assets of such arrangements are reflected in the Organization's consolidated financial statements as further described in Note F. The carrying values of such investments conform to GAAP, which generally require that investment securities be carried at estimated fair value at all times and that other assets be carried at the estimated fair value of the assets on the date the assets are contributed, unadjusted for subsequent changes in value. Also, for arrangements in which the Organization is trustee or custodian, a liability is recognized for the estimated present value of benefits payable to other beneficiaries. For split-interest arrangements in which the Organization is not the trustee or custodian, the Organization recognizes an asset for the estimated present value of the Organization's benefits under the arrangements.

For all irrevocable split-interest arrangements, regardless of whether or not the Organization acts as trustee or custodian, contribution revenue without donor restrictions or with donor restrictions is recognized for the estimated present value of the Organization's benefits under each such arrangement in the year the arrangement is established or in the year in which the Organization is provided sufficient information about the existence and nature of the arrangement. Periodic adjustments are made for changes in estimated present values using applicable mortality tables and appropriate discount rates. State law imposes certain restrictions on the manner in which charitable gift annuity assets may be invested.

Cash and cash equivalents

The Organization considers investment instruments purchased or donated with original maturities of three months or less to be cash equivalents.

Investments

Investments consist of common and preferred stocks, debt securities, and mutual funds which are recorded at estimated fair value.

Property and equipment

Property and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. The Organization uses the straight-line method of depreciating assets over their respective estimated useful lives.

Net assets

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. The Board has designated a portion of net assets as further described in Note K. Net assets with donor restrictions consist of amounts with uses limited by donor-imposed time and/or purpose restrictions.

Functional allocation of expenses

The consolidated statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas are allocated among the various functional areas based primarily on employee time and space utilization.

Income taxes

Each organization described in Note A is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to Florida law. Each organization is further classified as a public charity and not a private foundation for federal tax purposes. The organizations have not incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying consolidated financial statements.

FLORIDA BAPTIST CHILDREN'S HOMES, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

(With Comparative Information For December 31, 2019)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these consolidated financial statements include those used in estimating the fair value of investments, estimating the fair value of noncash contributions, the useful lives of property and equipment, and the liabilities for charitable gift annuities. Actual results could differ from the estimates.

New accounting pronouncement

Financial Accounting Standards Board Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606) is effective for the Organization’s 2020 consolidated financial statements. The ASU generally applies to organizations that enter into contracts with customers to transfer goods or services and establishes a performance obligation to revenue recognition. The adoption of the ASU had no effect on the Organization’s consolidated net assets as of January 1, 2019, or the consolidated change in net assets for 2019 or 2020.

Economic uncertainties

In January 2020, the World Health Organization (“WHO”) announced a global health emergency related to the outbreak of a virus originating in China. In March 2020, WHO elevated the classification of the outbreak to a pandemic (“the pandemic”). Management is closely monitoring the potential impact of the pandemic on the Organization’s financial condition and has taken actions to mitigate its impact. Such actions include availing the Organization of relief measures available under federal law. Because of the unknown impact on global commerce, management is not able to estimate the effects of the pandemic on its operating results, financial condition, or liquidity for 2021.

Subsequent events

The Organization has evaluated for possible financial reporting and disclosure subsequent events through September 6, 2021, the date as of which the consolidated financial statements were available to be issued.

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure within one year of the date of the consolidated statements of financial position are as follows:

	<u>December 31.</u>	
	<u>2020</u>	<u>2019</u>
Financial assets available:		
Cash and cash equivalents	\$ 16,168,825	\$ 8,048,633
Cash designated for long-term purposes	2,870,020	1,470,362
Cash and investments restricted for long-term purposes (see Note F)	12,838,882	8,115,540
Investments	<u>71,175,570</u>	<u>67,653,905</u>
Total financial assets available	103,053,297	85,288,440
Less amounts unavailable for general expenditure within one year due to:		
Board designations	(2,870,020)	(1,470,362)
Donor-imposed restrictions	<u>(18,736,957)</u>	<u>(12,345,131)</u>
Net financial assets available within one year	<u>\$ 81,446,320</u>	<u>\$ 71,472,947</u>

FLORIDA BAPTIST CHILDREN'S HOMES, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

(With Comparative Information For December 31, 2019)

NOTE C - LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

The Organization is primarily supported by contributions. As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Board of Directors has designated certain amounts for various purposes as more fully described in Note K. Because of the designations, those amounts are not available for general expenditure within the next year; however, the Board of Directors could make them available, if necessary.

The Organization also has certain assets limited to use for donor-restricted purposes. Because a donor's restriction requires resources to be used in a specific manner or in a future period, the Organization must maintain sufficient resources to meet its responsibilities to its donors. Thus, those financial assets may not be available for general expenditure within one year of December 31, 2020 and 2019, and are excluded from net financial assets available to meet general expenditures within one year. Management believes the Organization has sufficient investments available for general operations that may be drawn upon in the event of an unanticipated financial distress or an immediate liquidity need.

NOTE D - CONCENTRATIONS

The Organization maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

NOTE E - INVESTMENTS

Investments, including investments restricted for long-term purposes (see Note F), consisted of the following:

<u>Category</u>	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Common and preferred stocks	\$ 60,286,320	\$ 55,848,121
Debt securities	16,861,936	15,208,245
Mutual funds	<u>3,006,486</u>	<u>2,411,881</u>
Total investments	<u>\$ 80,154,742</u>	<u>\$ 73,468,247</u>

NOTE F - ASSETS RESTRICTED FOR LONG-TERM PURPOSES

Assets restricted for long-term purposes consisted of the following:

<u>Category</u>	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,859,710	\$ 2,314,526
Investments	8,979,172	5,801,014
Pledge receivable	<u>1,000,000</u>	<u>—</u>
Total assets restricted for long-term purposes	<u>\$ 13,838,882</u>	<u>\$ 8,115,540</u>

FLORIDA BAPTIST CHILDREN'S HOMES, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

