

KIDS FIRST OF FLORIDA, INC.
(A Nonprofit Corporation)

FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

Years Ended June 30, 2017 and 2016

KIDS FIRST OF FLORIDA, INC.

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| INDEPENDENT AUDITORS' REPORT | 1-3 |
| FINANCIAL STATEMENTS: | |
| Statements of Financial Position | 4 |
| Statements of Activities | 5 |
| Statement of Functional Expenses, 2017 | 6 |
| Statement of Functional Expenses, 2016 | 7 |
| Statements of Cash Flows | 8 |
| Notes to Financial Statements | 9-14 |
| ADDITIONAL INFORMATION: | |
| Schedule of Expenditures of Federal Awards and State Financial Assistance and Notes | 15-16 |
| 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> | 17-18 |
| INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE | 19-21 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | 22-23 |

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MEMBER OF
AMERICAN AND FLORIDA
INSTITUTES OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Kids First of Florida, Inc.
Orange Park, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Kids First of Florida, Inc., (a nonprofit corporation), a component corporation of the Institute for Growth and Development, Inc., (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers

internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kids First of Florida, Inc., as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of Kids First of Florida, Inc. as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, by Section 215.97, Florida Statutes 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2018, on our consideration of Kids First of Florida, Inc.'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of

JAMES KNUTZEN & ASSOCIATES
C.P.A.'s, P.A.

that testing, and not to provide an opinion on the 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 Kids First of Florida Inc.'s internal control over financial reporting and compliance.

James Knutzen & Associates

James Knutzen & Associates, C.P.A.'s, P.A.
Jacksonville, Florida
January 25, 2018

KIDS FIRST OF FLORIDA, INC.
(A Nonprofit Corporation)
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

ASSETS

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Cash | \$ 4,066,097 | \$ 3,657,987 |
| Accounts receivable (Note B) | 133 | 152,158 |
| Prepaid expenses | <u>181,948</u> | <u>146,181</u> |
| Total Current Assets | 4,248,178 | 3,956,326 |
| Property, plant and equipment, less accumulated depreciation of \$259,381 and \$276,977 for 2016 and 2015 (Note D) | <u>7,180</u> | <u>10,770</u> |
| Total Assets | <u>\$ 4,255,358</u> | <u>\$ 3,967,096</u> |

LIABILITIES AND NET ASSETS

| | | |
|-----------------------------------|---------------------|---------------------|
| Accounts payable | \$ 316,012 | \$ 213,877 |
| Accrued expenses | 243,057 | 216,469 |
| Deferred revenue (Note M) | 2,370,933 | 2,436,567 |
| Line of credit (Note C) | <u>-</u> | <u>-</u> |
| Total Current Liabilities | <u>2,930,002</u> | <u>2,866,913</u> |
| Net Assets - Unrestricted | 1,264,222 | 1,032,390 |
| - Property | 7,180 | 10,770 |
| - Temporarily restricted (Note L) | <u>53,954</u> | <u>57,023</u> |
| Total Net Assets | <u>1,325,356</u> | <u>1,100,183</u> |
| Total Liabilities and Net Assets | <u>\$ 4,255,358</u> | <u>\$ 3,967,096</u> |

See Notes to Financial Statements.

KIDS FIRST OF FLORIDA, INC.
(A Nonprofit Corporation)
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2017 and 2016

