



**RANDLE & ASSOCIATES, LLC**  
**Certified Public Accountants**

***DEACONESS CENTER  
FOR CHILD WELL-BEING  
FINANCIAL STATEMENTS  
DECEMBER 31, 2023***

## **Contents**

---

	<b>Page</b>
<b>Independent Auditors' Report</b> .....	1 - 2
 <b>Financial Statements</b>	
Statement Of Financial Position.....	3
Statement Of Activities .....	4
Statement Of Cash Flows.....	5
Notes To Financial Statements.....	6 - 13



## **RANDLE & ASSOCIATES, LLC, CPA**

Certified Public Accountant

(314) 731-8085

[www.randlecpa.com](http://www.randlecpa.com)

70 Black Jack Ct.  
Florissant, MO 63033

### **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Deaconess Center for Child Well-Being  
St. Louis, Missouri

#### **Opinion**

We have audited the accompanying financial statements of Deaconess Center for Child Well-Being which comprise the statement of financial position as of December 31, 2023 and 2022, and the related statements of activities, cash flows and functional expenses, for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Deaconess Center for Child Well-Being as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Deaconess Center for Child Well-Being and to meet our other ethical responsibilities in accordance with the 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 audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Deaconess Center for Child Well-Being'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Deaconess Center for Child Well-Being'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.

*Rourke & Associates, LLC, CPAs*

Florissant, Missouri  
May 14, 2024

# DEACONESS CENTER FOR CHILD WELL-BEING

## STATEMENT OF FINANCIAL POSITION

	December 31,	
	2023	2022
<b>Assets</b>		
<b>Assets</b>		
Cash, cash equivalents and restricted cash	\$ 688,419	\$ 803,363
Accounts receivable	129,971	127,790
Land	454,153	454,153
Property and equipment, net	6,323,125	6,504,014
<b>Total Assets</b>	<b>\$ 7,595,668</b>	<b>\$ 7,889,320</b>
<b>Liabilities And Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 70,876	\$ 104,526
New Markets Tax Credit notes payable	5,774,343	5,735,806
Note payable	1,250,000	1,250,000
<b>Total Liabilities</b>	<b>7,095,219</b>	<b>7,090,332</b>
<b>Net Assets</b>		
Without donor restrictions	500,449	798,988
<b>Total Liabilities And Net Assets</b>	<b>\$ 7,595,668</b>	<b>\$ 7,889,320</b>

---

**DEACONESS CENTER FOR CHILD WELL-BEING**

---

**STATEMENT OF ACTIVITIES**

	For The Years	
	Ended December 31,	
	2023	2022
<b>Net Assets Without Donor Restrictions</b>		
<b>Support, Revenues And Gains</b>		
Lease income	\$ 340,966	\$ 334,281
Facility shared services	182,526	182,504
Donations	—	2,500
<b>Total Support, Revenues, And Gains</b>	<b>523,492</b>	<b>519,285</b>
<b>Expenses</b>		
Program services:		
Facility operations and management	721,709	718,499
General and administrative	100,322	98,628
<b>Total Expenses</b>	<b>822,031</b>	<b>817,127</b>
<b>Change In Net Assets Without Donor Restrictions</b>	<b>(298,539)</b>	<b>(297,842)</b>
<b>Net Assets Without Donor Restrictions - Beginning Of Year</b>	<b>798,988</b>	<b>1,096,830</b>
<b>Net Assets Without Donor Restrictions - End Of Year</b>	<b>\$ 500,449</b>	<b>\$ 798,988</b>

---

# DEACONESS CENTER FOR CHILD WELL-BEING

## STATEMENT OF CASH FLOWS

---

	For The Years	
	Ended December 31,	
	2023	2022
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (298,539)	\$ (297,842)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	217,116	245,932
Amortization of debt issuance costs	38,538	38,538
Changes in assets and liabilities:		
Accounts receivable	(2,181)	(5,078)
Accounts payable and accrued expenses	(33,650)	40,130
Deferred revenue	—	(3,498)
<b>Net Cash Flows Provided By Operating Activities</b>	<b>(78,716)</b>	<b>18,182</b>
<b>Cash Flows Used In Investing Activities</b>		
Purchases of property and equipment	(36,228)	(45,196)
<b>Net Change In Cash, Cash Equivalents And Restricted Cash</b>	<b>(114,944)</b>	<b>(27,014)</b>
<b>Cash, Cash Equivalents And Restricted Cash - Beginning Of Year</b>	<b>803,363</b>	<b>830,377</b>
<b>Cash, Cash Equivalents And Restricted Cash - End Of Year</b>	<b>\$ 688,419</b>	<b>\$ 803,363</b>
<b>Supplemental Cash Flow Information</b>		
Amounts paid for:		
Interest	\$ 77,147	\$ 77,147