(With Comparative Information For December 31, 2019)

NOTE F – ASSETS RESTRICTED FOR LONG-TERM PURPOSES (Continued)

Assets restricted for long-term purposes were restricted for the following purposes:

<u>Category</u>	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Endowment funds and trusts	\$ 7,923,015	\$ 4,905,015
Capital improvements	4,803,067	2,271,399
Net investments held for charitable gift annuities	<u>1,112,800</u>	<u>939,126</u>
Total assets restricted for long-term purposes	<u>\$ 13,838,882</u>	<u>\$ 8,115,540</u>

NOTE G – FAIR VALUE MEASUREMENTS

GAAP defines fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of “inputs” an organization may use in determining or estimating fair value. The inputs are categorized into “levels” that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of each of the three levels of input within the fair value hierarchy:

Level 1 – unadjusted quoted market prices in active markets for identical items

Level 2 – other significant observable inputs (such as quoted prices for similar items)

Level 3 – significant unobservable inputs

The estimated fair value of the Organization’s beneficial interest in perpetual trusts held by others measured using Level 3 inputs is based on a valuation model that calculates the discounted present value of the estimated future distributions the Organization expects to receive as well as amounts provided by banks and financial institutions. The estimated fair value of charitable gift annuities payable measured using Level 3 inputs is based on a valuation model that calculates the discounted present value of the estimated payments to be made by the Organization under the contracts, applying certain assumptions regarding interest rates and life expectancies.

FLORIDA BAPTIST CHILDREN'S HOMES, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

(With Comparative Information For December 31, 2019)

NOTE G – FAIR VALUE MEASUREMENTS (Continued)

Estimated fair value of certain assets (liabilities) measured on a recurring basis at December 31, 2020, are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common and preferred stocks	\$ 60,286,320	\$ 60,286,320	\$ —	\$ —
Debt securities	16,861,936	16,861,936	—	—
Mutual funds	3,006,486	3,006,486	—	—
Beneficial interest in perpetual trusts held by others	<u>3,058,741</u>	<u>—</u>	<u>—</u>	<u>3,058,741</u>
Total	<u>\$ 83,213,483</u>	<u>\$ 80,154,742</u>	<u>\$ —</u>	<u>\$ 3,058,741</u>
Present value of charitable gift annuities payable	<u>\$ (447,601)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (447,601)</u>

Estimated fair value of certain assets (liabilities) measured on a recurring basis at December 31, 2019, are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common and preferred stocks	\$ 55,848,121	\$ 55,848,121	\$ —	\$ —
Debt securities	15,208,245	15,208,245	—	—
Mutual funds	2,411,881	2,411,881	—	—
Beneficial interest in perpetual trusts held by others	<u>2,812,691</u>	<u>—</u>	<u>—</u>	<u>2,812,691</u>
Total	<u>\$ 76,280,938</u>	<u>\$ 73,468,247</u>	<u>\$ —</u>	<u>\$ 2,812,691</u>
Present value of charitable gift annuities payable	<u>\$ (421,296)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (421,296)</u>

The change in the components of financial instruments measured using Level 3 inputs in each of the years 2020 and 2019 was immaterial.

NOTE H – BENEFICIAL INTEREST IN PERPETUAL TRUSTS HELD BY OTHERS

Beneficial interest in perpetual trusts held by others consisted of the following:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Beneficial interest in perpetual trusts held by others	\$ 1,691,007	\$ 1,499,769
Beneficial interest in perpetual trusts held by Florida Baptist Foundation, Inc. ("FBF")	<u>1,367,734</u>	<u>1,312,922</u>
Total beneficial interest in perpetual trusts held by others	<u>\$ 3,058,741</u>	<u>\$ 2,812,691</u>

FLORIDA BAPTIST CHILDREN'S HOMES, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

(With Comparative Information For December 31, 2019)

NOTE I – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Category	December 31,	
	2020	2019
Land	\$ 8,852,876	\$ 8,809,376
Buildings and building improvements	23,550,731	21,704,533
Furniture and equipment	3,175,344	3,193,853
Vehicles	1,140,307	1,213,512
Construction in progress	<u>1,279,579</u>	<u>1,057,057</u>
Total	37,998,837	35,978,331
Less: Accumulated depreciation	<u>(12,352,836)</u>	<u>(11,914,039)</u>
Net property and equipment	<u>\$ 25,646,001</u>	<u>\$ 24,064,292</u>

Depreciation expense amounted to \$650,297 and \$626,196 for 2020 and 2019, respectively.

NOTE J – PAYCHECK PROTECTION PROGRAM

During 2020, the Organization obtained a Paycheck Protection Program note payable (“PPP loan”) of \$1,919,162. The PPP loan is unsecured and is payable to a financial institution at a fixed rate of 1.00% per annum with a deferral of interest and principal payments ending on the earlier of the date the Small Business Administration issues a decision on the forgiveness amount of the loan or April 2021. The PPP loan matures in April 2022. Pursuant to federal law, the PPP loan may be forgiven in whole or in part based on the nature of the Organization’s expenditures during an applicable period. During 2020, management estimates that the Organization incurred or spent \$1,919,162 of expenditures eligible for forgiveness. This amount has been recognized as a reduction to “note payable” in the accompanying consolidated statement of financial position as of December 31, 2020 (reducing the balance of the PPP loan to zero) and as “grant revenue” in the accompanying consolidated statement of activities for the year ended December 31, 2020. Subsequent to December 31, 2020, the PPP loan was forgiven in its entirety.