| | 2017 | | | 2016 | | |
|---|--------------|---------------------------|--------------|--------------|---------------------------|--------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| SUPPORT AND REVENUE | | | | | | |
| Contributions | \$ 7,855 | \$ - | \$ 7,855 | \$ 6,822 | \$ - | \$ 6,822 |
| In-kind contributions (Note F) | 8,701 | - | 8,701 | 14,010 | - | 14,010 |
| Special events (Note E) | 13,816 | - | 13,816 | 17,733 | - | 17,733 |
| Other income | 184,542 | - | 184,542 | 87,506 | - | 87,506 |
| Interest income | 512 | - | 512 | 562 | - | 562 |
| Clay County | 45,000 | - | 45,000 | 43,000 | - | 43,000 |
| State of Florida: | | | | | | |
| Department of Children and Families: | | | | | | |
| Community Based Foster Care | 8,737,331 | - | 8,737,331 | 8,492,505 | - | 8,492,505 |
| Total Support and Revenue | 8,997,757 | - | 8,997,757 | 8,662,138 | - | 8,662,138 |
| Net Assets Released from Restrictions | 3,069 | (3,069) | - | 2,676 | (2,676) | - |
| Total Support, Revenue and Net Assets Released from Restrictions | 9,000,826 | (3,069) | 8,997,757 | 8,664,814 | (2,676) | 8,662,138 |
| Program Service Expenses | 8,185,409 | - | 8,185,409 | 8,081,856 | - | 8,081,856 |
| Supporting Service Expenses | 587,175 | - | 587,175 | 502,872 | - | 502,872 |
| Total Expenses | 8,772,584 | - | 8,772,584 | 8,584,728 | - | 8,584,728 |
| Change in Net Assets | 228,242 | (3,069) | 225,173 | 80,086 | (2,676) | 77,410 |
| Net Assets, Beginning of Period | 1,043,160 | 57,023 | 1,100,183 | 963,074 | 59,699 | 1,022,773 |
| Net Assets, End of Period | \$ 1,271,402 | \$ 53,954 | \$ 1,325,356 | \$ 1,043,160 | \$ 57,023 | \$ 1,100,183 |

See Notes to Financial Statements.

KIDS FIRST OF FLORIDA, INC.
(A Nonprofit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017

| | Family Services | Contract Licensure | Independent Living | Foster Care & Adoptions | TOTAL PROGRAM SERVICES | Fundraising | Administrative | TOTAL |
|------------------------------------|---------------------|-----------------------|-----------------------|-------------------------------|------------------------------|----------------|------------------|---------------------|
| Salaries | \$ 2,515,958 | \$ 120,501 | \$ 89,709 | \$ - | \$ 2,726,168 | \$ - | \$ 162,879 | \$ 2,889,047 |
| Fringe benefits | 297,219 | 15,207 | 7,401 | - | 319,827 | - | 21,795 | 341,622 |
| Payroll taxes | 182,939 | 9,240 | 6,552 | - | 198,731 | - | 12,451 | 211,182 |
| | <u>2,996,116</u> | <u>144,948</u> | <u>103,662</u> | <u>-</u> | <u>3,244,726</u> | <u>-</u> | <u>197,125</u> | <u>3,441,851</u> |
| Foster Care, Shelter & Services | 716,502 | - | - | 3,549,261 | 4,265,763 | - | - | 4,265,763 |
| Building Occupancy | 251,683 | 12,613 | 4,204 | - | 268,500 | - | 8,958 | 277,458 |
| Professional Services | 16,451 | - | 40 | - | 16,491 | - | 14,450 | 30,941 |
| Mileage and Travel | 134,294 | 2,935 | 4,373 | - | 141,602 | - | 249 | 141,851 |
| Communication | 61,013 | - | - | - | 61,013 | - | 378 | 61,391 |
| Contracted Services | 16,332 | 135 | 45 | - | 16,512 | - | 329,281 | 345,793 |
| Maintenance Agreements | 12,323 | 469 | 157 | - | 12,949 | - | 313 | 13,262 |
| Vehicle | 8,785 | - | - | - | 8,785 | - | - | 8,785 |
| Background screenings | 29,847 | 234 | - | - | 30,081 | - | - | 30,081 |
| Office Supplies | 20,794 | 50 | 253 | - | 21,097 | - | 3,471 | 24,568 |
| Insurance | 77,130 | 4,218 | 1,406 | - | 82,754 | - | 2,812 | 85,566 |
| Operating Supplies and Expenses | 14,527 | 452 | 157 | - | 15,136 | 4,877 | 13,355 | 33,368 |
| | <u>1,359,681</u> | <u>21,106</u> | <u>10,635</u> | <u>3,549,261</u> | <u>4,940,683</u> | <u>4,877</u> | <u>373,267</u> | <u>5,318,827</u> |
| Total Personnel and Expenses | 4,355,797 | 166,054 | 114,297 | 3,549,261 | 8,185,409 | 4,877 | 570,392 | 8,760,678 |
| Administration | 535,962 | 20,393 | 14,037 | - | 570,392 | - | (570,392) | - |
| Fundraising | 4,877 | - | - | - | 4,877 | (4,877) | - | - |
| Depreciation | 3,374 | 128 | 88 | - | 3,590 | - | - | 3,590 |
| Unallowable expense | 8,316 | - | - | - | 8,316 | - | - | 8,316 |
| | <u>542,529</u> | <u>20,521</u> | <u>14,125</u> | <u>-</u> | <u>577,175</u> | <u>(4,877)</u> | <u>(570,392)</u> | <u>1,132,531</u> |
| Grand Total | <u>\$ 4,908,326</u> | <u>\$ 186,575</u> | <u>\$ 128,422</u> | <u>\$ 3,549,261</u> | <u>\$ 8,772,584</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 8,772,584</u> |

