

**Children First, Inc.**

**Financial Statements**

**December 31, 2017 and 2016**

**and**

**Reports of Independent  
Certified Public Accountants**



**CHILDREN FIRST, INC.  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Children First, Inc.  
Sarasota, Florida

We have audited the accompanying financial statements of Children First, Inc., (the Organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended December 31, 2017, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**CONTINUED**

## INDEPENDENT AUDITOR'S REPORT - CONTINUED

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children First, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, and its functional expenses for the year ended December 31, 2017 in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Report on Summarized Comparative Information*

We have previously audited the Organization's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 11, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### *Other Information*

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

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2018, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*PDR CPAs + Advisors*

Oldsmar, Florida  
April 5, 2018

**CHILDREN FIRST, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2017 AND 2016**

	<b><u>ASSETS</u></b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>Current Assets</b>		
Cash	\$ 2,697,789	\$ 2,007,164
Grants and contracts receivable	396,550	276,734
United Way receivable	-	124,954
Other receivables	161,350	60,631
Prepaid expenses	<u>81,792</u>	<u>79,214</u>
<b>Total current assets</b>	3,337,481	2,548,697
<b>Property and Equipment, Net</b>	4,350,006	4,355,166
<b>Other Assets</b>		
Beneficial interest	10,730	8,401
Deposits	<u>2,424</u>	<u>2,424</u>
	<u>13,154</u>	<u>10,825</u>
	<u>\$ 7,700,641</u>	<u>\$ 6,914,688</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 532,235	\$ 379,914
Deferred revenue	1,408,964	774,157
Current portion of notes payable	<u>47,281</u>	<u>45,156</u>
<b>Total current liabilities</b>	1,988,480	1,199,227
<b>Long-Term Liabilities</b>		
Notes payable, net	<u>654,566</u>	<u>700,870</u>
<b>Total liabilities</b>	2,643,046	1,900,097
<b>Net Assets</b>		
Unrestricted	4,966,810	4,801,831
Temporarily restricted	2,638	127,592
Permanently restricted	<u>88,147</u>	<u>85,168</u>
<b>Total net assets</b>	<u>5,057,595</u>	<u>5,014,591</u>
	<u>\$ 7,700,641</u>	<u>\$ 6,914,688</u>

See accompanying notes to financial statements

**CHILDREN FIRST, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2017	2016
<b>Revenue and Other Support</b>					
Federal grant revenue	\$ 6,204,559	\$ -	\$ -	\$ 6,204,559	\$ 5,473,413
Contract revenue	1,059,792	-	-	1,059,792	1,216,424
Contributions and other	1,325,406	-	2,979	1,328,385	1,072,164
Program fees	176,256	-	-	176,256	152,201
In-kind contributions	789,602	-	-	789,602	670,652
Special events, net of direct expenses of \$126,106 and \$120,869	390,569	-	-	390,569	359,437
Interest income including gains from investments	1,542	-	-	1,542	774
Net assets released from restrictions: Expiration of time/use restrictions	124,954	(124,954)	-	-	-
<b>Total revenue and other support</b>	<b>10,072,680</b>	<b>(124,954)</b>	<b>2,979</b>	<b>9,950,705</b>	<b>8,945,065</b>
<b>Expenses</b>					
Head Start	3,341,806	-	-	3,341,806	3,103,004
Early Head Start	3,233,664	-	-	3,233,664	2,921,579
Early Childhood Education	1,575,915	-	-	1,575,915	1,153,137
Families First Initiative	77,035	-	-	77,035	74,091
Other restricted grants	17,637	-	-	17,637	25,153
Supporting services:					
Management and general	720,076	-	-	720,076	767,540
Fundraising	941,568	-	-	941,568	869,929
<b>Total program and supporting services</b>	<b>9,907,701</b>	<b>-</b>	<b>-</b>	<b>9,907,701</b>	<b>8,914,433</b>
<b>Change in Net Assets</b>	<b>164,979</b>	<b>(124,954)</b>	<b>2,979</b>	<b>43,004</b>	<b>30,632</b>
<b>Net Assets at Beginning of Year</b>	<b>4,801,831</b>	<b>127,592</b>	<b>85,168</b>	<b>5,014,591</b>	<b>4,983,959</b>
<b>Net Assets at End of Year</b>	<b>\$ 4,966,810</b>	<b>\$ 2,638</b>	<b>\$ 88,147</b>	<b>\$ 5,057,595</b>	<b>\$ 5,014,591</b>