# DEACONESS CENTER FOR CHILD WELL-BEING

---

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023 And 2022

### 1. Summary Of Significant Accounting Policies

#### Organization

Deaconess Center for Child Well-Being (the “Center”) was established as a single purpose not-for-profit entity by the Deaconess Foundation (the “Foundation”) to facilitate New Markets Tax Credit (NMTC) transactions. As a community action tank, the Center’s sole purpose is to provide financial and operational support for the construction and operation of offices and community convening space leased to the Foundation to further its mission to build power to advance child well-being in the St. Louis region. The property will be operated in such a way that it qualifies as a Qualified Active Low-Income Community Business under the definition of the NMTC Program under Internal Revenue Code (IRC) Section 45(d). The Center’s Board of Directors consists of five members and the Foundation has the sole authority to appoint the members of the Board of Directors.

#### Basis Of Presentation

The financial statements of the Center have been prepared on the accrual basis and in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”), the Center reports information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Center. These net assets may be used at the discretion of the Center’s management and the Board of Directors (“Board”). From time to time, the Board may designate a portion of net assets for specified purposes which make them unavailable for use at management’s discretion.

*Net assets with donor restrictions* - Net assets that are subject to donor and grantor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions will never lapse, thus requiring that the funds be retained permanently.

#### Use Of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.



## **DEACONESS CENTER FOR CHILD WELL-BEING**

---

### Notes To Financial Statements (*Continued*)

#### **Cash, Cash Equivalents And Restricted Cash**

For purposes of the statement of cash flows, the Center considers all highly liquid investments purchased with a maturity date of three months or less to be cash equivalents. At December 31, 2023 and 2022, the Center had credit risk arising from cash deposits in excess of federally insured limits of \$250,000. The Center has not incurred any loss resulting from these excess cash balances during the periods under audit.

The Center's NMTC funds of \$23,667 and \$55,667 at December 31, 2023 and 2022, respectively, are held under the control of the investor bank to the NMTC financing transaction (Note 3) and are restricted for use toward construction of the office building and convening space to be leased to the Foundation.

#### **Accounts Receivable**

Accounts receivable of \$129,971 and \$127,790 at December 31, 2023 and 2022, respectively, are considered by the Center's management to be fully collectible and accordingly, the Center elects not to establish an allowance against the accounts.

#### **Property And Equipment**

Property and equipment are recorded at cost, if purchased, or at estimated fair market value on the date of receipt, if donated, less accumulated depreciation computed using the straight-line method over their estimated service lives, which range from 5 to 39 years. Expenditures greater than \$1,000 are reviewed for capitalization. Expenditures for repairs and maintenance are charged to expense as incurred, and additions and improvements that significantly extend the lives of assets are capitalized.

#### **Debt Issuance Costs**

The Center incurred legal and accounting costs associated with its NMTC transactions (Note 3) of \$256,988 during the year ended December 31, 2017. This amount is included as an offset to New Markets Tax Credit notes payable on the accompanying statement of financial position and is being amortized on the straight line method over the life of the related notes payable. Amortization expense is included in interest expense in Note 6.

## DEACONESS CENTER FOR CHILD WELL-BEING

---

### Notes To Financial Statements (*Continued*)

#### **Revenue Recognition**

Unconditional contributions are recognized when the donor makes a promise to give to the Center. Contributions restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Lease income and facility shared services are recognized as revenue in the period when the use of facilities and shared services are provided by the Center.

#### **Rental Revenue**

The Center as lessor, leases its building to the Foundation until 2047. The Center classifies the lease as an operating lease and elects not to separate the lease component, comprised of monthly rent from the Foundation, from the associated non-lease components, comprised of maintenance, repairs and/or other expenses attributable to the leased property. The Center accounts for the combined lease and non-lease components under ASC 842. Lease income for the years ended December 31, 2023, and 2022 totaled \$340,966 and \$334,281 respectively. Based on the remaining term of the lease agreement, the Center expects to receive payments totaling \$347,785 during the year ended December 31, 2024.