NOTE K – BOARD DESIGNATED NET ASSETS

Net assets were designated by the Organization’s Board of Directors for the following purposes as of December 31, 2020 and 2019:

Category	December 31,	
	2020	2019
Capital improvements	\$ 1,352,012	\$ 152,012
Capital repairs	1,011,856	924,457
Vehicle repairs	384,781	284,704
Insurance reserve	<u>121,371</u>	<u>109,189</u>
Total board designated net assets	<u>\$ 2,870,020</u>	<u>\$ 1,470,362</u>

FLORIDA BAPTIST CHILDREN'S HOMES, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

(With Comparative Information For December 31, 2019)

NOTE L - NET ASSETS WITH RESTRICTIONS

Net assets with restrictions were for the following purposes during 2020:

	Balance		Investment		Balance
	<u>January 1</u>	<u>Contributions</u>	<u>Income, net</u>	<u>Disbursements/</u>	<u>December 31</u>
			<u>and Other</u>	<u>Releases</u>	
Endowment corpus with distributions available for general operating purposes	\$ 4,172,629	\$ 3,017,000	\$ —	\$ —	\$ 7,189,629
Appreciation on endowment net assets	3,432,270	—	1,672,364	—	5,104,634
Capital improvements	2,271,399	2,531,668	—	—	4,803,067
Beneficial interest in perpetual trusts held by others	1,499,769	—	191,238	—	1,691,007
Beneficial interest in perpetual trusts held by FBF	1,312,922	—	54,812	—	1,367,734
Global	1,177,241	65,528	—	—	1,242,769
Net investment held for charitable gift annuities	939,125	21,303	152,372	—	1,112,800
Scholarships	797,322	—	—	(3,881)	793,441
Endowment corpus with distributions restricted for various purposes	732,386	1,000	—	—	733,386
Other time and use restrictions	<u>634,718</u>	<u>—</u>	<u>41,613</u>	<u>(132,559)</u>	<u>543,772</u>
Total	<u>\$ 16,969,781</u>	<u>\$ 5,636,499</u>	<u>\$ 2,112,399</u>	<u>\$ (136,440)</u>	<u>\$ 24,582,239</u>

Net assets with restrictions were for the following purposes during 2019:

	Balance		Investment		Balance
	<u>January 1</u>	<u>Contributions</u>	<u>Income, net</u>	<u>Disbursements/</u>	<u>December 31</u>
			<u>and Other</u>	<u>Releases</u>	
Endowment corpus with distributions available for general operating purposes	\$ 3,655,129	\$ 517,500	\$ —	\$ —	\$ 4,172,629
Appreciation on endowment net assets	1,791,266	—	1,641,004	—	3,432,270
Capital improvements	1,768,054	803,345	—	(300,000)	2,271,399
Beneficial interest in perpetual trusts held by others	1,296,353	—	203,416	—	1,499,769
Beneficial interest in perpetual trusts held by FBF	1,224,876	—	88,046	—	1,312,922
Global	1,137,003	40,238	—	—	1,177,241
Net investment held for charitable gift annuities	811,252	—	219,200	(91,327)	939,125
Scholarships	785,729	11,593	—	—	797,322

FLORIDA BAPTIST CHILDREN'S HOMES, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

(With Comparative Information For December 31, 2019)

NOTE L – NET ASSETS WITH RESTRICTIONS (Continued)

	<u>Balance</u>			<u>Investment</u>		<u>Disbursements/</u>	<u>Balance</u>
	<u>January 1</u>	<u>Contributions</u>		<u>Income, net</u>		<u>Releases</u>	<u>December 31</u>
				<u>and Other</u>			
Endowment corpus with distributions restricted for various purposes	\$ 730,886	\$ 1,500		\$ —		\$ —	\$ 732,386
Other time and use restrictions	<u>887,062</u>	<u>—</u>		<u>34,050</u>		<u>(286,394)</u>	<u>634,718</u>
Total	<u>\$ 14,087,610</u>	<u>\$ 1,374,176</u>		<u>\$ 2,185,716</u>		<u>\$ (677,721)</u>	<u>\$ 16,969,781</u>

The Organization preserves the estimated fair value of endowment gifts as of the gift date, which management deems is in compliance with state law. Accordingly, the Organization classifies as “endowment corpus” (a) the original value of gifts donated to the endowments and (b) the original value of subsequent gifts to the endowments. The Organization has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to supported programs while seeking to maintain the purchasing power of the endowment assets and to preserve the invested capital. The Organization seeks the advice of investment counsel, as well as management and the Board, when determining amounts to be spent on supported programs. The Organization has adopted a current spending policy of 5% of the estimated fair value of the endowment funds.

NOTE M – NONCASH CONTRIBUTIONS

The Organization receives donations of food and beverages, clothing, toys, daily living essentials, and other similar donations from individuals and corporate partners for use in relieving suffering and poverty throughout Florida. Noncash contributions are recognized as revenue at their estimated fair value on the date the gifts are received and are recognized as expenses when the related gifts are distributed to the end user. During 2020 and 2019, the Organization recognized noncash contributions of approximately \$23,728,000 and \$10,957,000, respectively, related to these efforts which are included within “contributions without donor restrictions - noncash” in the accompanying consolidated statements of activities.

NOTE N – RETIREMENT PLAN

The Organization participates in a defined contribution retirement plan administered by Guidestone Financial Resources of the Southern Baptist Convention. The plan covers all employees of the Organization meeting certain eligibility requirements. The Organization contributed approximately \$484,000 and \$479,000 to the plan during 2020 and 2019, respectively.

NOTE O – SELF-INSURANCE PROGRAM

The Organization maintains a self-insurance program for health insurance coverage for its employees. The Organization has contracted with a third-party administrator to process the health insurance claims. Under the contract, the Organization is self-insured for each employee for the first \$75,000 of claims incurred in a calendar year. The Organization has a reinsurance policy that covers claims over \$75,000 per employee per year. The Organization has stop-loss insurance of \$75,000 for individuals per period and \$1,000,000 in the aggregate per period. As of December 31, 2020 and 2019, claims incurred but not paid or reported were not material to the consolidated financial statements and are included within “accounts payable and accrued expenses” in the accompanying consolidated statements of financial position.