See accompanying notes to financial statements

**CHILDREN FIRST, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenue and Other Support</b>				
Federal grant revenue	\$ 5,473,413	\$ -	\$ -	\$ 5,473,413
Contract revenue	1,091,470	124,954	-	1,216,424
Contributions and other	1,067,711	-	4,453	1,072,164
Program fees	152,201	-	-	152,201
In-kind contributions	670,652	-	-	670,652
Special events, net of direct expenses of \$120,869	359,437	-	-	359,437
Interest income including gains from investments	774	-	-	774
Net assets released from restrictions: Expiration of time/use restrictions	124,954	(124,954)	-	-
<b>Total revenue and other support</b>	<u>8,940,612</u>	<u>-</u>	<u>4,453</u>	<u>8,945,065</u>
<b>Expenses</b>				
Program services:				
Head Start	3,103,004	-	-	3,103,004
Early Head Start	2,921,579	-	-	2,921,579
Early Childhood Education	1,153,137	-	-	1,153,137
Families First Initiative	74,091	-	-	74,091
Other restricted grants	25,153	-	-	25,153
Supporting services:				
Management and general	767,540	-	-	767,540
Fundraising	869,929	-	-	869,929
<b>Total program and supporting services</b>	<u>8,914,433</u>	<u>-</u>	<u>-</u>	<u>8,914,433</u>
<b>Change in Net Assets</b>	26,179	-	4,453	30,632
<b>Net Assets at Beginning of Year</b>	<u>4,775,652</u>	<u>127,592</u>	<u>80,715</u>	<u>4,983,959</u>
<b>Net Assets at End of Year</b>	<u>\$ 4,801,831</u>	<u>\$ 127,592</u>	<u>\$ 85,168</u>	<u>\$ 5,014,591</u>

