

CHILDNET, INC. AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

CHILDNET, INC. AND AFFILIATE

CONTENTS

Independent Auditors' Report	1-2
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Consolidated Financial Statements

Statement of Financial Position	3
Statement of Activities.....	4
Statement of Functional Expenses	5
Statement of Cash Flows	6

Notes to Consolidated Financial Statements	7-22
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Compliance Section

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 <i>Government Auditing Standards</i>	23-24
Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance Required by the Uniform Guidance and Chapter 10.650 Rules of the Auditor General	25-26
Schedule of Expenditures of Federal Awards and State Financial Assistance	27-28
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance	29
Schedule of Findings and Questioned Costs.....	30-31

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
ChildNet, Inc. and Affiliate

Report on the Financial Statements

We have audited the accompanying financial statements of ChildNet, Inc. and Affiliate (collectively, the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ChildNet, Inc. and Affiliate as of June 30, 2020, and the consolidated changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the 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 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. Such 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 January 13, 2021 on our consideration of ChildNet, Inc. and Affiliate's internal control over financial reporting and on our tests of their 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 ChildNet, Inc. and Affiliate's internal control over financial reporting and compliance.

Marcum LLP

Miami, FL
January 13, 2021

CHILDNET, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

Assets

Current Assets

Cash and cash equivalents	\$ 18,777,599
Restricted cash	967,366
Grants and other receivables	2,467,660
Prepaid expenses	<u>234,335</u>

Total Current Assets \$ 22,446,960

Property and Equipment, Net 379,913

Other Assets 343,093

Total Assets \$ 23,169,966

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$ 1,070,208
Accounts payable - providers	8,530,546
Accrued salaries and annual leave	3,683,756
Funds due to clients - Social Security benefits	967,366
Current portion of note payable	6,157
Deferred revenue	<u>3,251,260</u>

Total Current Liabilities \$ 17,509,293

Long-term Liabilities

Note payable, net of current portion	9,792
Deferred rent	<u>709,927</u>

Total Long-term Liabilities 719,719

Total Liabilities 18,229,012

Commitments and Contingencies

Net Assets

Without donor restrictions	4,555,955
With donor restrictions	<u>384,999</u>

Total Net Assets 4,940,954

Total Liabilities and Net Assets \$ 23,169,966

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

CHILDNET, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

	Without donor restrictions	With donor restrictions	Totals
Support and Revenues			
Government grants and contracts	\$ 130,576,004	\$ 219,452	\$ 130,795,456
In-kind contributions	954,247	--	954,247
Contributions	121,391	--	121,391
Other revenue	60,804	--	60,804
Net assets released from restrictions	<u>246,683</u>	<u>(246,683)</u>	<u>--</u>
Total Support and Revenues	<u>131,959,129</u>	<u>(27,231)</u>	<u>131,931,898</u>
Expenses			
Program services:			
DCF community based care	122,660,430	--	122,660,430
Other community based care	600,961	--	600,961
Supporting activities:			
General and administrative	2,689,801	--	2,689,801
Fundraising	<u>95,732</u>	<u>--</u>	<u>95,732</u>
Total Expenses	<u>126,046,924</u>	<u>--</u>	<u>126,046,924</u>
Change in Net Assets	5,912,205	(27,231)	5,884,974
Net (Deficit) Assets - Beginning	<u>(1,356,250)</u>	<u>412,230</u>	<u>(944,020)</u>
Net Assets - Ending	<u>\$ 4,555,955</u>	<u>\$ 384,999</u>	<u>\$ 4,940,954</u>

