CHILDNET, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

CHILDNET, INC. AND AFFILIATE

CONTENTS

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
ChildNet, Inc. and Affiliate

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of ChildNet, Inc. and Affiliate (collectively, the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of ChildNet, Inc. and Affiliate as of June 30, 2023 and 2022, and the changes in their net assets (deficiency) and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adoption of New Accounting Standard

As disclosed in Note 1 to the financial statements, effective July 1, 2022, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*, as amended, using the modified retrospective approach.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance, as required by the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, Rules of the Auditor General, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated 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 March 28, 2024 on our consideration of ChildNet, Inc. and Affiliate'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 ChildNet, Inc. and Affiliate'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 ChildNet, Inc. and Affiliate's internal control over financial reporting and compliance.

Marcum LLP

Miami, FL
March 28, 2024

CHILDNET, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 8,636,483	$ 19,146,070
Restricted cash	955,925	811,925
Grants and other receivables	1,008,011	137,814
Prepaid expenses	1,763,917	1,552,757
Total Current Assets	12,364,336	21,648,566
Property and Equipment, Net	393,126	425,367
Operating Lease Right-of-Use Assets	16,315,260	--
Financing Lease Right-of-Use Assets	488,502	--
Other Assets	400,236	421,572
Total Assets	$ 29,961,460	$ 22,495,505
Liabilities and Net Assets (Deficiency)		
Current Liabilities		
Accounts payable - providers	$ 2,698,294	$ 2,285,668
Accrued salaries and annual leave	3,115,306	3,359,392
Funds due to Florida Department of Children and Families	1,306,321	3,172,163
Funds due to clients - Social Security benefits	955,925	811,925
Current portion of operating lease liabilities	2,392,083	--
Current portion of financing lease liabilities	217,435	--
Deferred revenue	5,450,613	14,282,134
Total Current Liabilities	16,135,977	23,911,282
Long-Term Liabilities		
Operating lease liabilities, less current portion	14,711,380	--
Financing lease liabilities, less current portion	274,210	--
Deferred rent	--	980,486
Total Long-Term Liabilities	14,985,590	980,486
Total Liabilities	31,121,567	24,891,768
Commitments and Contingencies		
Net Assets (Deficiency)		
Without donor restrictions	(1,650,990)	(2,726,965)
With donor restrictions	490,883	330,702
Total Net Assets (Deficiency)	(1,160,107)	(2,396,263)
Total Liabilities and Net Assets (Deficiency)	$ 29,961,460	$ 22,495,505

The accompanying notes are an integral part of these consolidated financial statements.

CHILDNET, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without donor restrictions	With donor restrictions	Totals	Without donor restrictions	With donor restrictions	Totals
Support and Revenues						
Government grants and contracts	$ 159,143,272	$ 160,181	$ 159,303,453	$ 139,102,456	$ 169,026	$ 139,271,482
In-kind contributions	1,506,680	--	1,506,680	1,462,796	--	1,462,796
Contributions	250,675	--	250,675	287,893	--	287,893
Other revenue	224	--	224	7,591	--	7,591
Net assets released from restrictions	--	--	--	83,043	(83,043)	--
Total Support and Revenues	160,900,851	160,181	161,061,032	140,943,779	85,983	141,029,762
Expenses						
Program services:						
DCF community based care	155,221,612	--	155,221,612	140,555,534	--	140,555,534
Other community based care	626,613	--	626,613	698,626	--	698,626
Supporting activities:						
General and administrative	3,673,671	--	3,673,671	3,653,970	--	3,653,970
Fundraising	302,980	--	302,980	263,918	--	263,918
Total Expenses	159,824,876	--	159,824,876	145,172,048	--	145,172,048
Change in Net Assets (Deficiency)	1,075,975	160,181	1,236,156	(4,228,269)	85,983	(4,142,286)
Net Assets (Deficiency) - Beginning	(2,726,965)	330,702	(2,396,263)	1,501,304	244,719	1,746,023
Net Assets (Deficiency) - Ending	$ (1,650,990)	$ 490,883	$ (1,160,107)	$ (2,726,965)	$ 330,702	$ (2,396,263)

The accompanying notes are an integral part of these consolidated financial statements.

CHILDNET, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2023

	Program Services			Supporting Activities			
	DCF Community Based Care	Other Community Based Care	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Personnel costs	$ 37,705,087	$ 529,670	$ 38,234,757	$ 2,692,007	$ 66,309	$ 2,758,316	$ 40,993,073
Contract and other services	107,635,284	135	107,635,419	483	64,898	65,381	107,700,800
Occupancy and utilities	3,139,616	38,393	3,178,009	152,411	808	153,219	3,331,228
In-kind expenses	1,506,680	--	1,506,680	--	--	--	1,506,680
Insurance	1,361,288	16,524	1,377,812	114,814	352	115,166	1,492,978
Maintenance	851,644	9,283	860,927	46,296	217	46,513	907,440
Data communications	717,889	9,941	727,830	40,676	4,413	45,089	772,919
Travel	627,907	5,146	633,053	3,717	3,438	7,155	640,208
Telephone	473,946	6,128	480,074	84,240	130	84,370	564,444
Equipment and leases	401,090	3,459	404,549	21,343	12,994	34,337	438,886
Professional fees	100,688	831	101,519	260,992	11,627	272,619	374,138
Office and computer supplies	232,528	2,893	235,421	47,790	23,799	71,589	307,010
Marketing and community outreach	215,168	848	216,016	3,565	83,817	87,382	303,398
Staff training and recruitment	240,193	3,353	243,546	9,882	24,578	34,460	278,006
Depreciation and amortization	--	--	--	192,423	--	192,423	192,423
Emergency response/Covid expenditures	12,604	9	12,613	3,032	5,600	8,632	21,245
Total	$ 155,221,612	$ 626,613	$ 155,848,225	$ 3,673,671	$ 302,980	$ 3,976,651	$ 159,824,876

The accompanying notes are an integral part of these consolidated financial statements.