See accompanying notes to financial statements

**CHILDREN FIRST, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**

	Program Services					Supporting Services				Total Expenses	
	Head Start	Early Head Start	Early	Families	Other	Total Program Services	Management and	Fundraising	Total Supporting Services	2017	2016
			Childhood Education	First Initiative	Restricted Grants		General				
Salaries	\$ 1,525,973	\$ 1,816,774	\$ 847,474	\$ 51,945	\$ 41	\$ 4,242,207	\$ 432,479	\$ 609,948	\$ 1,042,427	\$ 5,284,634	\$ 4,775,855
Payroll taxes	126,072	142,850	63,538	3,616	3	336,079	31,418	45,197	76,615	412,694	379,020
Employee insurance	164,319	238,327	113,496	3,460	-	519,602	29,653	25,919	55,572	575,174	499,156
Retirement	63,224	95,193	43,992	3,542	-	205,951	44,007	32,360	76,367	282,318	247,685
<b>Total Salaries and Related Expenses</b>	<b>1,879,588</b>	<b>2,293,144</b>	<b>1,068,500</b>	<b>62,563</b>	<b>44</b>	<b>5,303,839</b>	<b>537,557</b>	<b>713,424</b>	<b>1,250,981</b>	<b>6,554,820</b>	<b>5,901,716</b>
Contractual services	610,847	391,606	62,833	4,507	-	1,069,793	107,977	108,261	216,238	1,286,031	1,042,825
Repairs and maintenance	105,221	74,058	40,927	-	44	220,250	5,588	11,036	16,624	236,874	174,193
Utilities and telephone	75,492	56,990	28,033	-	-	160,515	3,323	2,106	5,429	165,944	173,292
Occupancy	189,730	53,645	58,222	59	-	301,656	492	692	1,184	302,840	317,162
Insurance	51,776	35,961	11,501	-	-	99,238	4,340	2,096	6,436	105,674	108,863
Food and nutrition	248,314	137,075	90,488	2,227	-	478,104	2,811	11,491	14,302	492,406	456,027
Transportation	9,767	4,238	1,762	881	530	17,178	4,937	267	5,204	22,382	12,474
Staff training and travel	45,044	67,025	4,199	158	-	116,426	12,664	9,600	22,264	138,690	128,696
Program supplies	49,364	78,110	23,642	3,415	15,775	170,306	245	182	427	170,733	159,761
Office supplies and postage	9,043	8,078	3,357	631	-	21,109	3,100	5,826	8,926	30,035	20,509
Parent activities	2,457	2,118	4,173	-	1,244	9,992	-	49	49	10,041	15,301
Children's screening and therapy	999	106	162	-	-	1,267	-	-	-	1,267	539
Printing and advertising	16,438	11,636	3,496	1,212	-	32,782	1,843	53,836	55,679	88,461	112,169
Miscellaneous	3,173	2,378	12,079	500	-	18,130	7,320	16,962	24,282	42,412	20,691
Property tax expense	4,981	3,196	1,351	-	-	9,528	448	141	589	10,117	6,941
Subscriptions and dues	4,794	4,071	1,199	-	-	10,064	6,763	5,488	12,251	22,315	24,039
	<u>1,427,440</u>	<u>930,291</u>	<u>347,424</u>	<u>13,590</u>	<u>17,593</u>	<u>2,736,338</u>	<u>161,851</u>	<u>228,033</u>	<u>389,884</u>	<u>3,126,222</u>	<u>2,773,482</u>
<b>Total Expenses Before Depreciation</b>	<b>3,307,028</b>	<b>3,223,435</b>	<b>1,415,924</b>	<b>76,153</b>	<b>17,637</b>	<b>8,040,177</b>	<b>699,408</b>	<b>941,457</b>	<b>1,640,865</b>	<b>9,681,042</b>	<b>8,675,198</b>
Depreciation	34,778	10,229	159,991	882	-	205,880	20,668	111	20,779	226,659	239,235
<b>Total Expenses</b>	<b>\$ 3,341,806</b>	<b>\$ 3,233,664</b>	<b>\$ 1,575,915</b>	<b>\$ 77,035</b>	<b>\$ 17,637</b>	<b>\$ 8,246,057</b>	<b>\$ 720,076</b>	<b>\$ 941,568</b>	<b>\$ 1,661,644</b>	<b>\$ 9,907,701</b>	<b>\$ 8,914,433</b>

See accompanying notes to financial statements

**CHILDREN FIRST, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 43,004	\$ 30,632
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Amortization of deferred financing costs	972	972
Depreciation	226,659	239,235
Change in beneficial interest	(2,329)	(524)
<b>(Increase) decrease in:</b>		
Grants and contract receivable	(119,816)	17,637
United Way receivable	124,954	-
Other receivables	(100,719)	8,843
Prepaid expenses	(2,578)	(24,975)
<b>Increase in:</b>		
Accounts payable and accrued expenses	152,324	22,379
Deferred revenue	634,807	324,147
	957,278	618,346
<b>Net cash provided by operating activities</b>	<b>957,278</b>	<b>618,346</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	(221,502)	(75,255)
	(221,502)	(75,255)
<b>Cash Flows from Financing Activities:</b>		
Repayment of notes payable	(45,151)	(43,020)
	(45,151)	(43,020)
<b>Net Increase in Cash</b>	<b>690,625</b>	<b>500,071</b>
<b>Cash at Beginning of Year</b>	<b>2,007,164</b>	<b>1,507,093</b>
	<b>2,007,164</b>	<b>1,507,093</b>
<b>Cash at End of Year</b>	<b>\$ 2,697,789</b>	<b>\$ 2,007,164</b>
	<b>\$ 2,697,789</b>	<b>\$ 2,007,164</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for interest	\$ 34,049	\$ 33,040
	\$ 34,049	\$ 33,040

See accompanying notes to financial statements

**CHILDREN FIRST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**NOTE A - NATURE OF ORGANIZATION**

Children First, Inc. (the Organization) is a not-for-profit organization whose purpose is to strengthen children and families by improving the quality of their lives through a comprehensive approach to development, education, health, and well-being. Federal Head Start and Early Head Start programs are available for children from birth to five years of age. Subsidized children and preschool programs are available for families with low income. The Organization also offers The Families First Initiative, which focuses on strengthening families.

