

# **Children First, Inc.**

## **Financial Statements**

**December 31, 2019 and 2018**

**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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Report on Summarized Comparative Information*

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 3, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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 May 7, 2020, 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.

*PDR CPAs + Advisors*  
Oldsmar, Florida  
May 7, 2020

**CHILDREN FIRST, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

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	<u>ASSETS</u>	
	<u>2019</u>	<u>2018</u>
<b>Current Assets</b>		
Cash	\$ 2,214,284	\$ 2,034,505
Grants and contracts receivable	845,743	438,312
Certificate of deposit	258,013	250,013
Prepaid expenses	122,913	91,945
<b>Total current assets</b>	3,440,953	2,814,775
<b>Property and Equipment, Net</b>	4,499,763	4,579,169
<b>Other Assets</b>		
Beneficial interest	11,889	10,002
Deposits	2,424	2,424
	14,313	12,426
<b>Total Assets</b>	\$ 7,955,029	\$ 7,406,370
	<b><u>LIABILITIES AND NET ASSETS</u></b>	
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 648,032	\$ 616,014
Deferred revenue	1,815,909	1,461,099
Current portion of notes payable	-	49,509
<b>Total current liabilities</b>	2,463,941	2,126,622
<b>Long-Term Liabilities</b>		
Note payable, net	-	112,614
<b>Total liabilities</b>	2,463,941	2,239,236
<b>Net Assets</b>		
Without donor restrictions	5,397,544	5,075,477
With donor restrictions	93,544	91,657
<b>Total net assets</b>	5,491,088	5,167,134
<b>Total Liabilities and Net Assets</b>	\$ 7,955,029	\$ 7,406,370

See accompanying notes to financial statements

**CHILDREN FIRST, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**  
**(WITH COMPARATIVE TOTALS FOR 2018)**

	Without Donor Restrictions	With Donor Restrictions	<u>Total</u>	
			2019	2018
<b>Operating Support and Revenue</b>				
Federal grant revenue	\$ 7,575,416	\$ -	\$ 7,575,416	\$ 7,049,594
Contract revenue	1,126,315	-	1,126,315	1,257,416
Contributions and other	1,911,343	-	1,911,343	1,504,946
Program fees	142,653	-	142,653	173,120
In-kind contributions	673,330	-	673,330	766,843
Special events, net of direct expenses of \$177,201	589,219	-	589,219	503,349
Interest and investment income	10,757	1,887	12,644	195
<b>Total operating support and revenue</b>	<b>12,029,033</b>	<b>1,887</b>	<b>12,030,920</b>	<b>11,255,463</b>
<b>Operating Expenses</b>				
Head Start	3,358,677	-	3,358,677	3,529,203
Early Head Start	4,664,977	-	4,664,977	3,977,118
Early Childhood Education	1,425,643	-	1,425,643	1,508,231
Families First Initiative	97,931	-	97,931	78,699
Other grants	728,360	-	728,360	649,713
Supporting services:				
Management and general	693,986	-	693,986	724,608
Fundraising	737,392	-	737,392	678,352
<b>Total operating expenses</b>	<b>11,706,966</b>	<b>-</b>	<b>11,706,966</b>	<b>11,145,924</b>
<b>Change in Net Assets</b>	<b>322,067</b>	<b>1,887</b>	<b>323,954</b>	<b>109,539</b>
<b>Net Assets, Beginning of Year</b>	<b>5,075,477</b>	<b>91,657</b>	<b>5,167,134</b>	<b>5,057,595</b>
<b>Net Assets, End of Year</b>	<b>\$ 5,397,544</b>	<b>\$ 93,544</b>	<b>\$ 5,491,088</b>	<b>\$ 5,167,134</b>

