

Children First, Inc.

Financial Statements

December 31, 2020 and 2019

and

**Reports of Independent
Certified Public Accountants**



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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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 7, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited 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 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 the 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 9, 2021, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

PDR CPAs + Advisors

Oldsmar, Florida
April 9, 2021

CHILDREN FIRST, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
<u>ASSETS</u>		
Current Assets		
Cash	\$ 2,785,452	\$ 2,214,284
Grants and contracts receivable	728,727	845,743
Certificate of deposit	263,006	258,013
Prepaid expenses	134,216	122,913
Total current assets	3,911,401	3,440,953
Property and Equipment, Net	4,687,453	4,499,763
Other Assets		
Beneficial interest	13,195	11,889
Deposits	2,424	2,424
	15,619	14,313
Total Assets	\$ 8,614,473	\$ 7,955,029
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 400,453	\$ 648,032
Deferred revenue	1,430,529	1,815,909
Current portion of notes payable	4,606	-
Total current liabilities	1,835,588	2,463,941
Long-Term Liabilities		
Note payable	96,849	-
Total liabilities	1,932,437	2,463,941
Net Assets		
Without donor restrictions	6,587,186	5,397,544
With donor restrictions	94,850	93,544
Total net assets	6,682,036	5,491,088
Total Liabilities and Net Assets	\$ 8,614,473	\$ 7,955,029

See accompanying notes to financial statements

CHILDREN FIRST, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Operating Support and Revenue				
Federal grant revenue	\$ 7,770,627	\$ -	\$ 7,770,627	\$ 7,575,416
Contract revenue	908,502	-	908,502	1,268,968
Contributions and other	3,404,659	-	3,404,659	1,911,343
In-kind contributions	716,037	-	716,037	673,330
Special events, net of direct expenses of \$21,788	(5,993)	-	(5,993)	589,219
Interest and investment income	4,712	1,306	6,018	12,644
Total operating support and revenue	12,798,544	1,306	12,799,850	12,030,920
Operating Expenses				
Head Start	3,730,576	-	3,730,576	3,358,677
Early Head Start	5,467,026	-	5,467,026	4,664,977
Early Childhood Education	1,505,823	-	1,505,823	1,425,643
Families First Initiative	95,669	-	95,669	97,931
Other grants	949,463	-	949,463	728,360
Supporting services:				
Management and general	610,973	-	610,973	693,986
Fundraising	859,111	-	859,111	737,392
Total operating expenses	13,218,641	-	13,218,641	11,706,966
Change in Net Assets Before Other Changes	(420,097)	1,306	(418,791)	323,954
Other Changes - Income (Expense)				
Forgiveness of debt - PPP loan	1,607,600	-	1,607,600	-
Other income	2,139	-	2,139	-
Total other changes	1,609,739	-	1,609,739	-
Change in Net Assets	1,189,642	1,306	1,190,948	323,954
Net Assets, Beginning of Year	5,397,544	93,544	5,491,088	5,167,134
Net Assets, End of Year	\$ 6,587,186	\$ 94,850	\$ 6,682,036	\$ 5,491,088

See accompanying notes to financial statements

**CHILDREN FIRST, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Support and Revenue			
Federal grant revenue	\$ 7,575,416	\$ -	\$ 7,575,416
Contract revenue	1,268,968	-	1,268,968
Contributions and other	1,911,343	-	1,911,343
In-kind contributions	673,330	-	673,330
Special events, net of direct expenses of \$177,021	589,219	-	589,219
Interest and investment income	10,757	1,887	12,644
Total operating support and revenue	<u>12,029,033</u>	<u>1,887</u>	<u>12,030,920</u>
Operating Expenses			
Program services:			
Head Start	3,358,677	-	3,358,677
Early Head Start	4,664,977	-	4,664,977
Early Childhood Education	1,425,643	-	1,425,643
Families First Initiative	97,931	-	97,931
Other restricted grants	728,360	-	728,360
Supporting services:			
Management and general	693,986	-	693,986
Fundraising	737,392	-	737,392
Total operating expenses	<u>11,706,966</u>	<u>-</u>	<u>11,706,966</u>
Change in Net Assets	322,067	1,887	323,954
Net Assets, Beginning of Year	<u>5,075,477</u>	<u>91,657</u>	<u>5,167,134</u>
Net Assets, End of Year	<u>\$ 5,397,544</u>	<u>\$ 93,544</u>	<u>\$ 5,491,088</u>