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, 2020

	Program Services			Supporting Activities			Total Expenses
	DCF Community Based Care	Other Community Based Care	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Personnel costs	\$ 24,408,773	\$ 247,747	\$ 24,656,520	\$ 2,162,233	\$ 13,663	\$ 2,175,896	\$ 26,832,416
Contract and other services	89,110,432	315,871	89,426,303	--	--	--	89,426,303
Occupancy and utilities	3,270,176	12,716	3,282,892	141,662	32,355	174,017	3,456,909
Insurance	984,882	1,768	986,650	120,487	--	120,487	1,107,137
In-kind expenses	954,247	--	954,247	--	--	--	954,247
Professional fees	606,683	8,165	614,848	72,802	--	72,802	687,650
Telephone	596,943	940	597,883	60,866	272	61,138	659,021
Emergency response/Covid expenditures	590,846	--	590,846	6,134	--	6,134	596,980
Data communications	490,381	1,067	491,448	45,605	40,283	85,888	577,336
Equipment and leases	386,313	1,447	387,760	35,386	6,004	41,390	429,150
Travel	319,994	4,288	324,282	8,766	430	9,196	333,478
Depreciation and amortization	246,536	--	246,536	--	--	--	246,536
Office and computer supplies	217,148	823	217,971	15,728	--	15,728	233,699
Staff training and recruitment	175,730	--	175,730	14,287	--	14,287	190,017
Marketing and community outreach	171,990	5,975	177,965	270	2,683	2,953	180,918
Maintenance	129,356	154	129,510	5,575	42	5,617	135,127
Total	<u>\$ 122,660,430</u>	<u>\$ 600,961</u>	<u>\$ 123,261,391</u>	<u>\$ 2,689,801</u>	<u>\$ 95,732</u>	<u>\$ 2,785,533</u>	<u>\$ 126,046,924</u>

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

CHILDNET, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

Cash Flows From Operating Activities

Change in net assets		\$ 5,884,974
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	\$ 246,536	
Change in operating assets and liabilities:		
Grants and other receivables	2,341,456	
Prepaid expenses	1,305,100	
Other assets	(8,874)	
Accounts payable and accrued expenses	(8,067,437)	
Accounts payable - providers	8,023,785	
Accrued salaries and annual leave	1,708,676	
Funds due to clients - Social Security benefits	469,968	
Deferred revenue	312,270	
Deferred rent	<u>(31,697)</u>	

Total Adjustments 6,299,783

Net Cash Provided by Operating Activities 12,184,757

Cash Flows From Investing Activities

Purchase of property and equipment (221,469)

Cash Flows From Financing Activities

Principle payments on notes payable (11,582)

Net Change in Cash, Cash Equivalents and Restricted Cash 11,951,706

Cash, Cash Equivalents and Restricted Cash - Beginning 7,793,259

Cash, Cash Equivalents and Restricted Cash - Ending \$ 19,744,965

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest \$ 1,100

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

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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 year ended June 30, 2020.

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, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions as follows:

Without Donor Restrictions

Net assets used by the Organization, which are free of donor-imposed restrictions; all revenues and expenses that are not changes in net assets with donor restrictions.

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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, 2020, the Organization had net assets with donor restriction of approximately \$385,000, 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 table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the accompanying consolidated statement of financial position that sum to the total of the same such amounts shown in the accompanying consolidated statement of cash flows.

Cash and cash equivalents	\$18,777,599
Restricted cash	<u>967,366</u>
Total Cash, Cash Equivalents, and Restricted Cash Presented in the Consolidated Statement of Cash Flows as of June 30, 2020	<u>\$19,744,965</u>

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

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 \$19,052,000 of balances in excess of insurance limits covered by the Federal Deposit Insurance Corporation (“FDIC”) as of June 30, 2020. 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 at June 30, 2020.

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:

<u>Asset Group</u>	<u>Years</u>
Leasehold improvements	5-20
Furniture, fixtures and equipment	3-20

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with Financial Accounting Standards Board (“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, 2020.

DEFERRED RENT

The Organization records rent payments from operating leases, which generally call for escalating payments and free rents over the terms of the leases, on a straight-line basis over the lease term, as required in FASB ASC No. 840, *Leases*. The difference between the rent payments and straight-line basis of such rent is recorded as deferred rent.

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.

CHILDNET, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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

FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2020.

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 statement 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 statement 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 and reported in the accompanying consolidated statement 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 statement of activities.

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

GRANTS AND CONTRACTS FROM GOVERNMENT AGENCIES

Grants and contracts from governmental agencies are recognized as revenue when the grant funds have been expended in accordance with the grant provisions of the respective agreements.

DEFERRED REVENUE

Deferred revenue represents advances to be used on future expenditures. Deferred revenue is recognized as revenue when the related expenditures are incurred.

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 contributions of services are recognized if the services received (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations. For the year ended June 30, 2020, there were approximately \$954,000 in non-cash contributions.

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.

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and other activities has been detailed in the accompanying consolidated statement of functional expenses and is summarized on a functional basis in the accompanying consolidated statement 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 year ended June 30, 2020.

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.

CHILDNET, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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

INCOME TAXES (CONTINUED)

The Organization did not record any interest or penalties on uncertain tax positions in the accompanying consolidated statement of financial position as of June 30, 2020 or the accompanying consolidated statement of activities for the year 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.