See accompanying notes to financial statements

**CHILDREN FIRST, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Operating Support and Revenue</b>			
Federal grant revenue	\$ 7,049,594	\$ -	\$ 7,049,594
Contract revenue	1,257,416	-	1,257,416
Contributions and other	1,503,177	1,769	1,504,946
Program fees	173,120	-	173,120
In-kind contributions	766,843	-	766,843
Special events, net of direct expenses of \$161,749	503,349	-	503,349
Interest and investment income (loss)	1,092	(897)	195
<b>Total operating support and revenue</b>	<u>11,254,591</u>	<u>872</u>	<u>11,255,463</u>
<b>Operating Expenses</b>			
Program services:			
Head Start	3,529,203	-	3,529,203
Early Head Start	3,977,118	-	3,977,118
Early Childhood Education	1,508,231	-	1,508,231
Families First Initiative	78,699	-	78,699
Other restricted grants	649,713	-	649,713
Supporting services:			
Management and general	724,608	-	724,608
Fundraising	678,352	-	678,352
<b>Total operating expenses</b>	<u>11,145,924</u>	<u>-</u>	<u>11,145,924</u>
<b>Change in Net Assets</b>	108,667	872	109,539
<b>Net Assets, Beginning of Year</b>	<u>4,966,810</u>	<u>90,785</u>	<u>5,057,595</u>
<b>Net Assets, End of Year</b>	<u>\$ 5,075,477</u>	<u>\$ 91,657</u>	<u>\$ 5,167,134</u>

See accompanying notes to financial statements

**CHILDREN FIRST, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**  
**(WITH COMPARATIVE TOTALS FOR 2018)**

	Program Services						Supporting Services			Total Expenses	
	Head Start	Early Head Start	Early	Families	Other Grants	Total Program Services	Management and General	Fundraising	Total Supporting Services	2019	2018
			Childhood Education	First Initiative						2019	2018
Salaries	\$ 1,708,578	\$ 2,774,660	\$ 723,283	\$ 62,130	\$ 482,082	\$ 5,750,733	\$ 388,452	\$ 473,177	\$ 861,629	\$ 6,612,362	\$ 6,037,448
Payroll taxes	128,762	207,482	52,602	4,540	36,359	429,745	27,515	34,406	61,921	491,666	453,681
Employee insurance	185,093	286,954	86,412	5,070	64,320	627,849	30,357	30,512	60,869	688,718	613,825
Retirement	75,894	133,138	34,574	2,669	25,133	271,408	10,548	15,913	26,461	297,869	322,379
<b>Total Salaries and Related Expenses</b>	<b>2,098,327</b>	<b>3,402,234</b>	<b>896,871</b>	<b>74,409</b>	<b>607,894</b>	<b>7,079,735</b>	<b>456,872</b>	<b>554,008</b>	<b>1,010,880</b>	<b>8,090,615</b>	<b>7,427,333</b>
Contractual services	481,470	359,717	92,110	5,249	64,544	1,003,090	152,715	39,370	192,085	1,195,175	1,314,780
Repairs and maintenance	74,947	101,957	60,386	8,382	2,879	248,551	10,074	4,184	14,258	262,809	239,327
Utilities and telephone	66,055	74,398	46,533	726	5,085	192,797	8,293	9,475	17,768	210,565	191,478
Occupancy	137,377	76,213	44,949	64	551	259,154	506	507	1,013	260,167	307,317
Insurance	59,544	41,390	12,818	-	-	113,752	6,856	2,341	9,197	122,949	108,598
Food and nutrition	209,421	186,105	128,630	749	1	524,906	485	12,475	12,960	537,866	506,494
Transportation	3,330	3,990	1,612	630	593	10,155	5,595	770	6,365	16,520	18,236
Staff training and travel	48,525	81,113	1,660	12	1,303	132,613	13,595	5,096	18,691	151,304	203,993
Program supplies	57,348	147,622	32,231	1,063	6,207	244,471	64	1,032	1,096	245,567	260,833
Office supplies and postage	6,895	6,361	3,806	758	356	18,176	5,237	8,844	14,081	32,257	46,172
Parent activities	1,141	410	3,769	623	918	6,861	-	-	-	6,861	6,741
Children's screening and therapy	1,229	1,324	5,692	-	-	8,245	-	-	-	8,245	1,986
Printing and advertising	7,860	12,182	4,563	2,010	1,887	28,502	3,839	29,343	33,182	61,684	64,966
Miscellaneous	7,459	43,386	43,781	60	423	95,109	1,315	27,799	29,114	124,223	113,297
Property tax expense	3,297	3,706	1,713	68	478	9,262	546	478	1,024	10,286	10,085
Subscriptions and dues	8,871	9,779	7,841	72	13,846	40,409	3,542	20,275	23,817	64,226	39,095
	<u>1,174,769</u>	<u>1,149,653</u>	<u>492,094</u>	<u>20,466</u>	<u>99,071</u>	<u>2,936,053</u>	<u>212,662</u>	<u>161,989</u>	<u>374,651</u>	<u>3,310,704</u>	<u>3,433,398</u>
<b>Total Expenses Before Depreciation</b>	<b>3,273,096</b>	<b>4,551,887</b>	<b>1,388,965</b>	<b>94,875</b>	<b>706,965</b>	<b>10,015,788</b>	<b>669,534</b>	<b>715,997</b>	<b>1,385,531</b>	<b>11,401,319</b>	<b>10,860,731</b>
Depreciation	85,581	113,090	36,678	3,056	21,395	259,800	24,452	21,395	45,847	305,647	285,193
<b>Total Expenses</b>	<b>\$ 3,358,677</b>	<b>\$ 4,664,977</b>	<b>\$ 1,425,643</b>	<b>\$ 97,931</b>	<b>\$ 728,360</b>	<b>\$ 10,275,588</b>	<b>\$ 693,986</b>	<b>\$ 737,392</b>	<b>\$ 1,431,378</b>	<b>\$ 11,706,966</b>	<b>\$ 11,145,924</b>