CHILDNET, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	Program Services			Supporting Activities			
	DCF Community Based Care	Other Community Based Care	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Personnel costs	$ 32,262,090	$ 598,402	$ 32,860,492	$ 2,787,828	$ 37,209	$ 2,825,037	$ 35,685,529
Contract and other services	97,617,849	52	97,617,901	145	106,892	107,037	97,724,938
Occupancy and utilities	3,533,387	34,532	3,567,919	175,914	1,053	176,967	3,744,886
Insurance	1,558,216	19,635	1,577,851	141,743	532	142,275	1,720,126
In-kind expenses	1,462,796	--	1,462,796	--	--	--	1,462,796
Data communications	864,012	11,032	875,044	42,535	2,124	44,659	919,703
Staff training and recruitment	585,097	9,627	594,724	8,982	--	8,982	603,706
Professional fees	402,144	4,902	407,046	160,361	8,572	168,933	575,979
Travel	567,554	2,189	569,743	3,983	510	4,493	574,236
Telephone	397,763	5,894	403,657	69,505	131	69,636	473,293
Equipment and leases	324,311	3,852	328,163	24,113	3,226	27,339	355,502
Emergency response/Covid expenditures	318,133	2,466	320,599	12,727	68	12,795	333,394
Maintenance	264,430	2,827	267,257	12,543	19,887	32,430	299,687
Office and computer supplies	217,423	3,216	220,639	46,126	10,182	56,308	276,947
Marketing and community outreach	180,329	--	180,329	4,616	73,532	78,148	258,477
Depreciation and amortization	--	--	--	162,849	--	162,849	162,849
Total	$ 140,555,534	$ 698,626	$ 141,254,160	$ 3,653,970	$ 263,918	$ 3,917,888	$ 145,172,048

The accompanying notes are an integral part of these consolidated financial statements.

CHILDNET, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities		
Change in net assets (deficiency)	$ 1,236,156	$ (4,142,286)
Adjustments to reconcile change in net assets (deficiency) to net cash provided by (used in) operating activities:		
Depreciation and amortization	192,423	162,849
Operating lease right of use assets amortization	2,294,022	--
Change in operating assets and liabilities:		
Grants and other receivables	(870,197)	967,802
Prepaid expenses	(211,160)	(1,252,030)
Other assets	21,336	378
Accounts payable and accrued expenses	--	(20,466)
Accounts payable - providers	412,626	497,423
Accrued salaries and annual leave	(244,086)	(346,440)
Funds due to Florida Department of Children and Families	(1,865,842)	1,627,363
Funds due to clients - Social Security benefits	144,000	(207,773)
Operating lease liabilities	(2,344,048)	--
Deferred revenue	(8,831,521)	2,971,136
Deferred rent	--	346,402
Total Adjustments	(11,302,447)	4,746,644
Net Cash Provided By (Used in) Operating Activities	(10,066,291)	604,358
Cash Flows Used in Investing Activities		
Purchase of property and equipment	(160,182)	(167,010)
Cash Flows Used in Financing Activities		
Payments on financing lease obligations	(139,114)	--
Principal payments on notes payable	--	(10,962)
Net Cash Used in Financing Activities	(139,114)	(10,962)
Net Change in Cash, Cash Equivalents and Restricted Cash	(10,365,587)	426,386
Cash, Cash Equivalents and Restricted Cash - Beginning	19,957,995	19,531,609
Cash, Cash Equivalents and Restricted Cash - Ending	$ 9,592,408	$ 19,957,995
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ --	$ 378
Supplemental Disclosure of Noncash Investing and Financing Activities		
Right-of-use assets acquired in exchange for operating and financing lease obligations upon implementation of ASC 842	$ 20,078,270	$ --

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 – THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE ORGANIZATION

ChildNet, Inc. ("ChildNet") was incorporated on July 25, 2001 under the laws of the State of Florida as a not-for-profit organization. ChildNet is a non-profit organization devoted to the development of community-based services and support for children and families served by the Broward and Palm Beach Counties child protection and foster care system. ChildNet's mission is to develop and manage a comprehensive, community-based, coordinated system of care for abused, neglected, and abandoned children and their families and for children and families who are at risk of maltreatment and/or placement in the foster care system. ChildNet receives its funding principally from the Florida Department of Children and Families ("DCF") in the form of Mental Health Treatment, Substance Abuse Treatment, Adoption Subsidy, Foster Care Subsidy, and Independent Living Services for Adults and Children grants.