RECENT ACCOUNTING PRONOUNCEMENTS

On November 16, 2017, the FASB issued Accounting Standards Update (“ASU”) 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*. This ASU applies to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. This ASU is applicable for the Organization for its annual reporting period beginning on July 1, 2019. Earlier application is permitted, however, the Organization did not early adopt the ASU. The Organization implemented this ASU effective July 1, 2019. The adoption did not have a significant impact on the Organization’s consolidated financial statements.

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU applies to all entities, including business entities that receive or make contributions of cash and other assets (except for transfers of assets from government entities to business entities). This ASU provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. Making this determination is important because distinguishing between contributions and exchange transactions determines which guidance is applied. For

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

contributions, an entity should follow the guidance in FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*, whereas, for exchange transactions, an entity should follow other guidance. This ASU is applicable for the Organization for its annual reporting period beginning on July 1, 2019. Earlier application is permitted, however, the Organization did not early adopt the ASU. The Organization implemented this ASU effective July 1, 2019. The adoption did not have a significant impact on the Organization's consolidated financial statements.

In February 2016, the FASB issued 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. This ASU is applicable for the Organization for its annual reporting period beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Earlier application is permitted; however, the Organization did not early adopt the ASU. Management is currently in the process of evaluating the ASU for the potential impact on its consolidated financial statements upon adoption.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. This ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. This ASU requires the new standard to be applied retrospectively, with amendments taking effect for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. This ASU does allow for early adoption. Management is in the process of evaluating the ASU for the potential impact on its consolidated financial statements upon adoption.

SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through January 13, 2021, the date the consolidated financial statements were available to be issued.

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 2 – LIQUIDITY

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 balanced budget and anticipates collecting sufficient revenues to cover expenditures. Refer to the accompanying consolidated statement of cash flows which identifies the sources and uses of the Organization's cash for the twelve months ended June 30, 2020.

For the year ended June 30, 2020, 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.

As of June 30, 2020, the following financial assets could be readily made available within one year of the balance sheet to meet general expenditures. There were no financial assets with donor restrictions at June 30, 2020.

Financial Assets Available to Meet General Expenditures over the Next 12 Months

Cash and cash equivalents	\$18,777,599
Grants and other receivables	<u>2,467,660</u>
Total Financial Assets	<u>\$21,245,259</u>

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 - 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 \$401,080,098. The Organization also negotiated its second 5-year term under the renewal provision option with the DCF for a total amount of \$475,145,854 for the Palm Beach, Contract - IJ706. 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.

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 year ended June 30, 2020, service fees earned by the Organization under the contracts amounted to approximately \$131,000,000 which are included in government grants and contracts in the accompanying consolidated statement of activities.

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.

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

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 4 - CONTRACTS WITH OUTSIDE PROVIDERS (CONTINUED)

Contracts are for a period of one year. Under these contracts, the Organization paid approximately \$33,251,000, which is included in program services in the accompanying consolidated statement of activities, to Providers for the year ended June 30, 2020 and had an amount payable to the Providers of approximately \$8,531,000 as of June 30, 2020.

NOTE 5 - PROPERTY AND EQUIPMENT

As of June 30, 2020, property and equipment consist of the following:

Furniture, fixtures and equipment	\$ 2,731,954
Leasehold improvements	<u>19,650</u>
	2,751,604
Less: Accumulated depreciation and amortization	<u>(2,371,691)</u>
Property and Equipment, Net	<u>\$ 379,913</u>

Depreciation and amortization expense for the year ended June 30, 2020 was approximately \$247,000.

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 2022. Interest on the Line is calculated at the bank's business prime rate (4.75% as of June 30, 2020). Borrowings are secured by substantially all assets of the Organization. As of June 30, 2020, 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 with a net book value of approximately \$16,000 at June 30, 2020. The loan bears interest of 4.92% and is payable in monthly installments of principal and interest through maturity in January 2023.

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 7 – NOTE PAYABLE (CONTINUED)

Maturities of the note payable subsequent to June 30, 2020 are as follows:

For the Year June 30,	Amount
2021	\$ 6,157
2022	6,467
2023	<u>3,325</u>
Total	15,949
Less: current portion	<u>(6,157)</u>
Long-Term Portion	<u>\$ 9,792</u>

For the year ended June 30, 2020, interest expense on the note payable was approximately \$1,100.

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 year ended June 30, 2020, 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 year ended June 30, 2020, the Organization contributed approximately \$754,000 to the Retirement Plan.