FLORIDA BAPTIST CHILDREN'S HOMES, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

(With Comparative Information For December 31, 2019)

NOTE P - TRANSACTIONS WITH COOPERATING MINISTRIES

The Organization is a cooperating ministry of the Florida Baptist State Convention. The Florida Baptist State Convention provides funding to the Organization through the Cooperative Program administered by Florida Baptist Convention, Inc. The Organization received approximately \$912,000 and \$1,140,000 from Florida Baptist Convention, Inc. related to this program during 2020 and 2019, respectively. These amounts are included within "contributions without donor restrictions" in the accompanying consolidated statements of activities

Florida Baptist Foundation, Inc. ("FBF") is also a cooperating ministry of the Florida Baptist State Convention. FBF serves as trustee over a number of investment accounts for the Organization, and also holds trusts in which the Organization has a beneficial interest. FBF was trustee of approximately \$3,700,000 and \$3,179,000 of the Organization's cash and investments as of December 31, 2020 and 2019, respectively. Further, the Organization had a beneficial interest in trusts held by FBF in the amount of \$1,367,734 and \$1,312,922 as of December 31, 2020 and 2019, respectively.

NOTE Q - CONTINGENCIES

From time to time, the Organization becomes aware of the existence of possible legal claims against it. While possible claims may exist, management does not have any basis for concluding that such claims would have a material adverse effect on the consolidated financial statements.

Supplemental Information

FLORIDA BAPTIST CHILDREN'S HOMES, INC. AND AFFILIATES
SUPPLEMENTAL CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2020
(UNAUDITED)

ASSETS						
	Florida Baptist Children's Homes, Inc.	FBCH Land Holdings, Inc.	FBCH Land Holdings II, Inc.	One More Child Foundation, Inc.	Eliminations	Total
ASSETS						
Cash and cash equivalents	\$ 12,547,198	\$ 258,816	\$ 8,860	\$ 3,353,951	\$ —	\$ 16,168,825
Cash designated for long-term purposes	1,518,008	1,352,012	—	—	—	2,870,020
Assets restricted for long-term purposes	2,372,948	3,803,067	—	7,662,867	—	13,838,882
Investments	6,740,911	—	—	64,434,659	—	71,175,570
Property and equipment, net	2,841,301	22,804,700	—	—	—	25,646,001
Beneficial interest in perpetual trusts held by others	3,058,741	—	—	—	—	3,058,741
Other assets	2,073,954	—	—	—	(1,200,000)	873,954
Total assets	\$ 31,153,061	\$ 28,218,595	\$ 8,860	\$ 75,451,477	\$ (1,200,000)	\$ 133,631,993
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts payable and accrued expenses	\$ 1,396,338	\$ 1,200,000	\$ —	\$ —	\$ (1,200,000)	\$ 1,396,338
Present value of charitable gift annuities payable	447,601	—	—	—	—	447,601
Total liabilities	1,843,939	1,200,000	—	—	(1,200,000)	1,843,939
NET ASSETS						
Without donor restrictions						
Operating	15,249,100	258,816	8,860	63,173,018	—	78,689,794
Net investment in property and equipment	2,841,301	22,804,700	—	—	—	25,646,001
Board designated	2,718,008	152,012	—	—	—	2,870,020
Total net assets without donor restrictions	20,808,409	23,215,528	8,860	63,173,018	—	107,205,815
With donor restrictions	8,500,713	3,803,067	—	12,278,459	—	24,582,239
Total net assets	29,309,122	27,018,595	8,860	75,451,477	—	131,788,054
Total liabilities and net assets	\$ 31,153,061	\$ 28,218,595	\$ 8,860	\$ 75,451,477	\$ (1,200,000)	\$ 133,631,993

FLORIDA BAPTIST CHILDREN'S HOMES, INC. AND AFFILIATES
SUPPLEMENTAL CONSOLIDATING STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2020
(UNAUDITED)