Tech Care For Kids, Inc. ("TCFK"), a social purpose corporation, was incorporated on August 13, 2014 under the laws of the State of Florida. The purpose of TCFK's formation is to create, design, deliver and support technology to improve the delivery of social services. There are 1,000 shares of common stock issued and outstanding, all of which are held by ChildNet. TCFK had minimal operations as of and for the years ended June 30, 2023 and 2022.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of ChildNet and TCFK (collectively, the "Organization"). All significant transactions and account balances between entities have been eliminated in consolidation.

FINANCIAL STATEMENT PRESENTATION

The consolidated 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 ("GAAP"). Net assets (deficiency), revenues and expenses are classified based on the existence or absence of donor-imposed restrictions as follows:

Without Donor Restrictions
Net assets (deficiency) used by the Organization, which are free of donor-imposed restrictions; all revenues and expenses that are not changes in net assets (deficiency) with donor restrictions.

NOTE 1 – THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL STATEMENT PRESENTATION (CONTINUED)

With Donor Restrictions

Net assets used by the Organization, which are limited by donor-imposed stipulations that either expire with the passage of time or that can be fulfilled or removed by actions of the Organization pursuant to those stipulations. As of June 30, 2023 and 2022, the Organization had net assets with donor restriction of approximately $491,000 and $331,000, respectively, which consists principally of nonexpendable property and equipment, net of depreciation, in which DCF maintains title upon completion or termination of the Broward and Palm Beach Counties contracts (See Notes 3 and 12).

CASH EQUIVALENTS

All highly liquid investments with original maturities of three months or less when acquired are considered to be cash equivalents.

RESTRICTED CASH

The Organization acts as a representative payee for Social Security benefits on behalf of children who are in custody of the State of Florida as a result of either their parents being deceased, disabled, lost their parental rights or the child is disabled. The benefits are managed by the Organization to ensure that the children's current and foreseeable needs are being provided. Restricted cash represents the benefits received in excess of the current need requirements which are held in escrow and monitored by the DCF.

RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following tables provide a reconciliation of cash, cash equivalents, and restricted cash reported within the accompanying consolidated statements of financial position that sum to the total of the same such amounts shown in the accompanying consolidated statements of cash flows.

	June 30, 2023
Cash and cash equivalents	$ 8,636,483
Restricted cash	955,925
Total Cash, Cash Equivalents, and Restricted Cash Presented in the Consolidated Statements of Cash Flows as of June 30, 2023	$ 9,592,408

NOTE 1 – THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH (CONTINUED)

	June 30, 2022
Cash and cash equivalents	$ 19,146,070
Restricted cash	811,925
Total Cash, Cash Equivalents, and Restricted Cash Presented in the Consolidated Statements of Cash Flows as of June 30, 2022	$ 19,957,995

CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially expose the Organization to concentrations of credit risk consist principally of cash and cash equivalents (including restricted cash) and grants and other receivables.

Cash and Cash Equivalents (Including Restricted Cash)
The Organization maintains its cash and cash equivalents in deposit accounts at certain financial institutions. The Organization had approximately $10,741,000 of balances in excess of insurance limits covered by the Federal Deposit Insurance Corporation ("FDIC") as of June 30, 2023. The Organization maintains these balances in what it believes to be high quality financial institutions, which it believes limits its risk.

Grants and Other Receivables
Grants and other receivables consist principally of amounts due from grantor agencies pursuant to the terms of the respective grant agreements. Grants and other receivables are stated at net realizable value. Allowances are provided for amounts estimated to be uncollectible based on historical experience and any specific collection issues that the Organization has identified. It is the Organization's policy to charge uncollectible receivables against the allowance when management determines that the related balance will not be collected. Management determined that an allowance for doubtful accounts was not necessary as of June 30, 2023 and 2022.

NOTE 1 – THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT

Property and equipment valued in excess of $1,000 with a useful life over one year are capitalized. Property and equipment are recorded at cost or, if donated, at fair value at the date of donation. Major renewals and improvements are capitalized, while repairs and maintenance expenditures are expensed as incurred. When items are retired or otherwise disposed of, the related costs and accumulated depreciation or amortization are removed from the accounts and any resulting gains or losses are recognized. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the lesser of the useful life or the term of the lease.

The estimated useful lives of each asset group are as follows:

Asset Group	Years
Leasehold improvements	5-20
Furniture, fixtures and equipment	3-20

RIGHT-OF-USE ASSETS

In February 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The standard requires lessees to classify leases as either finance or operating leases. The classification will determine whether the related expense will be recognized based on asset amortization and interest on the obligation or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. The new standard is effective for fiscal years beginning after December 15, 2021. The Organization adopted this standard effective July 1, 2022 using the modified retrospective approach. The Organization adopted the transition package of practical expedients permitted under the transition guidance within the new standard and elected the following accounting policies (among others): 1) The Organization is allowed to carry forward the historical lease classification and 2) The Organization will not recognize right-of-use assets and liabilities for short-term leases with a term of 12 months or less. As a result of this approach, there was no impact on the beginning net assets (deficiency) as of July 1, 2022.

NOTE 1 – THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RIGHT-OF-USE ASSETS (CONTINUED)

Right-of-use assets under leases are recorded at the amount of the initial measurement of the lease liability plus any lease payments made at or before the commencement date of the lease and any initial direct costs, less any lease incentives received. After initial measurement, the right-of-use asset for a lease is measured at the amount of the lease liability, adjusted for prepaid or accrued lease payments, unamortized lease incentives and initial direct costs each period.