Funding is provided primarily from the Department of Health and Human Services.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements of the Organization are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

The Organization presents information regarding its financial position and activities according to three classes of net assets described as follows:

- Unrestricted Net Assets - All resources over which the governing board has discretionary control. The governing board of the Organization may elect to designate such resources for specific purposes. This designation may be removed at the Board's discretion.
- Temporarily Restricted Net Assets - Resources accumulated through donations or grants for specific operating or capital purpose or restrictions related to timing. Such resources will become unrestricted when the requirements of the donor or grantee have been satisfied through expenditure for the specified purpose or program or through the passage of time.
- Permanently Restricted Net Assets - Resources accumulated through donations or grants that are subject to the restriction in perpetuity that the principal be invested. These net assets include the original value of the gift, plus any subsequent additions.

**Summarized Comparative Information**

The accompanying financial statements include certain prior year summarized comparative total amounts. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016 from which summarized information was derived.

**CHILDREN FIRST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Use of Estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities, as well as pro rata allocations in the recording of expenditures, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates included in the financial statements include allocation of expenses by function and useful lives of depreciable assets.

**Fair Value Measurement**

The financial statements are prepared in accordance with an accounting standard, for all financial assets and liabilities and for nonfinancial assets and liabilities recognized or disclosed at fair value in the financial statements or on a recurring basis (at least annually). Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on a measurement date. The standard also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

**Cash**

Cash consists of cash on deposit with financial institutions and petty cash funds.

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash held in financial institutions in excess of federally-insured limits. From time to time throughout the years ended December 31, 2017 and 2016, the Organization's cash balance may have exceeded the federally insured limit. However, the Organization has not experienced and does not expect to incur any losses in such accounts.

**CHILDREN FIRST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Grants, Contracts, and Other Receivables**

Grants and contracts receivable represent amounts due from various federal, state, and local agencies for purposes specified by each grant. Receivables are stated at the amount management expects to collect from outstanding balances. Management monitors the collection status of its receivable balances on an ongoing basis. The Organization provides for probable uncollectible amounts through a charge to earnings and credit to the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Receivables are written off as a charge to the allowance for doubtful accounts when, in management's estimation, it is probable that the receivable is worthless. Based on management's analysis of possible bad debts, an allowance for doubtful accounts was not deemed necessary at December 31, 2017 and 2016.

**Property and Equipment**

Property and equipment are stated at cost, if purchased or at estimated fair value at the date of receipt if acquired by gift. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets. Major renewals and betterments are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. It is the policy of the Organization to maintain all property and equipment in good condition. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the assets ranging from 5 - 40 years.

**Investments**

The Organization records their investments, which comprise of the beneficial interests in assets held by foundations, at fair value in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) are included as a component in the statements of activities.

**Deferred Financing Costs**

Loan costs are being amortized on a straight-line basis over the term of the loan. The amount is included in long-term debt, net in the statements of financial position.

**CHILDREN FIRST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Revenue Recognition**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give are reported at present value at the date the promise is received to the extent estimated to be collected by the Organization. Other conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire during the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Federal grants, contract revenues and certain other revenues, including cost reimbursement contracts, are considered exchange transactions and are recorded as unrestricted revenue when earned. Revenue under these contracts is deferred until earned. Revenue is earned and recognized in the financial statements when eligible expenses are incurred or services provided.

**Donated Services and Materials**

Donated materials are recorded as support at their fair value at the date of donation. Contributions of services are recorded as support at their estimated fair value if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

For the years ended December 31, 2017 and 2016, the value of contributed services meeting the requirements for recognition in the financial statements has been recorded as unrestricted support. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services under the financial accounting standards.

**Functional Allocation of Expenses**

The costs of providing the various program and other activities have been detailed in the statement of functional expenses and summarized on a functional basis in the statements of activities. Expenses that can be identified with a specific program service are charged directly to that program, according to their natural expenditure and classification. Certain costs have been allocated among the programs and supporting services benefited based on direct usage or management's estimates of the benefit derived by each activity.

**Income Taxes**

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**CHILDREN FIRST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Uncertain Tax Positions**

The Organization accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. The Organization has identified its tax status as a tax-exempt entity as its only significant tax position; however, the Organization has determined that such tax position does not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction. The Organization’s federal returns are generally open for examination for three years following the date filed.