	Florida Baptist Children's Homes, Inc.	FBCH Land Holdings, Inc.	FBCH Land Holdings II, Inc.	One More Child Foundation, Inc.	Eliminations	Total
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS						
Public support and revenue						
Contributions - noncash	\$ 23,878,362	\$ —	\$ —	\$ —	\$ —	\$ 23,878,362
Contributions	12,503,958	—	—	—	—	12,503,958
Net gain on investments	1,092,161	—	—	9,002,937	—	10,095,098
Child support and contracts	4,768,293	—	—	—	—	4,768,293
Grant revenue	1,919,162	—	—	—	—	1,919,162
Interest and dividend income	121,423	—	—	695,969	—	817,392
Other revenue	189,114	150,808	—	—	—	339,922
Gain on sale of property and equipment	8,100	—	—	—	—	8,100
Grant from affiliates	<u>2,777,367</u>	<u>1,899,767</u>	<u>—</u>	<u>—</u>	<u>(4,677,134)</u>	<u>—</u>
Total public support and revenue	47,257,940	2,050,575	—	9,698,906	(4,677,134)	54,330,287
Net assets released from time and use restrictions	<u>136,440</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>136,440</u>
Total public support and revenue and net assets released from time and use restrictions	<u>47,394,380</u>	<u>2,050,575</u>	<u>—</u>	<u>9,698,906</u>	<u>(4,677,134)</u>	<u>54,466,727</u>
Expenses						
Program services						
Child hunger	24,656,943	—	—	—	—	24,656,943
Foster care	3,931,268	68,552	—	—	—	3,999,820
Global	1,764,498	—	—	—	—	1,764,498
Family support	1,592,968	—	—	—	—	1,592,968
Anti-trafficking	1,563,063	—	—	—	—	1,563,063
Campus ministries	770,279	356,472	—	—	—	1,126,751
State programs	1,059,403	31,991	—	—	—	1,091,394
Single moms	813,036	—	—	—	—	813,036
Grant to affiliates	<u>1,399,767</u>	<u>60,000</u>	<u>2,500</u>	<u>3,214,867</u>	<u>(4,677,134)</u>	<u>—</u>
Total program services	<u>37,551,225</u>	<u>517,015</u>	<u>2,500</u>	<u>3,214,867</u>	<u>(4,677,134)</u>	<u>36,608,473</u>
Support services						
General administration	2,169,802	512	61	61	—	2,170,436
Promotion and development	<u>2,608,137</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,608,137</u>
Total support services	<u>4,777,939</u>	<u>512</u>	<u>61</u>	<u>61</u>	<u>—</u>	<u>4,778,573</u>
Total expenses	<u>42,329,164</u>	<u>517,527</u>	<u>2,561</u>	<u>3,214,928</u>	<u>(4,677,134)</u>	<u>41,387,046</u>
Change in net assets without donor restrictions	<u>5,065,216</u>	<u>1,533,048</u>	<u>(2,561)</u>	<u>6,483,978</u>	<u>—</u>	<u>13,079,681</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS						
Contributions	5,636,499	—	—	—	—	5,636,499
Net gain on investments	278,104	—	—	1,374,506	—	1,652,610
Change in beneficial interest in perpetual trusts held by others	246,050	—	—	—	—	246,050
Interest and dividend income	16,728	—	—	192,936	—	209,664
Net change in present value of charitable gift annuities payable	4,075	—	—	—	—	4,075
Net assets released from time and use restrictions	(136,440)	—	—	—	—	(136,440)
Grant to/from affiliates	<u>(4,549,668)</u>	<u>1,531,668</u>	<u>—</u>	<u>3,018,000</u>	<u>—</u>	<u>—</u>
Change in net assets with donor restrictions	<u>1,495,348</u>	<u>1,531,668</u>	<u>—</u>	<u>4,585,442</u>	<u>—</u>	<u>7,612,458</u>
CHANGE IN NET ASSETS	<u>6,560,564</u>	<u>3,064,716</u>	<u>(2,561)</u>	<u>11,069,420</u>	<u>—</u>	<u>20,692,139</u>
NET ASSETS - Beginning of year	<u>22,748,558</u>	<u>23,953,879</u>	<u>11,421</u>	<u>64,382,057</u>	<u>—</u>	<u>111,095,915</u>
NET ASSETS - End of year	<u>\$ 29,309,122</u>	<u>\$ 27,018,595</u>	<u>\$ 8,860</u>	<u>\$ 75,451,477</u>	<u>\$ —</u>	<u>\$ 131,788,054</u>

FLORIDA BAPTIST CHILDREN'S HOMES, INC. AND AFFILIATES
SUPPLEMENTAL CONSOLIDATING STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2020
(UNAUDITED)

	Florida Baptist Children's Homes, Inc.	FBCH Land Holdings, Inc.	FBCH Land Holdings II, Inc.	One More Child Foundation, Inc.	Eliminations	Total
OPERATING CASH FLOWS						
Cash received from contributors	\$ 12,590,789	\$ —	\$ —	\$ —	\$ —	\$ 12,590,789
Cash received for child support and contracts	4,784,598	—	—	—	—	4,784,598
Cash received from interest and dividends	138,151	—	—	888,905	—	1,027,056
Cash received from affiliates	2,777,367	2,949,767	—	—	(5,727,134)	—
Other revenue received	189,114	150,808	—	—	—	339,922
Cash paid for operating activities and costs	<u>(24,118,941)</u>	<u>(60,512)</u>	<u>(2,561)</u>	<u>(3,214,928)</u>	<u>10,276,802</u>	<u>(17,120,140)</u>
Net operating cash flows	<u>(3,638,922)</u>	<u>3,040,063</u>	<u>(2,561)</u>	<u>(2,326,023)</u>	<u>4,549,668</u>	<u>1,622,225</u>
INVESTING CASH FLOWS						
Net sales of investments	3,021,936	—	—	5,204,107	—	8,226,043
Net investment in assets restricted for long-term purposes	(160,158)	—	—	(3,018,000)	—	(3,178,158)
Net proceeds from sale of property and equipment	8,600	—	—	—	—	8,600
Purchases of and improvements to property and equipment	(218,359)	(1,864,147)	—	—	—	(2,082,506)
Grant to/from affiliates of assets restricted for long-term purposes	<u>—</u>	<u>1,531,668</u>	<u>—</u>	<u>—</u>	<u>(1,531,668)</u>	<u>—</u>
Net investing cash flows	<u>2,652,019</u>	<u>(332,479)</u>	<u>—</u>	<u>2,186,107</u>	<u>(1,531,668)</u>	<u>2,973,979</u>
FINANCING CASH FLOWS						
Proceeds from contributions restricted for:						
Investment in property and equipment	1,531,668	—	—	—	—	1,531,668
Endowment	3,018,000	—	—	—	—	3,018,000
Borrowings	1,919,162	—	—	—	—	1,919,162
Grant to/from affiliates restricted for long-term endowment	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,018,000</u>	<u>(3,018,000)</u>	<u>—</u>
Net financing cash flows	<u>6,468,830</u>	<u>—</u>	<u>—</u>	<u>3,018,000</u>	<u>(3,018,000)</u>	<u>6,468,830</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS, DESIGNATED CASH, AND RESTRICTED CASH	5,481,927	2,707,584	(2,561)	2,878,084	—	11,065,034
CASH AND CASH EQUIVALENTS, DESIGNATED CASH, AND RESTRICTED CASH - Beginning of year	<u>8,639,922</u>	<u>2,706,311</u>	<u>11,421</u>	<u>475,867</u>	<u>—</u>	<u>11,833,521</u>
CASH AND CASH EQUIVALENTS, DESIGNATED CASH, AND RESTRICTED CASH - End of year	<u>\$ 14,121,849</u>	<u>\$ 5,413,895</u>	<u>\$ 8,860</u>	<u>\$ 3,353,951</u>	<u>\$ —</u>	<u>\$ 22,898,555</u>
REPORTED IN THE CONSOLIDATING STATEMENT OF FINANCIAL POSITION AS FOLLOWS						
Cash and cash equivalents	\$ 12,547,198	\$ 258,816	\$ 8,860	\$ 3,353,951	\$ —	\$ 16,168,825
Cash designated for long-term purposes	1,518,008	1,352,012	—	—	—	2,870,020
Restricted cash included in "Assets restricted for long-term purposes"	<u>56,643</u>	<u>3,803,067</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,859,710</u>
Total cash and cash equivalents, designated cash, and restricted cash	<u>\$ 14,121,849</u>	<u>\$ 5,413,895</u>	<u>\$ 8,860</u>	<u>\$ 3,353,951</u>	<u>\$ —</u>	<u>\$ 22,898,555</u>

SUPPLEMENTAL DISCLOSURE

During 2020, \$1,919,162 of principal reductions of a certain note payable is included in "grant revenue" in the consolidating statement of activities.