The lease liability is recorded at the present value of the remaining lease payments discounted using the rate implicit in the lease or, if not readily determinable, the incremental borrowing rate or the risk free rate. The Organization uses the risk free rate for all financing and operating leases. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets, current portion of operating lease liabilities, and operating lease liabilities less current portion in the accompanying consolidated statements of financial position. Financing leases are included in financing lease right-of-use-assets, current portion of financing lease liabilities, and financing lease liabilities less current portion in the accompanying consolidated statements of financial position.

Prior to ASU 2016-02, rent expense for operating leases is recognized on a straight-line basis over the estimated lease term. The difference between rent expense recognized and actual rent payments is recorded as deferred rent. Deferred rent as of June 30, 2022 was approximately $980,000, and was included in deferred rent in the accompanying consolidated statements of financial position. ASU 2016-02 supersedes the accounting treatment for deferred rent.

IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with FASB Accounting Standards Codification ("ASC") No. 360, *Property, Plant and Equipment*, the carrying value of long-lived assets is reviewed whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by determining if the carrying value of the asset exceeds the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the asset over the remaining economic life of the asset. If recoverability is not assured, impairment is determined based on comparing the carrying value of the asset and the estimated fair value of the asset. Management does not believe that long-lived assets were impaired as of June 30, 2023 and 2022.

NOTE 1 – THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENTS

Pursuant to FASB ASC 820, *Fair Value Measurements*, the Organization defines fair value as the price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1
Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2
Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3
Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization did not have any assets or liabilities requiring fair value measurement on a recurring basis as of June 30, 2023 and 2022.

NOTE 1 – THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTIONS

Contributions and gifts received with no restrictions or specified uses identified by the donor are included in without donor restriction revenue in the accompanying consolidated statements of activities when received. Contributions received with donor stipulations that limit the use of donated assets are reported as with donor restriction revenue in the accompanying consolidated statements of activities when received.

When donor restrictions expire or are fulfilled by actions of the Organization, with donor restriction net assets are reclassified as without donor restriction net assets (deficiency) and reported in the accompanying consolidated statements of activities as net assets released from restriction. Donor restricted contributions whose restrictions are met within the same year as received are reflected as without donor restriction revenue in the accompanying consolidated statements of activities.

GRANTS AND CONTRACTS FROM GOVERNMENT AGENCIES

In accordance with ASC 958, *Not-for-Profit Entities*, funding from government contracts is generally considered nonreciprocal transactions. The Organization receives funds on a fee-for-service basis as well as based on fixed rates as established in the contracts. This revenue has been deemed contribution revenue as the services provided by the Organization benefits the general public and the funders do not receive commensurate value in exchange. The revenue is recognized as the services are provided and billed to the funders.

A portion of our revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when we have incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. Refer to Note 3 for further disclosure.

CONTRIBUTED GOODS AND SERVICES

Contributed goods and services are reflected in the accompanying consolidated financial statements at their estimated fair value, if reasonably determined. The donations of services are recognized as contributions if the services received (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those

NOTE 1 – THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTED GOODS AND SERVICES (CONTINUED)

skills and would typically need to be purchased if not provided by donations. The Organization recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value of the donation. For the years ended June 30, 2023 and 2022, there were approximately $1,507,000 and $1,463,000, respectively, in non-cash contributions.

For the year ended June 30, 2023, contributed goods and services consisted of:

Program or Supporting Service	Donated Services
Family Preservation	$ 201,204
Family Support	5,000
Family Reunification	214,398
Adoption, Promotion and Support	1,086,078
Total	$ 1,506,680

For the year ended June 30, 2022, contributed goods and services consisted of:

Program or Supporting Service	Donated Services
Family Preservation	$ 117,159
Family Support	5,000
Family Reunification	384,539
Adoption, Promotion and Support	956,098
Total	$ 1,462,796

The Organization receives free advertising through print and digital media that serve as platforms to market and bring awareness to the community regarding the programs administered by the Organization. These donated advertisements are recognized as in-kind contributions at fair value, with the corresponding expense allocated to programs benefitted. The valuation of these advertisements are provided by the service provider, who estimates the fair value based on the current rates for similar marketing services they provide in the market.

NOTE 1 – THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTED GOODS AND SERVICES (CONTINUED)

All donated services were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets. There were no contributed goods received by the Organization for the years ended June 30, 2023 and 2022.

Services provided by volunteers throughout the year are not recognized as contributions in the consolidated financial statements since these services are not susceptible to objective measurement or valuation.

FUND-RAISING ACTIVITIES

The Organization's consolidated financial statements are presented in accordance with FASB ASC 958 *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Government Entities that Included Fund Raising*. FASB ASC 958 establishes criteria for accounting and reporting for any entity that solicits contributions.

Directly identifiable fund-raising expenses are charged to supporting services. Expenses related to more than one function are charged to supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and other activities has been detailed in the accompanying consolidated statements of functional expenses and is summarized on a functional basis in the accompanying consolidated statements of activities. Salaries and other expenses, which are associated with a specific program, are charged directly to that program. Salaries and other expenses, which benefit more than one program, are allocated to the various programs based on an analysis of time spent and effort.

INCOME TAXES

ChildNet is a not-for-profit organization, as defined by section 501(c)(3) of the Internal Revenue Code, and as such is subject to federal income taxes only on unrelated business income. There were no significant income taxes resulting from unrelated business income during the years ended June 30, 2023 and 2022.