NOTE 9 - COMMITMENTS

LEASE OBLIGATIONS

The Organization leases office space in Palm Beach County under an operating lease, as amended, scheduled to expire June 2024. The Lease can be cancelled at an earlier time in the event that the contract between the Organization and DCF to serve the abused, abandoned and neglected children of Palm Beach County is terminated or not renewed. Additionally, the Organization leases office space in Broward County scheduled to expire February 2025.

The Organization also leases vehicles and office equipment under non-cancelable leases expiring in various years through 2021.

CHILDNET, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 9 - COMMITMENTS (CONTINUED)

LEASE OBLIGATIONS (CONTINUED)

Future estimated minimum payments required under the above leases are as follows:

For the Year Ending June 30,	Amount
2021	\$ 2,716,000
2022	2,762,000
2023	2,804,000
2024	2,882,000
2025	<u>1,164,000</u>
Total	<u>\$ 12,328,000</u>

The aggregate rent expense for all cancellable and non-cancellable leases for the year ended June 30, 2020 was approximately \$2,769,000.

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.

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 11 - CONCENTRATIONS

For the year ended June 30, 2020, the Organization received approximately 99% 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, 2020, receivables from DCF were approximately 99% of grants and other receivables.

NOTE 12 – NET ASSETS

Net assets without donor restrictions as of June 30, 2020 are as follows:

Net assets	\$ 4,555,955
Total Net Assets Without Donor Restrictions	<u>\$ 4,555,955</u>

Net assets with donor restrictions as of June 30, 2020 are as follows:

Subject to Expenditure for Specified Purpose	
Capital assets, net and other	\$ 384,999
Total Net Assets With Donor Restrictions	<u>\$ 384,999</u>

Net assets were released from restrictions by incurring expenses the restricted purposes or by June 30, 2020 as follows:

Purpose Restrictions Accomplished	
Capital assets, net	\$ 246,683
Total Net Assets Released from Donor Restriction	<u>\$ 246,683</u>

CHILDNET, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 13 – CORONAVIRUS PANDEMIC

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a global pandemic, which continues to spread throughout the United States and around the world. As of January 13, 2021, the Organization is aware of changes in its operations as a result of COVID-19 but is uncertain of the impacts of those changes on its accompanying consolidated financial statements. Management believes disruption to businesses as a result of local governments mandating temporary closures has not had an adverse impact on operations as grant funding has remained consistent, however, there is uncertainty whether any adverse disruption might occur in the future, its duration, and hence the potential impact. Management is optimistic, but is unable to estimate the net potential impact on the Organization’s consolidated financial position of activities as of the report date.

**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***

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 financial statements of ChildNet, Inc. and Affiliate (collectively, the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 13, 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 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
January 13, 2021

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

Board of Directors
ChildNet, Inc. and Affiliate

Report on Compliance for Each Major Federal Program and State Project

We have audited the compliance of ChildNet, Inc. and Affiliate (collectively, the "Organization") with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on the Organization's major Federal programs and State projects for the year ended June 30, 2020. 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.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its Federal programs and State projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major Federal programs and State projects 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; 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. Those standards, Uniform Guidance, and Chapter 10.650, Rules of the Auditor General 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 or State project occurred. An audit includes examining, on a test basis, evidence about ChildNet, Inc. and Affiliate'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 and State project. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, ChildNet, Inc. and Affiliate 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 and State projects for the year ended June 30, 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 and State project 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 State project 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 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 or State project 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses 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 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
January 13, 2021

CHILDNET, INC. AND AFFILIATE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE**