See accompanying notes to financial statements

**CHILDREN FIRST, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 323,954	\$ 109,539
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Amortization of deferred financing costs	-	972
Depreciation	305,647	285,193
Change in beneficial interest	(1,887)	728
<b>(Increase) decrease in:</b>		
Grants and contract receivable	(407,431)	(41,762)
Other receivables	-	161,350
Prepaid expenses	(30,968)	(10,153)
<b>Increase in:</b>		
Accounts payable and accrued expenses	32,018	83,776
Deferred revenue	354,810	52,135
	<b>576,143</b>	<b>641,778</b>
<b>Net cash provided by operating activities</b>		
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	(226,241)	(514,354)
Purchase of certificate of deposit	(8,000)	(250,013)
	<b>(234,241)</b>	<b>(764,367)</b>
<b>Net cash used in investing activities</b>		
<b>Cash Flows from Financing Activities:</b>		
Repayment of notes payable	(162,123)	(540,695)
	<b>179,779</b>	<b>(663,284)</b>
<b>Net Increase (Decrease) in Cash</b>		
<b>Cash at Beginning of Year</b>	<b>2,034,505</b>	<b>2,697,789</b>
<b>Cash at End of Year</b>	<b>\$ 2,214,284</b>	<b>\$ 2,034,505</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for interest	<b>\$ 1,356</b>	<b>\$ 38,505</b>

See accompanying notes to financial statements

**CHILDREN FIRST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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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 by the U.S. Department of Health and Human Services.

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

**Basis of Presentation**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP), which require the Organization to report 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 Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenue of the net assets without donor restrictions class. Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional.

**Measure of Operations**

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing services. Nonoperating activities, if any, are limited to other activities considered to be of a more unusual or nonrecurring nature.

**CHILDREN FIRST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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

**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, 2018 from which the summarized information was derived.

**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**

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, 2019 and 2018, 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, 2019 AND 2018**

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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, 2019 and 2018.

**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.

**Beneficial Interest**

The Organization has a beneficial interest in assets held by a foundation which is recorded at fair value in the accompanying statements of financial position. Earnings on these funds (including realized and unrealized gains and losses) are included as a component of interest and investment income in the accompanying 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 notes payable, net in the accompanying statements of financial position. During 2019 the related note payable was paid in full and the remaining unamortized deferred financing costs were expensed.

**CHILDREN FIRST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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

**Revenue Recognition**

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions 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 net assets without donor restrictions if the restrictions expire during the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Federal grants, contract revenues and certain other revenues, including cost reimbursement contracts, are considered conditional contributions and are recorded as unrestricted revenue when the contract conditions are met. Payments received in advance of the conditions being met are recorded as deferred revenue until earned. Revenue is earned and recognized in the accompanying 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, 2019 and 2018, 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.