NOTE 1 - THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES (CONTINUED)

TCFK is taxed as a corporation for federal income tax purposes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enacted date. The Organization did not record a provision for income taxes for TCFK in the accompanying consolidated financial statements as TCFK's operations since inception are minimal.

The Organization accounts for uncertainty in income taxes in accordance with GAAP, which requires recognition in the accompanying consolidated financial statements of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Organization had no material unrecognized tax benefits and no adjustments to its consolidated financial position, activities or cash flows were required. The Organization does not expect that unrecognized tax benefits will increase within the next twelve months.

The Organization did not record any interest or penalties on uncertain tax positions in the accompanying consolidated statements of financial position as of June 30, 2023 and 2022 or the accompanying consolidated statements of activities for the years then ended. If the Organization were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 - THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through March 28, 2024, the date the consolidated financial statements were available to be issued.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization regularly monitors liquidity required to meet its operating needs and other commitments. The Organization has various sources of liquidity at its disposal, including cash and cash equivalent and access to a line of credit (Note 6). In addition to the financial assets available to meet expenditures over the 12 months, the Organization operates with a budget and anticipates collecting sufficient revenues to cover expenditures. Refer to the accompanying consolidated statements of cash flows which identify the sources and uses of the Organization's cash for each of the twelve months ended June 30, 2023 and 2022.

For the years ended June 30, 2023 and 2022, the Organization's operations were funded through normal recurring advance payments from the DCF.

As required by the General Appropriations Act during the year ended June 30, 2020, the Organization continues to implement the Financial Viability Plan ("Plan"). The Plan provides a detailed analysis and plan of action detailing the steps necessary to mitigate costs and bring projected expenditures in line with revenues. As part of the implementation of this Plan, DCF provides a quarterly financial performance update on all 19 statewide Community Based Care agencies ("CBC").

Effective July 1, 2019, the Organization negotiated and was awarded through competitive procurement a 5-year contract with DCF, Contract JJ217, for services in Broward County and negotiated its second 5-year term under the renewal provision for the Palm Beach catchment area contract – IJ706 (refer to Note 3). This contract and extension will continue to allow the Organization to be eligible to receive Risk Pool/Back of the Bill appropriations provided by DCF as part of the General Appropriations Acts.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

As of June 30, 2023, the following financial assets could be readily made available within one year of the financial condition to meet general expenditures. There were no financial assets with donor restrictions at June 30, 2023.

Financial Assets Available to Meet General Expenditures over the Next 12 Months	
Cash and cash equivalents	$ 8,636,483
Grants and other receivables	1,008,011
Total Financial Assets	$ 9,644,494

As of June 30, 2022, the following financial assets could be readily made available within one year of the financial condition to meet general expenditures. There were no financial assets with donor restrictions at June 30, 2022.

Financial Assets Available to Meet General Expenditures over the Next 12 Months	
Cash and cash equivalents	$ 19,146,070
Grants and other receivables	137,814
Total Financial Assets	$ 19,283,884

NOTE 3 – GOVERNMENT CONTRACTS

The Organization coordinates and administers certain child welfare services in Broward and Palm Beach Counties including emergency shelter, residential group care, in-home protection services, relative care placements, foster care, case management, post-placement supervision, independent living, family reunification and preservation, and adoption services.

Effective July 1, 2019, the Organization negotiated and was awarded through competitive procurement a 5-year contract with DCF, Contract JJ217, for services in Broward in the amount $436,190,367 (per most recent contract amendment). The Organization also negotiated its second 5-year term under the renewal provision option with the DCF for a

NOTE 3 – GOVERNMENT CONTRACTS (CONTINUED)

total amount of $508,223,736 (per most recent contract amendment) for the Palm Beach, Contract - IJ706 ending June 30, 2024. Subsequent to year-end, the State of Florida led a solicitation for both Broward and Palm Beach Counties whereby the Organization was the sole respondent for both counties. The Organization's award of new contracts is for a 5 year period beginning July 1, 2024 through June 30, 2029. These contracts will allow the Organization to meet identified service array demands and afford opportunities for piloting and implementing evidence-based services. These contracts will continue to allow the Organization to be eligible to receive Risk Pool/Back of the Bill appropriations provided by DCF as part of the General Appropriations Acts.

The contracts can be terminated by either party with 180 days' notice in writing. The contracts require the Organization to comply with certain performance measures on a monthly basis and may be terminated in the event of non-compliance.

For the years ended June 30, 2023 and 2022, service fees earned by the Organization under the contracts amounted to approximately $158,000,000 and $138,000,000, respectively, net of overpayments, which are included in government grants and contracts in the accompanying consolidated statements of activities. Rolling deferred revenue balances for June 2023 and June 2022, in the amount of approximately $5,451,000 and $14,282,000, respectively, remain available throughout the full term of the contracts and subsequent contract awards for the provision of allowable services which directly affects the net asset surplus or deficiency. As of June 30, 2023 and 2022, amounts due back to the DCF under the contracts amounted to approximately $1,306,000 and $3,172,000, respectively, as a result of advance payment funds that were unearned throughout the respective year from the DCF.

NOTE 4 - CONTRACTS WITH OUTSIDE PROVIDERS

The Organization has contractual agreements with various non-profit agencies and one for-profit agency (collectively, the "Providers") to provide foster care and intervention and family support services for them.