See accompanying notes to financial statements

CHILDREN FIRST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	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	2020	2019
			Childhood Education	First Initiative						2020	2019
Salaries	\$ 1,993,451	\$ 3,416,295	\$ 735,099	\$ 65,638	\$ 611,252	\$ 6,821,735	\$ 322,421	\$ 511,734	\$ 834,155	\$ 7,655,890	\$ 6,612,362
Payroll taxes	147,895	250,531	63,124	4,850	46,823	513,223	16,779	36,637	53,416	566,639	491,666
Employee insurance	230,572	325,574	103,096	4,797	56,881	720,920	26,314	32,343	58,657	779,577	688,718
Retirement	117,773	197,277	42,409	3,524	40,253	401,236	11,399	17,852	29,251	430,487	297,869
Total Salaries and Related Expenses	2,489,691	4,189,677	943,728	78,809	755,209	8,457,114	376,913	598,566	975,479	9,432,593	8,090,615
Contractual services	510,858	367,400	159,473	4,997	104,457	1,147,185	158,974	40,415	199,389	1,346,574	1,195,175
Repairs and maintenance	62,167	106,345	69,152	380	6,961	245,005	3,560	19,500	23,060	268,065	262,809
Utilities and telephone	57,617	70,913	39,953	643	4,504	173,630	6,692	8,627	15,319	188,949	210,565
Occupancy	138,910	78,951	44,341	103	956	263,261	505	802	1,307	264,568	260,167
Insurance	51,470	53,346	16,099	993	6,952	128,860	8,074	7,827	15,901	144,761	122,949
Food and nutrition	82,163	83,081	58,829	62	108	224,243	24	10,995	11,019	235,262	537,866
Transportation	2,899	3,593	7,446	77	536	14,551	1,286	7,123	8,409	22,960	16,520
Staff training and travel	43,073	97,983	1,280	-	583	142,919	10,320	4,605	14,925	157,844	151,304
Program supplies	77,433	131,255	28,549	1,818	10,848	249,903	4,124	3,608	7,732	257,635	245,567
Office supplies and postage	32,016	41,208	22,076	2,416	7,134	104,850	9,722	11,934	21,656	126,506	32,257
Parent activities	67	193	791	212	3,805	5,068	-	9,238	9,238	14,306	6,861
Children's screening and therapy	1,353	1,107	-	-	-	2,460	-	-	-	2,460	8,245
Printing and advertising	6,963	9,422	3,622	987	1,686	22,680	2,071	57,408	59,479	82,159	61,684
Miscellaneous	77,943	108,156	58,207	991	23,461	268,758	1,968	21,295	23,263	292,021	124,223
Property tax expense	3,328	3,689	1,693	67	465	9,242	532	465	997	10,239	10,286
Subscriptions and dues	5,926	6,140	13,427	18	123	25,634	1,438	35,028	36,466	62,100	64,226
	<u>1,154,186</u>	<u>1,162,782</u>	<u>524,938</u>	<u>13,764</u>	<u>172,579</u>	<u>3,028,249</u>	<u>209,290</u>	<u>238,870</u>	<u>448,160</u>	<u>3,476,409</u>	<u>3,310,704</u>
Total Expenses Before Depreciation	3,643,877	5,352,459	1,468,666	92,573	927,788	11,485,363	586,203	837,436	1,423,639	12,909,002	11,401,319
Depreciation	86,699	114,567	37,157	3,096	21,675	263,194	24,770	21,675	46,445	309,639	305,647
Total Expenses	\$ 3,730,576	\$ 5,467,026	\$ 1,505,823	\$ 95,669	\$ 949,463	\$ 11,748,557	\$ 610,973	\$ 859,111	\$ 1,470,084	\$ 13,218,641	\$ 11,706,966