FOR THE YEAR ENDED JUNE 30, 2020

Federal/State Agency, Pass-through Entity	CFDA/ CSFA	Contract	Expenditures	Transfers to Subrecipients
Federal Awards				
U.S. Department of Health and Human Services:				
Pass-Through Florida Department of Children and Families Cluster:				
Adoption Assistance	93.659	JJ212 IJ706	\$ 17,078,473 9,693,013	\$ 112,836 338,230
Medical Assistance Program	93.778	JJ212 IJ706	944,438 443,296	-- --
Temporary Assistance for Needy Families (TANF)	93.558	JJ212 IJ706	7,882,380 5,106,791	360,580 568,355
Foster Care - Title IV - E	93.658	JJ212 IJ706	33,024,734 23,895,655	7,936,705 2,009,658
Child Welfare Services - State Grants	93.645	JJ212 IJ706	1,435,561 874,093	-- --
Social Services Block Grant	93.667	JJ212 IJ706	3,216,429 2,376,119	1,227,850 1,042,174
Promoting Safe and Stable Families	93.556	JJ212 IJ706	1,246,039 926,370	857,911 68,145
Independent Living	93.674	JJ212 IJ706	1,013,522 881,633	174,266 574,470
Chafee Education and Training Vouchers Program	93.599	JJ212 IJ706	421,530 270,924	-- --
Grants to States for Access and Visitation Programs	93.597	JJ212 IJ706	26,024 26,025	26,024 26,025
Administration for Children, Youth and Families-Child Abuse	93.669	JJ212 IJ706	14,204 29,889	14,204 29,889
Guardianship Assistance	93.090	JJ212 IJ706	585 1,913	585 1,913
State Admin Matching Grant for the Supplemental Nutrition Assistance Program	10.561	IJ706	<u>111</u>	<u>--</u>
Total Florida Department of Children and Families Cluster			<u>110,829,751</u>	<u>15,369,818</u>
Total Federal Awards			<u>\$ 110,829,751</u>	<u>\$ 15,369,818</u>

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, 2020

Federal/State Agency, Pass-through Entity	CFDA/ CSFA	Contract	Expenditures	Transfers to Subrecipients
State Financial Assistance				
State of Florida Department of Children and Families Cluster:				
Out-of-Home Supports	60.074	JJ212	\$ 14,664,634	\$12,237,968
		IJ706	4,987,093	4,301,469
Extended Foster Care Program	60.141	JJ212	921	--
		IJ706	7,348	--
Purchase Therapeutic Services for Children	60.183	JJ212	900,996	900,996
		IJ706	<u>440,511</u>	<u>440,512</u>
Total Florida Department of Children and Families Cluster			<u>21,001,503</u>	<u>17,880,945</u>
Total State Financial Assistance			<u>21,001,503</u>	<u>17,880,945</u>
Total Federal Awards and State Financial Assistance			<u>\$ 131,831,254</u>	<u>\$33,250,763</u>

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

CHILDNET, INC. AND AFFILIATE

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

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - GENERAL

The accompanying schedule of expenditures of federal awards and state financial assistance (the "Schedule") includes the federal award and state financial activity of ChildNet, Inc. and Affiliate (collectively, the "Organization") for the year ended June 30, 2020. 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 10.550, *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 10.550, *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.

CHILDNET, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	<i>UNMODIFIED OPINION</i>		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	___X___ No	
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	___X___ None reported.	
Noncompliance material to financial statement noted?	_____ Yes	___X___ No	

FEDERAL PROGRAMS AND STATE PROJECTS

Internal control over major Federal programs and State projects:			
Material weakness(es) identified?	_____ Yes	___X___ No	
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	___X___ None reported.	

Type of auditors' report issued on compliance for major Federal programs and State projects:	<i>UNMODIFIED OPINION</i>
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Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance and Chapter 10.650?	_____ Yes	___X___ No
---	-----------	------------

Identification of major Federal programs and State projects:

<u><i>NAME OF FEDERAL PROGRAM OR CLUSTER</i></u>	<u><i>CFDA NUMBER</i></u>
---	----------------------------------

<u><i>Florida Department of Children and Families Cluster:</i></u>	
Adoption Assistance	93.659
Medical Assistance Program	93.778
Temporary Assistance for Needy Families (TANF)	93.558
Foster Care - Title IV - E	93.658
Child Welfare Services - State Grants	93.645
Social Services Block Grant	93.667
Promoting Safe and Stable Families	93.556
Independent Living	93.674
Chafee Education and Training Vouchers Program	93.599

CHILDNET, INC. AND AFFILIATE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS (CONTINUED)

NAME OF FEDERAL PROGRAM OR CLUSTER **CFDA NUMBER**

Florida Department of Children and Families Cluster (Continued):

Grants to States for Access and Visitation Programs	93.597
Administration for Children, Youth and Families-Child Abuse	93.669
Community Based Family Resource and Support Grant	93.590
Guardianship Assistance	93.090
State Admin Matching Grant for Supplemental Assistance Program	10.561

NAME OF STATE PROJECT **CSFA NUMBER**

State of Florida Department of Children and Families Cluster:

Out-of-Home Supports	60.074
Extended Foster Care Program	60.141
Purchase 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: \$250,000

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 FINDINGS

None.