**Impairment of Long-Lived Assets**

Management reviews all long-lived assets, which consist primarily of land and buildings, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to a real property appraisal. If the carrying amount of an asset exceeds its appraisal value, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

**Reclassifications**

Certain amounts in the prior year consolidated financial statements have been reclassified for comparative purposes to confirm with the presentation in the current year consolidated financial statements. Net assets have not been impacted as a result of these reclassifications.

**NOTE C - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 1,224,157	\$ 1,224,157
Buildings	4,311,487	4,311,487
Furniture, fixtures, and equipment	1,042,757	959,108
Vehicles	229,964	229,964
Leasehold improvements	1,036,052	898,199
	<u>7,844,417</u>	<u>7,622,915</u>
Less accumulated depreciation	<u>(3,494,411)</u>	<u>(3,267,749)</u>
	<u>\$ 4,350,006</u>	<u>\$ 4,355,166</u>

**CHILDREN FIRST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**NOTE D - BENEFICIAL INTEREST**

The Organization established an account with Community Foundation of Sarasota County (CFSC). The trust agreement names the Organization as the beneficiary of the investment. Earnings on the funds are periodically distributed to the Organization in accordance with the trust agreement. The Organization's interest in the assets held by CFSC is recorded at fair value. The Organization holds interests in assets held by the CFSC of \$10,730 and \$8,401 at December 31, 2017 and 2016, respectively; all of which are classified as permanently restricted in net assets.

**NOTE E - FAIR VALUE MEASUREMENT**

The Organization's beneficial interest is reported at fair value in the accompanying statements of financial position.

Following is a description of valuation methodologies used for investments measured at fair value.

*Beneficial interest in a perpetual trust* - the investments are managed by a third party who is unrelated to this Organization. The trust assets are valued based upon the third party information without adjustment. The Organization does not develop nor are they provided with the quantitative inputs used to develop the fair market values. Management has determined that these items should be reported at Level 3 because the fair values for these assets have unobservable inputs.

Fair values of assets measured on a recurring basis at December 31, 2017 are as follows:

<b>Description:</b>	<b>Quoted Prices In Active Markets for Identical Assets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>	<b>Total Fair Value</b>
Assets				
Beneficial interest	\$ -	\$ -	\$ 10,730	\$ 10,730
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,730</u>	<u>\$ 10,730</u>

**CHILDREN FIRST, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

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**NOTE E - FAIR VALUE MEASUREMENT - CONTINUED**

Fair values of assets measured on a recurring basis at December 31, 2016 are as follows:

<u>Description:</u>	<b>Quoted Prices In Active Markets for Identical Assets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>	<b>Total Fair Value</b>
Assets				
Beneficial interest	\$ -	\$ -	\$ 8,401	\$ 8,401
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,401</u>	<u>\$ 8,401</u>

The following is a summary of changes in the fair value of the Organization's Level 3 assets for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Balance, January 1	\$ 8,401	\$ 7,877
Contributions	1,100	-
Investment (loss) income	1,229	524
Balance, December 31	<u>\$ 10,730</u>	<u>\$ 8,401</u>

**NOTE F - LINE-OF-CREDIT**

The line-of-credit permits borrowing up to \$250,000, bearing interest at a variable rate based on adjusted LIBOR (1-month LIBOR was 1.5% and 0.7% at December 31, 2017 and 2016, respectively). All outstanding principal and interest is due upon maturity on October 5, 2018. The line-of-credit is secured by real property. The lines had no outstanding balance as of December 31, 2017 and 2016.