See accompanying notes to financial statements

CHILDREN FIRST, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,190,948	\$ 323,954
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	309,639	305,647
Change in beneficial interest	(1,306)	(1,887)
Forgiveness of debt - PPP loan	(1,607,600)	-
(Increase) decrease in:		
Grants and contract receivable	117,016	(407,431)
Certificate of deposit	(4,993)	-
Prepaid expenses	(11,303)	(30,968)
Increase (decrease) in:		
Accounts payable and accrued expenses	(247,579)	32,018
Deferred revenue	(385,380)	354,810
	(640,558)	576,143
Net cash (used in) provided by operating activities		
Cash Flows from Investing Activities:		
Purchases of property and equipment	(497,329)	(226,241)
Purchase of certificate of deposit	-	(8,000)
	(497,329)	(234,241)
Net cash used in investing activities		
Cash Flows from Financing Activities:		
Proceeds from notes payable	1,709,055	-
Repayment of notes payable	-	(162,123)
	1,709,055	(162,123)
Net cash provided by (used in) financing activities		
Net Increase in Cash	571,168	179,779
Cash at Beginning of Year	2,214,284	2,034,505
Cash at End of Year	\$ 2,785,452	\$ 2,214,284
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 422	\$ 1,356

See accompanying notes to financial statements

CHILDREN FIRST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020 AND 2019

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

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, 2020 and 2019, 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.

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, 2020 and 2019.

CHILDREN FIRST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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.

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, 2020 AND 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2020 and 2019, 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 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.

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, 2019 from which the summarized information was derived.

CHILDREN FIRST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE C - AVAILABILITY AND LIQUIDITY

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

	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash and cash equivalents	\$ 2,785,452	\$ 2,214,284
Grants, contracts and other receivables	728,727	845,743
Certificate of deposit	263,006	258,013
Beneficial interest	<u>13,195</u>	<u>11,889</u>
Total financial assets	3,790,380	3,329,929
Less Amounts Not Available to be Used Within One Year:		
Net assets with donor restrictions	<u>94,850</u>	<u>93,544</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,695,530</u>	<u>\$ 3,236,385</u>

These financial assets available to meet general expenditures represent approximately 109 days of cash on hand at December 31, 2020. 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.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,224,157	\$ 1,224,157
Buildings	4,311,487	4,311,487
Furniture, fixtures, and equipment	1,453,600	1,399,204
Vehicles	325,587	300,668
Leasehold improvements	<u>1,767,511</u>	<u>1,349,497</u>
	9,082,342	8,585,013
Less accumulated depreciation	<u>(4,394,889)</u>	<u>(4,085,250)</u>
	<u>\$ 4,687,453</u>	<u>\$ 4,499,763</u>

**CHILDREN FIRST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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 \$13,195 and \$11,889 at December 31, 2020 and 2019, 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.

Fair values of assets measured on a recurring basis at December 31, 2020 are as follows:

Description:	Quoted Prices In Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value
Assets				
Beneficial interest	\$ -	\$ -	\$ 13,195	\$ 13,195
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,195</u>	<u>\$ 13,195</u>

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

Description:	Quoted Prices In Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value
Assets				
Beneficial interest	\$ -	\$ -	\$ 11,889	\$ 11,889
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,889</u>	<u>\$ 11,889</u>

CHILDREN FIRST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE F - FAIR VALUE MEASUREMENT - CONTINUED

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>2020</u>	<u>2019</u>
Balance, January 1	\$ 11,889	\$ 10,002
Investment income	1,306	1,887
Balance, December 31	<u>\$ 13,195</u>	<u>\$ 11,889</u>

NOTE G - LINE-OF-CREDIT

The line-of-credit permits borrowing up to \$250,000, bearing interest at a variable rate based on the lender's prime rate minus 0.25% (3.0% at December 31, 2020). All outstanding principal and interest is due upon maturity on October 5, 2022. The line-of-credit is secured by real property. The line had no outstanding balance at December 31, 2020 and 2019.