FLORIDA BAPTIST CHILDREN'S HOMES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For The Year Ended December 31, 2020

Federal Agency	Federal CFDA Number	Contract/Grant Number	Expenditures
U.S. Department of Health and Human Services			
Passed through State of Florida Department of Children and Families:			
Big Bend Community Based Care:			
Foster Care Title IV-E	93.658	0247	\$ 1,672
Brevard Family Partnership:			
Foster Care Title IV-E	93.658	FBCH OHC RA 1813	89,740
Social Services Block Grant	93.667	FBCH OHC RA 1813	976
ChildNet:			
Foster Care Title IV-E	93.658	Other assistance	18,900
Children's Network of Southwest Florida:			
Foster Care Title IV-E	93.658	SAR11	23,169
Social Services Block Grant	93.667	SAR11	531
Temporary Assistance for Needy Families	93.558	BAR01	17,285
Foster Care Title IV-E	93.658	BAR01	306,610
Adoption Assistance	93.659	BAR01	25,305
Citrus Family Care Network:			
Foster Care Title IV-E	93.658	Other assistance	43,653
Social Services Block Grant	93.667	Other assistance	14,547
Community Partnership for Children:			
Foster Care Title IV-E	93.658	D12-19-FBCH-CPA	207,944
Temporary Assistance for Needy Families	93.558	D12-19-FBCH-CPA	11,468
Adoption Assistance	93.659	D12-19-FBCH-CPA	16,788
Eckerd Community Alternatives:			
Temporary Assistance for Needy Families	93.558	ECA-C6-TFC-FBCH-FY22 C6	116
Foster Care Title IV-E	93.658	ECA-C6-TFC-FBCH-FY22 C6	71,657
Adoption Assistance	93.659	ECA-C6-TFC-FBCH-FY22 C6	5,607
Temporary Assistance for Needy Families	93.558	ECA-C6-TFC-FBCH-FY22 C13	1
Foster Care Title IV-E	93.658	ECA-C6-TFC-FBCH-FY22 C13	640
Adoption Assistance	93.659	ECA-C6-TFC-FBCH-FY22 C13	50
Embrace Families:			
Foster Care Title IV-E	93.658	SEMOROS-048 2023	23,496
MaryLee Allen Promoting Safe and Stable Families Program	93.556	SEMOROS-048 2023	263
Temporary Assistance for Needy Families	93.558	SEMOROS-048 2023	21,807
Stephanie Tubbs Jones Child Welfare Services Program	93.645	SEMOROS-048 2023	3,002
Adoption Assistance	93.659	SEMOROS-048 2023	2,431
Foster Care Title IV-E	93.658	Other assistance	96,550
Social Services Block Grant	93.667	Other assistance	17,278
Foster Care Title IV-E	93.658	Other assistance	50,625
Social Services Block Grant	93.667	Other assistance	1,275
Family First Network/Lakeview:			
Social Services Block Grant	93.667	AJ495	653
Foster Care Title IV-E	93.658	AJ495	197,487
MaryLee Allen Promoting Safe and Stable Families Program	93.556	AJ495	1,689
Temporary Assistance for Needy Families	93.558	AJ495	79,973
Stephanie Tubbs Jones Child Welfare Services Program	93.645	AJ495	15,556
Adoption Assistance	93.659	AJ495	14,035
Family Integrity Program:			
Temporary Assistance for Needy Families	93.558	Other assistance	35
Foster Care Title IV-E	93.658	Other assistance	21,148
Adoption Assistance	93.659	Other assistance	1,736
Family Support Services of North Florida:			
Foster Care Title IV-E	93.658	DJ038	109,705
Temporary Assistance for Needy Families	93.558	DJ038	5,035
Adoption Assistance	93.659	DJ038	7,370
Heartland for Children:			
Foster Care Title IV-E	93.658	PFB01	335,638
Social Services Block Grant	93.667	PFB01	23,646
Temporary Assistance for Needy Families	93.558	PFB01	174
Adoption Assistance	93.659	PFB01	8,422
Foster Care Title IV-E	93.658	QFB01	55,377
Adoption Assistance	93.659	QFB01	3,122
Temporary Assistance for Needy Families	93.558	QFB01	65

FLORIDA BAPTIST CHILDREN'S HOMES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (Continued)
For The Year Ended December 31, 2020