#### **Income Taxes**

The Center was established as a qualified active low-income community business (QALICB) under NMTC guidelines. It operates as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and as a supporting organization under Section 509(a)(3) of the Code and, therefore, is exempt from federal, state, and local income taxes on related, exempt income. The Center is not required to file an information return, IRS Form 990.

The Center follows the provisions of ASC 740-10-25 requiring disclosure of uncertain tax positions. There has been no interest or penalties recognized in the statement of activities or in the statement of financial position related to uncertain tax positions. In addition, no tax positions exist for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next 12 months. The Center evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures and discussions with outside experts.

## DEACONESS CENTER FOR CHILD WELL-BEING

---

### Notes To Financial Statements (Continued)

#### Expenses By Functional Classes

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the statement of activities. Note 6 presents the natural classification detail of expenses by function. All of the Center's expenses are charged directly as program services and general and administrative expenses.

#### Subsequent Events

Management evaluates subsequent events through the date the financial statements are available for issuance, which is the date of the independent auditor's report.

## 2. Liquidity And Availability Of Resources

As of December 31, financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 664,752	\$ 747,696
Accounts receivable	129,971	127,790
<u>Total financial assets available within one year</u>	<u>\$ 794,723</u>	<u>\$ 875,486</u>

The Center regularly monitors liquidity to meet its operating needs and other contractual commitments.

## 3. New Markets Tax Credit Financing

During the year ended December 31, 2017, the Center entered into several debt transactions to access funds through the New Markets Tax Credit (NMTC) Program. These funds were used to construct the new office and community convening space on Vandeventer Avenue in St. Louis, Missouri to be leased to the Foundation. The NMTC Program permits taxpayers to claim federal tax credits for making Qualified Equity Investments (QEI) in designated Community Development Entities (CDEs). These CDEs must use substantially all of the proceeds (87%) to make Qualified Low-Income Community Investments (QLICs). The investor is provided with a tax credit, which is claimed over a seven-year period. The Center partnered with an investor, Capital One, N.A., to utilize the NMTC Program.

## DEACONESS CENTER FOR CHILD WELL-BEING

---

### Notes To Financial Statements (Continued)

Capital One, N.A. established a special purpose entity, COCRF Investor 98, LLC, to raise capital for the transaction. COCRF, LLC was funded with \$2,035,800 from Capital One, N.A. and a \$3,964,200 loan from the Foundation.

The capital raised by COCRF Investor 98, LLC was used to make a \$1,000,000 QEI in the CDE, COCRF SubCDE, LLC and a \$5,000,000 QEI in the CDE, St. Louis New Markets Tax Credit Fund, LLC. These proceeds were used by the CDEs to make loans in the aggregate of \$5,800,000 to the Center. These loans bear interest at 1.1146% and require interest-only payments through August 2024, at which time payments increase to fully amortize the note over 23 years, with final maturity in June 2047. The Center is using the loan proceeds to fund the construction of the offices and community convening space to be leased to the Foundation. This capital asset serves as collateral to the financing arrangement. The loans are classified as New Markets Tax Credit notes payable on the accompanying statement of financial position, net of debt issuance costs (as described in Note 1 and below).

Interest incurred related to the NMTC financing for the year ended December 31, 2017 of \$21,726 has been capitalized as property and equipment in the accompanying statement of financial position, as such amount was incurred during the construction phase of the office and community convening space to be leased to the Foundation.

Notes payable related to the NMTC financing reflected on the statement of financial position as of December 31 are as follows:

	<u>2023</u>	<u>2022</u>
QLICI Loan A1	\$ 660,700	\$ 660,700
QLICI Loan A2	339,300	339,300
QLICI Loan B1	3,303,500	3,303,500
QLICI Loan B2	1,496,500	1,496,500
Less: Debt issuance costs	(25,657)	(64,194)
	<u>\$ 5,774,343</u>	<u>\$ 5,735,806</u>

As part of the financing arrangements, the Foundation and the Center have provided certain guarantees to COCRF SubCDE, LLC, St. Louis New Markets Tax Credit Fund, LLC and COCRF Investor 98, LLC.