The foster care contracts specify the responsibility of the Providers to arrange for expedient shelter of children, monitor licensing of foster homes in accordance with Florida state statutes, and report certain performance measures to the Organization on a monthly basis. The Organization pays the Providers a specified amount per licensed foster home each month up to a set maximum amount.

Intervention and family support services contracts specify that the Providers shall deliver certain services to children and families as needed and report regularly to the Organization.

NOTE 4 - CONTRACTS WITH OUTSIDE PROVIDERS (CONTINUED)

The Organization pays the Providers based on the number of children or families served each month up to a set maximum amount.

Contracts are for a period of one year. Under these contracts, the Organization paid approximately $54,941,000, which is included in program services in the accompanying consolidated statements of activities, to Providers for the year ended June 30, 2023 and had an amount payable to the Providers of approximately $2,698,000 as of June 30, 2023. The Organization paid approximately $47,626,000 to Providers for the year ended June 30, 2022 and had an amount payable to the Providers of approximately $2,286,000 as of June 30, 2022.

NOTE 5 - PROPERTY AND EQUIPMENT

As of June 30, 2023 and 2022, property and equipment consist of the following:

	2023	2022
Furniture, fixtures and equipment	$ 2,807,295	$ 2,647,114
Leasehold improvements	19,560	19,560
	2,826,855	2,666,674
Less: Accumulated depreciation and amortization	(2,433,729)	(2,241,307)
Property and Equipment, Net	$ 393,126	$ 425,367

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 was approximately $192,000 and $163,000, respectively.

NOTE 6 - LINE OF CREDIT

On April 18, 2016, the Organization entered into a line of credit agreement (the “Line”) in the amount of $2,000,000. Payments of accrued unpaid interest are due monthly and the Line expires in May 2024. Interest on the Line is calculated at the bank’s business prime rate (8.25% and 4.75% as of June 30, 2023 and 2022, respectively). Borrowings are secured by substantially all assets of the Organization. As of June 30, 2023 and 2022, there was no outstanding balance on the Line.

NOTE 7 - NOTE PAYABLE

In January 2018, the Organization entered into a vehicle loan, collateralized by the related vehicle. The loan bears interest of 4.92% and is payable in monthly installments of principal and interest through maturity in January 2023. The loan was fully paid off during the year ended June 30, 2022. For the year ended June 30, 2022, interest expense on the note payable was approximately $400.

NOTE 8 - RETIREMENT PLAN

The Organization maintains a 403(b) tax-deferred annuity retirement plan (the "Retirement Plan") for the benefit of all their employees meeting the minimum eligibility requirements. The Organization, at its discretion, will contribute a percentage of eligible compensation on behalf of each eligible employee. For the years ended June 30, 2023 and 2022, the Organization's discretionary percentage was 2% of eligible employee compensation. In addition, the Organization matches 50% of the elective employee deferrals up to 6% of compensation. For the years ended June 30, 2023 and 2022, the Organization contributed approximately $965,000 and $867,000, respectively, to the Retirement Plan.

NOTE 9 - COMMITMENTS

OPERATING LEASE LIABILITIES

The Organization has various office space and vehicle leases under operating lease agreements expiring in various years through 2030. In accordance with Topic 842, the Organization records a right-of-use asset and a lease liability equal to the present value of the related future minimum lease payments. As of June 30, 2023, the weighted average discount used on current leases was 2.79%, which was the Organization's risk-free rate, and the weighted average remaining lease term was 6.38 years.

NOTE 9 - COMMITMENTS (CONTINUED)

OPERATING LEASE LIABILITIES (CONTINUED)

The classification and description of right-of-use assets and leases arising from operating leases consist of the following:

Leases	Description	June 30, 2023
Assets		
Non-current	Facility leases	$ 16,231,512
Non-current	Vehicle leases	83,748
Total Assets		$ 16,315,260
Liabilities		
Current	Facility leases	$ 2,337,160
Current	Vehicle leases	54,923
Non-current	Facility leases	14,683,804
Non-current	Vehicle leases	27,576
Total Liabilities		$ 17,103,463

Lease and rent expense relating to operating leases was approximately $2,592,000 and $3,316,000 for the years ended June 30, 2023 and 2022, respectively. These amounts also represent the cash paid for the years ended June 30, 2023 and 2022.

Future estimated minimum payments under the operating lease liabilities as of June 30, 2023 are as follows:

For the Year Ending June 30,	Operating
2024	$ 2,838,969
2025	2,839,702
2026	2,843,565
2027	2,909,121
2028	2,976,214
Thereafter	4,323,394
Total minimum lease payments	18,730,965
Less: amount representing interest	1,627,502
Present value of net minimum lease payments	17,103,463
Less: current portion	2,392,083
Lease Obligations, Less Current Portion	$ 14,711,380

NOTE 9 - COMMITMENTS (CONTINUED)

FINANCE LEASES

The Organization has entered into certain finance leases for office space, office equipment and vehicles with payments payable monthly through 2026. As of June 30, 2023, the weighted average discount used on current leases was 3.80%, which was the Organization's risk-free rate, and the weighted average remaining lease term was 2.31 years.