**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.

**CHILDREN FIRST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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

**Functional Allocation of Expenses**

The costs of providing the various program and other activities have been reported on a functional basis in the statements of activities and functional expenses. All expenses other than salaries and related expenses are able to be directly identified to a specific program or to supporting services according to their natural classification. Salaries and related expenses are allocated to each program and supporting services based on time and effort expended within each program and supporting service.

**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.

**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.

**New Accounting Pronouncement**

In June 2018, the FASB issued ASU 2018-08, Not for Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The Organization adopted ASU 2018-08 effective January 1, 2019 and determined that the adoption will not result in a material change to how it accounts for revenue from contributions and grants.

**CHILDREN FIRST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**NOTE C - AVAILABILITY AND LIQUIDITY**

The following represents the Organization's financial assets at December 31:

	<u>2019</u>	<u>2018</u>
Financial Assets:		
Cash and cash equivalents	\$ 2,214,284	\$ 2,034,505
Grants, contracts and other receivables	845,743	438,312
Certificate of deposit	258,013	250,013
Beneficial interest	<u>11,889</u>	<u>10,002</u>
Total financial assets	3,329,929	2,732,832
Less Amounts Not Available to be Used Within One Year:		
Payment of notes payable	-	49,509
Net assets with donor restrictions	<u>93,544</u>	<u>91,657</u>
	<u>93,544</u>	<u>141,166</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,236,385</u>	<u>\$ 2,591,666</u>

These financial assets available to meet general expenditures represent approximately 105 days of cash on hand at December 31, 2019. The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. The Organization has a \$250,000 line-of-credit available.

During 2018, the Organization made an additional payment towards the debt principal in the amount of \$500,000. This payment affected the liquidity information presented above as the emphasis of the Organization is long-term. This debt reduction was a resource allocation decision resulting in lower interest expense/cash outlay of approximately \$245,000 over the next 10.75 years. During 2019, the remaining balance of the note payable was paid in full.

**CHILDREN FIRST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**NOTE D - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 1,224,157	\$ 1,224,157
Buildings	4,311,487	4,311,487
Furniture, fixtures, and equipment	1,399,204	1,354,993
Vehicles	300,668	229,964
Leasehold improvements	1,349,497	1,238,171
	<u>8,585,013</u>	<u>8,358,772</u>
Less accumulated depreciation	<u>(4,085,250)</u>	<u>(3,779,603)</u>
	<u>\$ 4,499,763</u>	<u>\$ 4,579,169</u>

**NOTE E - 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 account. 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 \$11,889 and \$10,002 at December 31, 2019 and 2018, respectively; all of which are classified as net assets with donor restrictions.

**NOTE F - 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.

**CHILDREN FIRST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**NOTE F - FAIR VALUE MEASUREMENT - CONTINUED**

Fair values of assets measured on a recurring basis at December 31, 2019 are as follows:

<u>Description:</u>	<b>Quoted Prices In Active Markets 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	\$ -	\$ -	\$ 11,889	\$ 11,889
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,889</u>	<u>\$ 11,889</u>

Fair values of assets measured on a recurring basis at December 31, 2018 are as follows:

<u>Description:</u>	<b>Quoted Prices In Active Markets 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	\$ -	\$ -	\$ 10,002	\$ 10,002
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,002</u>	<u>\$ 10,002</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>2019</u>	<u>2018</u>
Balance, January 1	\$ 10,002	\$ 10,730
Investment (loss) income	<u>1,887</u>	<u>(728)</u>
Balance, December 31	<u>\$ 11,889</u>	<u>\$ 10,002</u>

**CHILDREN FIRST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**NOTE G - 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 1.7% and 2.5% as of December 31, 2019 and 2018, respectively). All outstanding principal and interest is due upon maturity on October 5, 2020. The line-of-credit is secured by real property. The line had no outstanding balance at December 31, 2019 and 2018.