Federal Agency	Federal CFDA Number	Contract/Grant Number	Expenditures
U.S. Department of Health and Human Services			
Passed through State of Florida Department of Children and Families (Continued):			
Kids First Florida:			
Foster Care Title IV-E	93.658	DJ039	\$ 87,823
Social Services Block Grant	93.667	DJ039	263
Temporary Assistance for Needy Families	93.558	DJ039	97
Adoption Assistance	93.659	DJ039	4,695
Partnership for Strong Families:			
Foster Care Title IV-E	93.658	PNP930	176,230
Social Services Block Grant	93.667	PNP930	266
Temporary Assistance for Needy Families	93.558	PNP930	14,616
Adoption Assistance	93.659	PNP930	15,147
Stephanie Tubbs Jones Child Welfare Services Program	93.645	PNP930	3,719
MaryLee Allen Promoting Safe and Stable Families Program	93.556	PNP930	292
Safe Children Coalition:			
Foster Care Title IV-E	93.658	FBHOHCS20	132,315
Temporary Assistance for Needy Families	93.558	FBHOHCS20	3,716
Adoption Assistance	93.659	FBHOHCS20	10,969
Foster Care Title IV-E	93.658	FBHOHCS20	9,652
Social Services Block Grant	93.667	FBHOHCS20	10,755
Adoption Assistance	93.659	FBHOHCS20	41
U.S. Department of Justice			
Voices of Florida:			
Crime Victim Assistance	16.575	00338	467,608
Crime Victim Assistance	16.575	00720	165,042
U.S. Department of Treasury			
United Way of Central Florida:			
COVID-19 - Coronavirus Relief Fund	21.019	PCU MOU S 22 2020	<u>1,024,000</u>
Total Expenditures of Federal Awards			<u>\$ 4,081,498</u>
State Agency	State CSFA Number	Contract/Grant Number	Expenditures
Florida Department of Children and Families			
Citrus Family Care Network:			
Out-Of-Home Supports	60.074	Other assistance	\$ 7,227
Community Partnership for Children:			
Out-Of-Home Supports	60.074	D12-19-FBCH-CPA	301,227
Family First Network/Lakeview:			
Out-Of-Home Supports	60.074	AJ495	60,401
Kids First Florida:			
Out-Of-Home Supports	60.074	DJ039	143
State Appropriations:			
Services to Victims of Sexual Exploitation	60.152	TJ504	220,000
Florida Baptist Children's Home - Brave Moms Program	60.165	LJ971	225,244
Florida Department of Legal Affairs and Attorney General			
Voices of Florida:			
Florida Center for Children and Youth, Open Doors/Voices for Florida	41.024	K04795	73,814
Florida Center for Children and Youth, Open Doors/Voices for Florida	41.024	K0514	84,348
Florida Department of Juvenile Justice			
State Appropriations:			
Delinquency Prevention	80.029	10646	53,473
Delinquency Prevention	80.029	10662	<u>180,585</u>
Total Expenditures of State Financial Assistance			<u>\$ 1,206,462</u>
Total Federal and State Awards			<u>\$ 5,287,960</u>

FLORIDA BAPTIST CHILDREN'S HOMES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (Continued)
For The Year Ended December 31, 2020

Reconciliation of Amounts as Reported by Federal CFDA and State CSFA Number

Federal Program Title	Federal CFDA Number	Expenditures
Foster Care Title IV-E	93.658	\$ 2,060,031
COVID-19 - Coronavirus Relief Fund	21.019	1,024,000
Crime Victim Assistance	16.575	632,650
Temporary Assistance for Needy Families	93.558	154,388
Adoption Assistance	93.659	115,718
Social Services Block Grant	93.667	70,190
Stephanie Tubbs Jones Child Welfare Services Program	93.645	22,277
MaryLee Allen Promoting Safe and Stable Families Program	93.556	<u>2,244</u>

Total Expenditures of Federal Awards by CFDA Number **\$ 4,081,498**

State Awards Title	State CSFA Number	Expenditures
Out-Of-Home Supports	60.074	\$ 368,998
Delinquency Prevention	80.029	234,058
Florida Baptist Children's Home - Brave Moms Program	60.165	225,244
Services to Victims of Sexual Exploitation	60.152	220,000
Florida Center for Children and Youth, Open Doors/Voices for Florida	41.024	<u>158,162</u>

Total Expenditures of State Awards by CSFA Number **\$ 1,206,462**

Total Federal and State Awards **\$ 5,287,960**

FLORIDA BAPTIST CHILDREN'S HOMES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

For The Year Ended December 31, 2020

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance ("the Schedule") includes the federal and state award activity of Florida Baptist Children's Homes, Inc. ("the Organization") under programs of the federal and state government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the 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 Chapter 10.650 Rules of the Auditor General. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the consolidated financial position, consolidated changes in net assets, or consolidated cash flows of the Organization.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE

The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.



REPORT OF INDEPENDENT AUDITOR ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Trustees
Florida Baptist Children's Homes, Inc.
Lakeland, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Florida Baptist Children's Homes, Inc. ("the Organization"), which consist of the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 6, 2021, except for our report on the supplementary information for which the date is September 28, 2021.

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) as a basis for designing 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's 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 consolidated 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 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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Batts Morrison Wales & Lee, P.A.

BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
September 28, 2021



REPORT OF INDEPENDENT AUDITOR ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.650,
RULES OF THE AUDITOR GENERAL

The Board of Trustees
Florida Baptist Children's Homes, Inc.
Lakeland, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Florida Baptist Children's Homes, Inc.'s ("the Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the requirements described in the Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on each of the Organization's major federal programs and state projects for the year ended December 31, 2020. The Organization's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs – Federal Programs and State Projects.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards and state projects applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs and state projects 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; 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* ("the Uniform Guidance"); and Chapter 10.650 Rules of the Auditor General. Those standards, the Uniform Guidance, and Chapter 10.650, Rules of the Auditor General, 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 or state project 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 and state project. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program and State Project

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 major federal programs and state projects for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the Organization 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 or state project 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 state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, Rules of the Auditor General, 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.

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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 or state project 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 program or state project 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 or state project 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 of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs – Federal Programs and State Projects as item 2020-001, that we consider to be a material weakness.

The Organization's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs – Federal Programs and State Projects. 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.