NOTE H - NOTE PAYABLE

Note payable consists of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Note payable to a Foundation, bearing interest at a fixed rate of 1%, principal and interest payments due in annual installments, maturing December 1, 2040, at which time all remaining unpaid principal and interest is due	\$ 101,455	\$ -
Less current portion	(4,606)	-
Total note payable, net	<u>\$ 96,849</u>	<u>\$ -</u>

Future maturities of the note payable as of December 31, 2020 are as follows:

<u>Years Ending December 31,</u>	<u>Debt Service</u>
2021	\$ 4,606
2022	4,652
2023	4,699
2024	4,746
2025	4,793
Thereafter	<u>77,959</u>
Total	<u>\$ 101,455</u>

CHILDREN FIRST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE H - NOTES PAYABLE - CONTINUED

Forgivable Loans Received Under the Small Business Administration Paycheck Protection Program

In response to the coronavirus (COVID-19) outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In April 2020, the Organization obtained a Forgivable PPP loan for \$1,607,600, the note matures in April 2022 and bears interest at a fixed annual rate of 1%, with the first six months of interest deferred. The Organization believes it used all of the proceeds from the note for qualifying expenses and received forgiveness in December 2020. The forgiveness is included in other income on the accompanying statement of activities.

NOTE I - NET ASSETS

As of December 31, 2020 and 2019, net assets with donor restrictions related to the following:

	2020	2019
Peace Project - specific purpose	\$ 2,638	\$ 2,638
Nurturing Dads - permanently endowed	13,195	11,889
Ideal Foundation - permanently endowed	20,000	20,000
Wishnie Memorial Fund - permanently endowed	59,017	59,017
	\$ 94,850	\$ 93,544

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 \$716,037 and \$673,330 for the years ended December 31, 2020 and 2019, respectively, consisted primarily of in-kind rent for centers and in-kind professional services. Additionally, volunteers and parents have donated approximately 20,000 and 13,000 hours for 2020 and 2019, 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, 2020 AND 2019

NOTE K - COMMITMENTS AND CONTINGENCIES

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, 2020 and 2019 was approximately \$22,000 and \$26,000, 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, 2020 and 2019 was \$264,146 and \$258,811, 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, 2020 are as follows:

2021	\$	6,032
2022		<u>1,005</u>
Total minimum lease payments	<u>\$</u>	<u>7,037</u>

COVID-19

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 December 31, 2021.

NOTE L - CERTIFICATE OF DEPOSIT

Certificate of deposit consists of one certificate which matures in December 2021 and accrues interest at 0.70%.

CHILDREN FIRST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020 and 2019 was \$430,487 and \$297,869, 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 60% and 59% of revenues for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the grantor also accounted for approximately 75% and 67%, respectively, of the outstanding grants and contracts receivable.

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, 2020 and 2019, the Organization had \$332,327 and \$651,933 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, 2020 and 2019, 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 P - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 9, 2021, 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, 2020

<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>
FEDERAL AWARDS:			
U.S. Department of Agriculture			
<i>Passed through Florida Department of Health:</i>			
Child and Adult Care Food Program	10.558	S-6	\$ 142,660
U.S. Department of Health and Human Services			
Head Start/Early Head Start	93.600	04CH010293-04-01	<u>7,627,967</u>
Total Expenditures of Federal Awards			<u>\$ 7,770,627</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, 2020

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, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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, 2020.

SUBRECIPIENTS

The Organization did not provide federal or state funds to subrecipients for the year ended December 31, 2020.



**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, 2020, 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 9, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

PDR CPAs + Advisors

Oldsmar, Florida
April 9, 2021



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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, 2020. 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.

CONTINUED

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

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, 2020.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 9, 2021

CHILDREN FIRST, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
DECEMBER 31, 2020

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.