**CHILDREN FIRST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**NOTE G - NOTES PAYABLE**

Notes payable consist of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Note payable to a financial institution, bearing interest at a fixed rate of 4.55%, principal and interest payments due monthly, maturing October 5, 2029, at which time all unpaid principal and interest is due, secured by real property	\$ 713,506	\$ 758,657
Deferred loan costs	(14,574)	(14,574)
Accumulated amortization	2,915	1,943
Less current portion	<u>(47,281)</u>	<u>(45,156)</u>
Total notes payable, net	<u>\$ 654,566</u>	<u>\$ 700,870</u>

Future maturities of notes payable as of December 31, 2017 are as follows:

<u>Years Ending</u> <u>December 31,</u>	<u>Debt Service</u>	<u>Amortization</u>
2018	\$ 47,281	\$ 972
2019	49,509	972
2020	51,762	972
2021	54,280	972
2022	56,839	972
Thereafter	<u>453,835</u>	<u>6,799</u>
Total	<u>\$ 713,506</u>	<u>\$ 11,659</u>

The notes payable contain customary affirmative covenants, negative covenants, and events of default but have no financial covenants. The Organization was in compliance with all covenants at December 31, 2017 and 2016.

**CHILDREN FIRST, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

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**NOTE H - TEMPORARILY RESTRICTED NET ASSETS**

As of December 31, 2017 and 2016, temporarily restricted net assets related to the following:

	<u>2017</u>	<u>2016</u>
Peace Project	\$ 2,638	\$ 2,638
United Way - Pledges	<u>-</u>	<u>124,954</u>
	<u>\$ 2,638</u>	<u>\$ 127,592</u>

**NOTE I - PERMANENTLY RESTRICTED NET ASSETS**

As of December 31, 2017 and 2016, permanently restricted net assets related to the following:

	<u>2017</u>	<u>2016</u>
Nuturing Dads	\$ 10,730	\$ 8,401
Ideal Foundation	20,000	20,000
Wishnie Memorial Fund	<u>57,417</u>	<u>56,767</u>
	<u>\$ 88,147</u>	<u>\$ 85,168</u>

**NOTE J - IN-KIND CONTRIBUTIONS**

Certain services are provided to the Organization gratis or at a cost substantially less than fair market value. The difference between that actual charge and the estimated fair market value is reflected as in-kind revenue and expense in the accompanying financial statements. In-kind revenue and expense of \$789,602 and \$670,652 for the years ended December 31, 2017 and 2016, respectively, consisted primarily of in-kind rent for centers and in-kind professional services. Additionally, volunteers and parents have donated 11,400 and 10,200 hours for 2017 and 2016, respectively, to the Organization in various capacities. However, these services are not reflected in the financial statements as the services do not require specialized skills.

**CHILDREN FIRST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**NOTE K - OPERATING LEASES**

The Organization leases center space, vehicles, and certain office equipment under operating leases, which expire on various dates through 2020. The rent expense under these operating leases for the years ended December 31, 2017 and 2016 was \$301,867 and \$316,190, respectively, and is included in occupancy in the statement of functional expenses. In-kind rental expense for various space for the years ended December 31, 2017 and 2016 was \$267,818 and \$283,150, respectively.

Future minimum lease payments required under non-cancelable leases as of December 31, 2017 are as follows:

2018	\$ 28,534
2019	24,454
2020	<u>16,473</u>
Total minimum lease payments	<u>\$ 69,461</u>

**NOTE L - RETIREMENT PLANS**

The Organization has a 403(b) retirement plan covering all employees who have completed 1,000 or more hours of service within a one-year service period. The Organization's policy is to contribute 5% of eligible employee's compensation to the plan. In addition, for employees contributing at least 1% of compensation, the Organization will also contribute \$1 for each \$1 the employee contributes to the plan up to 2% of compensation. The employer's contribution vests based on the years of service. Forfeitures are used by the Organization to offset its contribution to the plan. Retirement expense for the years ended December 31, 2017 and 2016 was \$282,318 and \$247,685, respectively.

**NOTE M - CONCENTRATIONS OF RISK**

The Organization received federal funding from the Department of Health and Human Services in 2017 and 2016, which accounted for approximately 58% and 57% of revenues.

The Organization receives a substantial amount of support from grantor agencies for its programs. If this support were to be reduced or eliminated, it could affect the operation of the supported programs. In addition, the Organization is subject to audit examination by grantor agencies. In the event that reimbursed expenditures were disallowed, repayments would be required. Management believes the Organization is in compliance with the terms of its grant agreements.