**NOTE H - NOTES PAYABLE**

Notes payable consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</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	\$ -	\$ 172,811
Deferred loan costs	-	(14,574)
Accumulated amortization	-	3,886
Less current portion	-	<u>(49,509)</u>
Total notes payable, net	<u>\$ -</u>	<u>\$ 112,614</u>

**CHILDREN FIRST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**NOTE I - NET ASSETS**

As of December 31, 2019 and 2018, net assets with donor restrictions related to the following:

	<u>2019</u>	<u>2018</u>
Peace Project - specific purpose	\$ 2,638	\$ 2,638
Nurturing Dads - permanently endowed	11,889	10,002
Ideal Foundation - permanently endowed	20,000	20,000
Wishnie Memorial Fund - permanently endowed	<u>59,017</u>	<u>59,017</u>
	<u>\$ 93,544</u>	<u>\$ 91,657</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 the 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 \$673,330 and \$766,843 for the years ended December 31, 2019 and 2018, respectively, consisted primarily of in-kind rent for centers and in-kind professional services. Additionally, volunteers and parents have donated approximately 13,000 and 12,200 hours for 2019 and 2018, 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.

**NOTE K - OPERATING LEASES**

The Organization leases vehicles and certain office equipment under operating leases which expire on various dates through 2022. The rent expense under these operating leases for the years ended December 31, 2019 and 2018 was approximately \$26,000 and \$32,000, respectively, and is included in staff training and travel expense and printing and advertising expense in the accompanying statement of functional expenses. In-kind rental expense for various space for the years ended December 31, 2019 and 2018 was \$258,811 and \$267,840, respectively, and included in occupancy expense in the accompanying statement of functional expenses.

Future minimum lease payments required under non-cancelable leases as of December 31, 2019 are as follows:

2020	\$ 21,876
2021	6,032
2022	<u>1,005</u>
Total minimum lease payments	<u>\$ 28,913</u>

**CHILDREN FIRST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**NOTE L - CERTIFICATE OF DEPOSIT**

Certificate of deposit consists of one certificate which matures in June 2020 and accrues interest at 1.83%.

**NOTE M - 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 employee's years of service. Forfeitures are used by the Organization to offset its contribution to the plan. Retirement expense for the years ended December 31, 2019 and 2018 was \$297,869 and \$322,303, respectively.

**NOTE N - CONCENTRATIONS OF RISK**

The Organization received federal funding from the U.S. Department of Health and Human Services which accounted for approximately 59% of revenues for each of the years ended December 31, 2019 and 2018.

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.

**NOTE O - 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, 2019 and 2018, the Organization had \$651,933 and \$1,088,438, 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 as of December 31, 2019 and 2018, 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.

**CHILDREN FIRST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**NOTE P - SUBSEQUENT EVENTS**

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for year ended 2020.

The Organization has evaluated subsequent events through May 7, 2020, the date the financial statements were available to be 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, 2019**

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<u>Federal Agency</u> <u>Pass-Through Entity</u> <u>Federal Program</u>	<u>CFDA</u> <u>Number</u>	<u>Contract/</u> <u>Pass-Through Entity</u> <u>Identifying Number</u>	<u>Expenditures</u>
<b>FEDERAL AWARDS:</b>			
<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	\$ 452,845
<b>U.S. Department of Health and Human Services</b>			
Head Start/Early Head Start	93.600	04CH010293-04-01	<u>7,122,571</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 7,575,416</u>

See accompanying notes to schedule of expenditures of federal awards

**CHILDREN FIRST, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2019**

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**BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal activity of Children First, Inc. (the Organization) under programs of the federal government for the year ended December 31, 2019. 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). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

**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, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**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, 2019.

**SUBRECIPIENTS**

The Organization did not provide federal or state funds to subrecipients for the year ended December 31, 2019.



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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, 2019, 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 May 7, 2020.

**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 opinion 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  
May 7, 2020



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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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 2019.

**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  
May 7, 2020

**CHILDREN FIRST, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2019**

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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  no

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

Noncompliance material to financial statements noted?  yes  no

**Federal Awards Section**

Internal control over major federal programs:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified not considered to be material weakness(es)?  yes  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 section 200.516 (a) of the Uniform Guidance?  yes  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?  yes  no

**CHILDREN FIRST, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**DECEMBER 31, 2019**

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the 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 weaknesses, 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.