See Notes to Financial Statements.

KIDS FIRST OF FLORIDA, INC.
(A Nonprofit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2016

| | <u>Family Services</u> | <u>Contract Licensure</u> | <u>Independent Living</u> | <u>Foster Care & Adoptions</u> | <u>TOTAL PROGRAM SERVICES</u> | <u>Fundraising</u> | <u>Administrative</u> | <u>TOTAL</u> |
|------------------------------------|----------------------------|-------------------------------|-------------------------------|--|---------------------------------------|--------------------|-----------------------|---------------------|
| Salaries | \$ 2,340,603 | \$ 118,207 | \$ 86,951 | \$ - | \$ 2,545,761 | \$ - | \$ 139,599 | \$ 2,685,360 |
| Fringe benefits | 247,029 | 13,400 | 2,696 | - | 263,125 | - | 10,624 | 273,749 |
| Payroll taxes | 169,908 | 9,143 | 6,357 | - | 185,408 | - | 17,187 | 202,595 |
| | <u>2,757,540</u> | <u>140,750</u> | <u>96,004</u> | <u>-</u> | <u>2,994,294</u> | <u>-</u> | <u>167,410</u> | <u>3,161,704</u> |
| Foster Care, Shelter & Services | 797,881 | - | - | 3,611,204 | 4,409,085 | - | - | 4,409,085 |
| Building Occupancy | 246,455 | 12,096 | 4,032 | - | 262,583 | - | 8,264 | 270,847 |
| Professional Services | 38,121 | 690 | 230 | - | 39,041 | - | 460 | 39,501 |
| Mileage and Travel | 108,848 | 2,861 | 4,659 | - | 116,368 | - | 372 | 116,740 |
| Communication | 60,733 | - | 30 | - | 60,763 | - | 360 | 61,123 |
| Contracted Services | 22,318 | 168 | 56 | - | 22,542 | - | 281,375 | 303,917 |
| Maintenance Agreements | 13,299 | 521 | 174 | - | 13,994 | - | 347 | 14,341 |
| Vehicle | 10,333 | - | - | - | 10,333 | - | - | 10,333 |
| Background screenings | 29,227 | 396 | - | - | 29,623 | - | 30 | 29,653 |
| Office Supplies | 28,056 | 22 | 20 | - | 28,098 | - | 1,033 | 29,131 |
| Insurance | 74,499 | 3,991 | 1,330 | - | 79,820 | - | 2,661 | 82,481 |
| Operating Supplies and Expenses | 14,817 | 376 | 119 | - | 15,312 | 6,306 | 11,926 | 33,544 |
| | <u>1,444,587</u> | <u>21,121</u> | <u>10,650</u> | <u>3,611,204</u> | <u>5,087,562</u> | <u>6,306</u> | <u>306,828</u> | <u>5,400,696</u> |
| Total Personnel and Expenses | 4,202,127 | 161,871 | 106,654 | 3,611,204 | 8,081,856 | 6,306 | 474,238 | 8,562,400 |
| Administration | 445,831 | 17,124 | 11,283 | - | 474,238 | - | (474,238) | - |
| Fundraising | 6,306 | - | - | - | 6,306 | (6,306) | - | - |
| Depreciation | 9,265 | 356 | 235 | - | 9,856 | - | - | 9,856 |
| Unallowable expense | 12,472 | - | - | - | 12,472 | - | - | 12,472 |
| Grand Total | <u>\$ 4,676,001</u> | <u>\$ 179,351</u> | <u>\$ 118,172</u> | <u>\$ 3,611,204</u> | <u>\$ 8,584,728</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 8,584,728</u> |

See Notes to Financial Statements.