**CHILDREN FIRST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**NOTE N - CONDITIONAL PROMISES TO GIVE**

During 2015, the Organization began a program campaign called Raise Your Hand. These pledges are an intention to give, rather than a promise, and are dependent on the ongoing sustainability of the four new initiatives outlined in the campaign. At December 31, 2017 and 2016, the Organization had \$1,854,652 and \$2,319,980, respectively, of conditional pledges outstanding. Since these grants represent conditional promises to give, they are not recorded as contribution revenue until donor conditions are met. Funds received from the donor in advance of the conditions being met totaled \$263,703 and \$260,000 as of December 31, 2017 and 2016, respectively, recorded as refundable advances within deferred revenue in the accompanying statements of financial position; and will subsequently be recognized as contribution revenue when donor conditions are met.

**NOTE O - SUBSEQUENT EVENTS**

The Organization evaluated subsequent events through April 5, 2018, the date the financial statements were available and issued. The Organization is not aware of any subsequent events which would require recognition or disclosures in the financial statements.

## **SUPPLEMENTARY INFORMATION**

**CHILDREN FIRST, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2017**

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<u>Grantor/Pass-through Grantor Program Title</u>	<u>CFDA Number</u>	<u>Contract Number(s)</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture:</b>			
<i>Passed through Florida Department of Health:</i>			
Child and Adult Care Food Program	10.558	S-6	\$ 438,360
<b>U.S. Department of Health and Human Services</b>			
Head Start/Early Head Start	93.600	04CH010293-02	<u>5,766,199</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 6,204,559</u>

See notes to schedule of expenditures of federal awards

**CHILDREN FIRST, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2017**

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**BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the grant activity of Children First, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with accounting principles generally accepted in the United States of America as applicable to non-profit organizations and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The Organization did not elect to use the 10% de minimis indirect cost rate.

**MATCH**

The Organization is required to provide at least 20% of the cost of the Head Start program through cash or in-kind contributions from non-Federal sources. The Organization met this match requirement for the year ended December 31, 2017.



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

To the Board of Directors  
Children First, Inc.  
Sarasota, 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 financial statements of Children First, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 5, 2018.

**Internal Control over Financial Reporting**

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

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

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

**CONTINUED**

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

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*PDR CPAs + Advisors*

Oldsmar, Florida  
April 5, 2018



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Children First, Inc.  
Sarasota, Florida

**Report on Compliance for Each Major Federal Program**

We have audited Children First, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2017. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, 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 for the year ended December 31, 2017.

**CONTINUED**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE - CONTINUED**

**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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

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

*PDR CPAs + Advisors*

Oldsmar, Florida  
April 5, 2018

**CHILDREN FIRST, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2017**

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**Part I - Summary of Auditor's Results**

**Financial Statements Section**

Type of auditor's report issued: Unmodified

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Internal control over financial reporting:

Material weakness(es) identified? \_\_\_ yes  X  no

Significant deficiency(ies) identified not considered to be material weakness(es)? \_\_\_ yes  X  none reported

Noncompliance material to financial statements noted? \_\_\_ yes  X  no

**Federal Awards Section**

Internal control over major federal programs:

Material weakness(es) identified? \_\_\_ yes  X  no

Significant deficiency(ies) identified not considered to be material weakness(es)? \_\_\_ yes  X  none reported

Type of auditor's report on compliance for major federal programs: Unmodified

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Any audit findings disclosed that are required to be reported in accordance with 2 CFR part 200, subpart E of the Uniform Guidance? \_\_\_ yes  X  no

Identification of major federal programs:

Federal Programs:

CFDA Numbers	Name of Program of Cluster
93.600	U.S. Department of Health and Human Services Head Start/Early Head Start

Dollar threshold used to determine Type A programs:

Federal programs  \$ 750,000

Auditee qualified as low-risk auditee for federal purposes?  X  yes \_\_\_ no

**CHILDREN FIRST, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**DECEMBER 31, 2017**

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**Part II - Schedule of Financial Statement Findings**

This section identifies the significant deficiencies, material weakness, and instances of noncompliance related to the consolidated financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no reportable findings.

**Part III - Federal Award Findings and Questioned Costs**

This section identifies the significant deficiencies, material weakness, and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required to be reported by the Uniform Guidance.

There were no reportable findings.

**Summary Schedule of Prior Audit Findings**

A Summary Schedule of Prior Audit Findings is not necessary since there were no prior audit findings.