## DEACONESS CENTER FOR CHILD WELL-BEING

---

### Notes To Financial Statements (*Continued*)

In addition, the tax credits associated with the transaction are contingent on the Center maintaining compliance with applicable provisions of section 42 of the IRC. Failure to maintain compliance could result in recapture of previously claimed tax credits, including interest and penalties. As of December 31, 2023, no such events have occurred.

The seven-year compliance period for the NMTC financing will end in August 2024, at which time Capital One, N.A. may exit the transaction through the exercise of a call/put agreement which it has entered into with the Center. Under the agreement, Capital One, N.A. may “put” its interest in COCRF Investor 98, LLC to the Center for a purchase price of \$1,000. In the event that Capital One, N.A. has not exercised this put option, the Center has 180 days to exercise its call option to purchase Capital One, N.A.’s entire interest in COCRF Investor 98, LLC for a purchase price equal to the appraised value of Capital One, N.A.’s interest. To exercise the call option, the Center must be current on all payments under the four notes payable. The Center will realize its savings from the NMTC transactions through the exercise of this put or call option, at which time it will control COCRF Investor 98, LLC and can effectively forgive the remaining QLICI loans. No amounts have been recorded in the accompanying financial statements related to these put and call options.

#### **4. Note Payable**

In conjunction with the NMTC financing described in Note 3, during the year ended December 31, 2017, the Center entered into a \$1,250,000 note payable agreement with the Foundation. Interest is payable quarterly at 1% through August 2024. In September 2024, the Center will make principal and interest payments of \$12,070 through August 2047, at which time the entire balance of principal and interest is due.

Interest expense related to the note payable for the years ended December 31, 2023 and 2022 was \$12,500. For the year ended December 31, 2017, \$4,201 was capitalized as property and equipment in the accompanying statement of financial position, as such amount was incurred during the construction phase of the office and community convening space to be leased to the Foundation.

## DEACONESS CENTER FOR CHILD WELL-BEING

Notes To Financial Statements (Continued)

### 5. Related Party Transactions

As described in Note 3 to the financial statements, COCRF SubCDE, LLC and St. Louis New Markets Tax Credit Fund, LLC received funding through transactions involving the Foundation and COCRF Investor 98, LLC, whose sole member is Capital One, N.A. All of these entities are considered related parties.

In addition to the note payable described in Note 4 above, the Foundation contributed \$1,460,800 of cash and \$578,316 of construction in progress costs to the Center during the year ended December 31, 2017.

The Foundation provides management and oversight to the Center. The Center incurred \$68,000 in professional fees from the Foundation related to the services provided for the years ended December 31, 2023 and 2022.

### 6. Expenses By Nature And Function

The statement of activities reports expenses by function as program services and general and administrative. The Center's sole purpose is to provide financial and operational support for the construction and operation of offices and community convening space. The Center's expenses by nature and function for the years ending December 31, 2023 and 2022 are as follows:

	2023			2022		
	Program Services	General And Administrative	Total	Program Services	General And Administrative	Total
Facility management	\$ 270,406	\$ —	\$ 270,406	\$ 245,463	\$ —	\$ 245,463
Facility operations	88,873	—	88,873	85,106	—	85,106
Professional services	—	100,322	100,322	—	98,628	98,628
Insurance	29,630	—	29,630	26,314	—	26,314
Interest expense	115,684	—	115,684	115,684	—	115,684
Depreciation and amortization	217,116	—	217,116	245,932	—	245,932
	<u>\$ 721,709</u>	<u>\$ 100,322</u>	<u>\$ 822,031</u>	<u>\$ 718,499</u>	<u>\$ 98,628</u>	<u>\$ 817,127</u>

**DEACONESS CENTER FOR CHILD WELL-BEING**

---

Notes To Financial Statements (*Continued*)

**7. Lease Agreement**

The Center entered into a lease agreement as of August 30, 2017 with the Foundation for a term of thirty years to pay monthly rent commencing January 2018. Future minimum lease payments under the agreement are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 347,785
2025	354,741
2026	361,836
2027	369,073
2028	376,454
2029 - 2033	1,998,264
2034 - 2038	2,206,246
2039 - 2043	2,435,873
2044 - 2047	2,130,010
<u>Total</u>	<u>\$ 10,580,282</u>