The classification and description of right-of-use assets and leases arising from finance leases consist of the following:

Leases	Description	June 30, 2023
Assets		
Non-current	Vehicle leases	$ 288,622
Non-current	Office equipment leases	199,880
Total Assets		$ 488,502
Liabilities		
Current	Vehicle leases	$ 117,816
Current	Office equipment leases	99,619
Non-current	Vehicle leases	174,109
Non-current	Office equipment leases	100,101
Total Liabilities		$ 491,645

Finance lease expenses were approximately $277,000 and $0 for the years ended June 30, 2023 and 2022, respectively.

NOTE 9 - COMMITMENTS (CONTINUED)

FINANCE LEASES (CONTINUED)

Future minimum lease payments under finance lease liabilities as of June 30, 2023 are as follows:

For the Year Ending June 30,	Financing
2024	$ 232,246
2025	205,238
2026	76,952
Total minimum lease payments	514,436
Less: amount representing interest	22,791
Present value of net minimum lease payments	491,645
Less: current portion	217,435
Lease Obligations, Less Current Portion	$ 274,210

NOTE 10 - CONTINGENCIES

FEDERAL, STATE, AND LOCAL GRANT PROGRAMS

The Organization participates in federal, state and local grant programs that are subject to audit by the respective grantor agencies. Any disallowed funds received or to be received under these programs may constitute a liability in the amount of the disallowed funds. Management does not believe that any potential disallowed funds would have a significant effect on the accompanying consolidated financial statements.

LEGAL MATTERS

The Organization is subject to legal proceedings and claims arising in the normal course of business. There are currently no pending legal proceedings to which the Organization is a party that management, after consulting with its legal counsel, believes will have a material effect on the Organization's consolidated financial position or results of operations.

NOTE 11 - CONCENTRATIONS

For the years ended June 30, 2023 and 2022, the Organization received approximately 98% and 99%, respectively, of its government grant revenue from DCF. As the revenue from DCF is significant to the overall operations of the Organization, any significant reduction or loss of funding from DCF may affect the Organization's ability to operate in its present form. As of June 30, 2023 and 2022, receivables from DCF were approximately 97% and 53%, respectively, of grants and other receivables.

NOTE 12 - NET ASSETS (DEFICIENCY)

Net assets (deficiency) without donor restrictions as of June 30, 2023 and 2022 are as follows:

	2023	2022
Net assets (deficiency)	$ (1,650,990)	$ (2,726,965)
Total Net Assets (Deficiency) Without Donor Restrictions	$ (1,650,990)	$ (2,726,965)

Net assets with donor restrictions as of June 30, 2023 and 2022 are as follows:

	2023	2022
Subject to Expenditure for Specified Purpose		
Capital assets, net and other	$ 490,883	$ 330,702
Total Net Assets With Donor Restrictions	$ 490,883	$ 330,702

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes during the years ended June 30, 2023 and 2022 are as follows:

	2023	2022
Purpose Restrictions Accomplished		
Capital assets, net	$ --	$ 83,043
Total Net Assets Released from Donor Restriction	$ --	$ 83,043

INDEPENDENT AUDITORS' 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
ChildNet, Inc. and Affiliate

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of ChildNet, Inc. and Affiliate (collectively, the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 28, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

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Report on Compliance and Other Matters

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

Purpose of this Report

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

Marcum LLP

Miami, FL
March 28, 2024

MARCUM
ACCOUNTANTS ▲ ADVISORS

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

To the Board of Directors
ChildNet, Inc. and Affiliate

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited ChildNet, Inc. and Affiliate's (collectively the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the requirements described in the *State of Florida Department of Financial Services'* State Projects Compliance Supplement, that could have a direct and material effect on each of the Organization's major federal programs and state projects for the year ended June 30, 2023. The Organization's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program and State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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) and Chapter 10.650, Rules of the Auditor General. Our responsibilities under those standards, the Uniform Guidance and Chapter 10.650, Rules of the Auditor General are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program and state project. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's Federal programs and State projects.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and Chapter 10.650, Rules of the Auditor General will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program and state project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and Chapter 10.650, Rules of the Auditor General, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses and significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Marcum LLP

Miami, FL
March 28, 2024

CHILDNET, INC. AND AFFILIATE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2023

Federal/State Agency, Pass-through Entity/Program or Cluster	Assistance Listing Number	Contract	Expenditures	Transfers to Subrecipients
Federal Awards				
U.S. Department of Health and Human Services:				
Pass-Through Florida Department of Children and Families:				
Adoption Assistance	93.659	JJ217	$ 21,385,229	$ 299,694
		IJ706	11,971,430	891,545
Medicaid Cluster				
Medical Assistance Program	93.778	JJ217	962,122	--
		IJ706	454,738	--
Total Medicaid Cluster			1,416,860	--
477 Cluster				
Temporary Assistance for Needy Families (TANF)	93.558	JJ217	7,657,539	555,378
		IJ706	5,265,252	268,249
Total 477 Cluster			12,922,791	823,627
Foster Care - Title IV - E	93.658	JJ217	28,957,236	9,224,243
		IJ706	18,739,712	5,630,229
Child Welfare Services - State Grants	93.645	JJ217	1,508,651	47,815
		IJ706	931,348	7,865
Social Services Block Grant	93.667	JJ217	3,383,913	1,222,008
		IJ706	2,092,298	370,347
Promoting Safe and Stable Families	93.556	JJ217	2,299,762	1,470,778
		IJ706	1,313,414	782,150
Independent Living	93.674	JJ217	2,156,325	426,444
		IJ706	1,223,708	494,524
Chafee Education and Training Vouchers Program	93.599	JJ217	1,467,379	--
		IJ706	684,306	--
Grants to States for Access and Visitation Programs	93.597	JJ217	31,671	31,671
		IJ706	31,672	--
Administration for Children, Youth and Families-Child Abuse	93.669	JJ217	17,551	17,551
		IJ706	26,028	7,076
Guardianship Assistance	93.090	JJ217	226,999	--
		IJ706	846,641	--
Adoption Incentive Payments	93.603	JJ217	1,109,674	--
		IJ706	1,427,692	--
Total U.S. Department of Health and Human Services			116,172,290	21,747,567
U.S. Department of Agriculture:				
Pass-Through Florida Department of Children and Families:				
SNAP Cluster				
State Admin Matching Grant for the Supplemental Nutrition Assistance Program	10.561	IJ706	10,961	--
Total SNAP Cluster			10,961	--
Total U.S. Department of Agriculture			10,961	--
Total Federal Awards			$ 116,183,251	$ 21,747,567