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 the Uniform Guidance and Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
September 28, 2021

FLORIDA BAPTIST CHILDREN'S HOMES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL PROGRAMS AND STATE PROJECTS
For The Year Ended December 31, 2020

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the consolidated financial statements of Florida Baptist Children's Homes, Inc. ("the Organization") were prepared in accordance with accounting principles generally accepted in the United States of America.
2. No significant deficiencies relating to the audit of the consolidated financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the consolidated financial statements of the Organization, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One material weakness relating to the audit of the major federal award programs and state projects is reported in the Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, Rules of the Auditor General.
5. The auditor's report on compliance with requirements applicable to the major federal programs and state projects for the Organization expresses an unmodified opinion.
6. All findings that are required to be reported related to federal programs in accordance with 2 CFR section 200.516(a) and state projects in accordance with Chapter 10.656, Rules of the Auditor General, are reported in this schedule.
7. The programs and projects tested as major programs and projects included the following:

Federal Programs	Federal CFDA Number
U.S. Department of Treasury:	
COVID-19 - Coronavirus Relief Fund	21.019
State Projects	State CSFA Number
Florida Department of Children and Families:	
Florida Baptist Children's Home – Brave Moms Program	60.165
Services to Victims of Sexual Exploitation	60.152
Delinquency Prevention	80.029

8. The threshold used for distinguishing between Type A and B programs was \$750,000 for major federal programs and \$361,939 for major state projects.
9. The Organization was determined to be a low-risk auditee.

B. FINDINGS – CONSOLIDATED FINANCIAL STATEMENTS AUDIT

None.

FLORIDA BAPTIST CHILDREN'S HOMES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL PROGRAMS AND STATE PROJECTS
(Continued)
For The Year Ended December 31, 2020

C. FINDINGS – MAJOR FEDERAL PROGRAMS

MATERIAL WEAKNESS

2020-001. U.S. Department of Treasury
COVID-19 - Coronavirus Relief Fund – CFDA 21.019
Grant No. PCU MOU S 22 2020 – Grant Period - March 1, 2020 through December 31, 2020

We recommend certain improvements related to the preparation and review of the Organization's Schedule of Expenditures of Federal Awards and State Financial Assistance.

Criteria or specific requirement: Internal controls should be in place to provide reasonable assurance that all contracts which are subject to federal single audit requirements are correctly included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

Condition: The Organization did not identify one contract that was subject to federal single audit reporting requirements.

Cause: We understand that management did not properly interpret the contract terms as it relates to the Organization's responsibilities pursuant to the federal single audit reporting requirements.

Effect or potential effect: The condition presents an elevated risk of the Organization preparing an inaccurate Schedule of Expenditures of Federal Awards and State Financial Assistance.

Context: The auditor identified the contract through its designed auditing procedures. No other similar exceptions were noted as a result of audit procedures.

Repeat Finding: This finding is not a repeat finding from a prior audit.

Recommendation: We recommend that the Organization carefully review all contracts each year as a part of the preparation of the Schedule of Expenditures of Federal Awards and State Financial Assistance to ensure all funds subject to federal single audit requirements are properly included. Careful attention should also be given to new or unique contracts and contract amendments.

Views of Responsible Officials and Planned Corrective Action: Please see attached Exhibit 1.

D. FINDINGS – MAJOR STATE PROJECTS

None.

E. OTHER ISSUES

No management letter is required because there were no findings required to be reported in the management letter (Section 10.656(3)(e), Rules of the Auditor General).

No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs or state projects (Section 10.656(3)(d)5., Rules of the Auditor General).

CORRECTIVE ACTION PLAN

September 28, 2021

U.S. Department of Treasury

Florida Baptist Children's Homes, Inc. ("the Organization"), respectfully submits the following corrective action plan for the year ended December 31, 2020.

Name and address of independent public accounting firm: Batts Morrison Wales & Lee, P.A.
801 North Orange Avenue, Suite 800
Orlando, Florida 32801

Audit period: December 31, 2020

The findings from the December 31, 2020 Schedule of Findings and Questioned Costs – Federal Programs and State Projects is discussed below.

FINDINGS – MAJOR FEDERAL PROGRAMS

MATERIAL WEAKNESS

2020-001. U.S. Department of Treasury
COVID-19 - Coronavirus Relief Fund – CFDA 21.019
Grant No. PCU MOU S 22 2020 – Grant Period - March 1, 2020 through December 31, 2020

We recommend certain improvements related to the preparation and review of the Organization's Schedule of Expenditures of Federal Awards and State Financial Assistance.

Criteria or specific requirement: Internal controls should be in place to provide reasonable assurance that all contracts which are subject to federal single audit requirements are correctly included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

Condition: The Organization did not identify one contract that was subject to federal single audit reporting requirements.

Cause: We understand that management did not properly interpret the contract terms as it relates to the Organization's responsibilities pursuant to the federal single audit reporting requirements.

Effect or potential effect: The condition presents an elevated risk of the Organization preparing an inaccurate Schedule of Expenditures of Federal Awards and State Financial Assistance.

1015 Sikes Blvd.
Lakeland, FL 33815

P.O. Box 8190
Lakeland, FL 33802

863.687.8811
Children@OneMoreChild.org
FBCHomes.org
OneMoreChild.org

Context: The auditor identified the contract through its designed auditing procedures. No other similar exceptions were noted as a result of audit procedures.

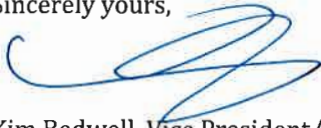
Repeat Finding: This finding is not a repeat finding from a prior audit.

Recommendation: We recommend that the Organization carefully review all contracts each year as a part of the preparation of the Schedule of Expenditures of Federal Awards and State Financial Assistance to ensure all funds subject to federal single audit requirements are properly included. Careful attention should also be given to new or unique contracts and contract amendments.

Views of Responsible Officials and Planned Corrective Action: Management received conflicting information from the Grantor regarding the proper inclusion of the funds on the Schedule of Expenditures of Federal Awards. As soon as the proper decision to include the funds were discovered, we took corrective action to ensure compliance. To avoid this issue in the future, Management will seek professional counsel, beyond the Grantor, for any new contracts or grants.

If the U.S. Department of Treasury has questions regarding this plan, please contact us at (863) 687-8811.

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'Kim Bedwell', with a stylized flourish at the end.

Kim Bedwell, Vice President/CFO
Florida Baptist Children's Homes, Inc.