



March 28, 2024

To the Audit Committee and Board of Directors
ChildNet, Inc. and Affiliate
1100 W. McNab Road
Fort Lauderdale, FL 33309

We have audited the consolidated financial statements of ChildNet, Inc. and Affiliate (collectively, the “Organization”) for the year ended June 30, 2023, and have issued our report thereon dated March 28, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, as well as certain information related to the planned scope and timing of our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards*, the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*

As stated in our engagement letter dated May 16, 2023, our responsibility, as described by professional standards, is to express an opinion about whether the consolidated financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the consolidated financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we will consider the Organization’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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*.

As part of obtaining reasonable assurance about whether the Organization’s consolidated financial statements are free of material misstatement, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, we will examine, on attest basis, evidence about the Organization’s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB)

Compliance Supplement and the requirements described in the Department of Financial Services' State Project Compliance Supplement applicable to each of its major federal programs and state projects for the purpose of expressing an opinion on the Organization's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on the Organization's compliance with those requirements.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the organization solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility for the supplementary information accompanying the consolidated financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the consolidated financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the Organization and its environment, including internal control, sufficient to assess the risks of material misstatement of the consolidated financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Organization or to acts by management or employees acting on behalf of the Organization. We generally communicate our significant findings at the conclusion of the audit. We also communicate any internal control related matters that are required to be communicated under professional standards.

We have identified the following significant risks of material misstatement as part of our audit planning:

- Management override of internal controls
- Improper revenue recognition due to fraud
- Improper allocation of program and SGA expenses
- Implementation of ASC 842 "Leases"

Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the consolidated financial statements. The application of existing policies was not changed during the year ended June 30, 2023 with the exception as described in Note 1 to the consolidated financial statements. The Organization adopted Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*, which amends the guidance relating to the definition of a lease, recognition of lease assets and liabilities on the balance sheet, and the related disclosure requirements. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the consolidated financial statements were:

The most sensitive accounting estimates affecting the financial statements are the allocation of salaries and other expenses benefitting more than one program, and the allowance for doubtful accounts. Management allocates salaries and other expenses benefitting more than one program to the various programs based on the time spent. Management records an allowance for doubtful accounts based on historical expense and any specific collection issues. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the consolidated financial statements were:

The most sensitive disclosures affecting the Organization’s financial statements are described in Notes 1, 2 and 3 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Independence

During the year ended June 30, 2023, we were engaged to provide non-attest services related to the preparation of the consolidated financial statements, the Form 990 and the Data Collection Form. We reviewed the nature of the requested work, our role and management's role and determined that our independence would not be impaired, in fact or appearance.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

The attached schedule A of audit adjustments, which have been recorded in the books and records have been reviewed and approved by management and reflected properly in the consolidated financial statements and footnotes. We did not identify any uncorrected misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 28, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's consolidated financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

This information is intended solely for the use of the Audit Committee, Board of Directors and management of the Organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Marcum LLP

Marcum LLP

Schedule A – Adjusting Journal Entries

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entry JE # 1				
To record ASC 842 financing right-of-use asset and related liability as of 6/30/2023.				
199-Marcum	Financing ROU Assets		488,502.00	
80255	Transportation Unit - Vehicle Leases		3,143.00	
290-Marcum	Financing ROU Liability - Current			217,435.00
291-Marcum	Financing ROU Liability - Noncurrent			274,210.00
Total			491,645.00	491,645.00
Adjusting Journal Entry JE # 2				
To record ASC 842 operating right-of-use asset and related liability as of 6/30/2023				
198-Marcum	Operating ROU Assets		16,315,260.00	
26050	Deferred Rent		980,486.00	
292-Marcum	Operating ROU Liability - Current			2,392,083.00
293-Marcum	Operating ROU Liability - Noncurrent			14,711,380.00
90000	Rent			192,283.00
Total			17,295,746.00	17,295,746.00
Adjusting Journal Entry JE # 3				
PBC - To record the Brow ard Deferred Revenue adjustment as of 6/30/23				
24000	Deferred Revenue-DCF		7,484,306.00	
50100	State of Florida			7,484,306.00
Total			7,484,306.00	7,484,306.00
Adjusting Journal Entry JE # 4				
PBC- To record Palm Beach Deferred Revenue adjustment as of 6/30/23				
24000	Deferred Revenue-DCF		1,347,216.00	
50100	State of Florida			1,347,216.00
Total			1,347,216.00	1,347,216.00
Adjusting Journal Entry JE # 5				
PBC - To record Brow ard Due to DCF as of 6/30/23				
50100	State of Florida		497,126.00	
22000	Due to DCF			497,126.00
Total			497,126.00	497,126.00
Adjusting Journal Entry JE # 6				
PBC - To record Palm Beach Due to DCF as of 6/30/23				
50100	State of Florida		809,195.00	
22000	Due to DCF			809,195.00
Total			809,195.00	809,195.00