See notes to the schedule of expenditures of federal awards and state financial assistance.

CHILDNET, INC. AND AFFILIATE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2023

Federal/State Agency, Pass-through Entity/Program or Cluster	CFSA Number	Contract	Expenditures	Transfers to Subrecipients
State Financial Assistance				
Florida Department of Children and Families:				
Out-of-Home Supports	60.074	JJ217	$ 24,393,324	$ 20,000,292
		IJ706	12,714,463	10,996,482
Adoption Services	60.076	JJ217	92,910	--
		IJ706	12,308	--
Sexually Exploited Children	60.138	JJ217	157,600	157,600
		IJ706	192,310	192,310
The Independent Living and Road to Independence Program	60.112	JJ217	15,882	--
		IJ706	40,326	--
Extended Foster Care Program	60.141	JJ217	538,720	--
		IJ706	650,998	--
Purchase Therapeutic Services for Children	60.183	JJ217	1,156,316	935,007
		IJ706	405,547	357,509
Family Finders Program	60.206	JJ217	9,745	8,895
		IJ706	106,737	100,000
Kinship Navigator Program	60.207	JJ217	449,025	379,819
		IJ706	70,457	66,010
Guardian Assistance Program	60.210	JJ217	125,050	--
		IJ706	136,816	--
Fatherhood Engagement Specialist	60.211	JJ217	10,675	--
		IJ706	21,485	--
Early Childhood Court Case Management & Prevention Services	60.225	JJ217	250,167	--
		IJ706	21,063	--
State Funded Child Care Subsidy	60.244	JJ217	115,082	--
		IJ706	165,346	--
Total Florida Department of Children and Families			41,852,352	33,193,924
Total State Financial Assistance			41,852,352	33,193,924
Total Federal Awards and State Financial Assistance			$ 158,035,603	$ 54,941,491

See notes to the schedule of expenditures of federal awards and state financial assistance.

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

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - GENERAL

The accompanying schedule of expenditures of federal awards and state financial assistance (the "Schedule") include the federal award and state financial activity of ChildNet, Inc. and Affiliate (collectively, the "Organization") for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 - BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

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

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of report issued on whether the financial statements audited were prepared in accordance with GAAP:	***UNMODIFIED OPINION***
Internal control over financial reporting:	
Material weakness(es) identified?	____ Yes __X__ No
Significant deficiency(ies) identified?	____ Yes __X__ None reported.
Noncompliance material to financial statement noted?	____ Yes __X__ No

FEDERAL PROGRAM AND STATE PROJECTS

Internal control over major Federal programs and State projects:	
Material weakness(es) identified?	____ Yes __X__ No
Significant deficiency(ies) identified?	____ Yes __X__ None reported.
Type of auditors' report issued on compliance for major Federal programs and State projects:	***UNMODIFIED OPINION***
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) and Chapter 10.656?	____ Yes __X__ No

Identification of major Federal programs and State projects:

NAME OF FEDERAL PROGRAM	***AL NUMBER***
U.S. Department of Health & Human Services:	
Adoption Assistance	93.659
Temporary Assistance for Needy Families	93.558
Social Services Block Grant	93.667
Promoting Safe and Stable Families	93.556
Independent Living (John H. Chafee Foster Care Program for Successful Transition into Adulthood)	93.674

SECTION I - SUMMARY OF AUDITORS' RESULTS (CONTINUED)

NAME OF STATE PROJECTS	*CFSA NUMBER*
State of Florida Department of Children and Families:	
Out-of-Home Supports	60.074
Extended Foster Care Program	60.141
Purchase of Therapeutic Services for Children	60.183

Dollar threshold used to distinguish between type A and type B Federal programs:	$3,000,000
Dollar threshold used to distinguish between type A and type B State projects:	$1,255,571
Auditee qualified as low-risk auditee pursuant to the Uniform Guidance?	X Yes ____ No

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL PROGRAMS AND STATE PROJECTS FINDINGS AND QUESTIONED COSTS

None. A management letter was not issued because there were no items that were required to be reported related to Federal programs or State projects.

SECTION IV - PRIOR YEAR FINANCIAL STATEMENT FINDINGS

None.

SECTION V - PRIOR YEAR FEDERAL PROGRAMS AND STATE PROJECTS FINDINGS AND QUESTIONED COSTS

None.