KIDS FIRST OF FLORIDA, INC.
(A Nonprofit Corporation)
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 225,173 | \$ 77,410 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 3,590 | 9,856 |
| (Increase) decrease in: | | |
| Accounts receivable | 152,025 | (115,752) |
| Prepaid expenses | (35,767) | (37,335) |
| Increase (decrease) in: | | |
| Accounts payable | 102,135 | 624 |
| Accrued expenses | 26,588 | 36,034 |
| Refundable advances | (65,634) | (548,034) |
| Net Cash Provided (Used) By Operating Activities | <u>408,110</u> | <u>(577,197)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of equipment | <u>-</u> | <u>(10,770)</u> |
| Net Cash Used By Investing Activities | <u>-</u> | <u>(10,770)</u> |
| Net Increase (Decrease) in Cash | 408,110 | (587,967) |
| Cash at Beginning of Period | <u>3,657,987</u> | <u>4,245,954</u> |
| Cash at End of Period | <u>\$ 4,066,097</u> | <u>\$ 3,657,987</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| Cash paid during the period: | | |
| Interest | <u>\$ -</u> | <u>\$ -</u> |
| Taxes | <u>\$ -</u> | <u>\$ -</u> |

See Notes to Financial Statements.

KIDS FIRST OF FLORIDA, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

A. Summary of Significant Accounting Policies:

- (1) Nature of Organization – Kids First of Florida, Inc., formerly known as Clay & Baker Kids Net, Inc. and Clay Kids Net, Inc., was incorporated January 15, 2003 to provide foster care placement, case management, adoption, physical and emotional support, and be a liaison with the health department for children in Clay County, Florida. The largest funding source for the Organization is the Florida Department of Children and Families.
- (2) Basis of Presentation – The financial statements are prepared in accordance with the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification 958.
- (3) Basis of Accounting – The financial statements are prepared using the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.
- (4) Functional Allocation of Expenses – Expenditures in connection with program operations have been summarized on a functional basis in the statement of activities.
- (5) Cash – For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash.
- (6) Property, Plant and Equipment – Property, plant and equipment are recorded at cost for purchased items. Donated items are recorded at fair market value at the date of the gift. Asset purchases of \$1,000 or more are capitalized.
- (7) Depreciation – Building and equipment are being depreciated over the estimated useful lives of the individual assets by the straight-line method.
- (8) Public Support and Revenue – Revenue is reported at the estimated net realizable amounts due from third-party payers and others for services rendered. Client fees are recognized upon receipt.
- (9) Fair Values of Financial Instruments – Generally accepted accounting principles require certain financial instruments to be recorded at fair value. Changes in methods of estimation could affect the fair value estimates; however, such changes are not expected to have a material impact on the organization's financial position, activities or cash flows.

KIDS FIRST OF FLORIDA, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016
-continued-

- (10) Income Taxes – The Organization has been granted tax exempt status under Section 501(c)(3) of the Internal Revenue code, is not a private foundation and has no unrelated business taxable income. Management evaluated the Organization’s tax positions and concluded that the Organization had maintained its exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Accordingly, no provision for income tax is required. The Organization’s Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS for three years after they were filed.
- (11) Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions, primarily related to the collectibility of receivables and the depreciable lives of buildings and improvements that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.
- (12) Restricted and Unrestricted Revenue and Support – Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.
- (13) Advertising – Advertising costs of \$2,071 and \$6,925 for the years ended June 30, 2017 and 2016, respectively, were expensed as incurred.
- (14) Reclassifications – Certain accounts relating to the prior year have been restated to conform to the current year’s presentation. The reclassifications have no effect on income.

B. Accounts Receivable:

Revenue due under third-party payer agreements is subject to audit and retroactive adjustment. The Organization does not maintain an allowance for doubtful accounts. Uncollectible accounts receivable are charged off when management determines the receivable will not be collected.

KIDS FIRST OF FLORIDA, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016
-continued-

C. Line of Credit:

The Organization secured a bank line of credit for working capital needs. The line of credit is for \$500,000, priced at Prime Rate Index, currently 3.50%, plus 1.30%, to be reviewed annually and is secured by all accounts, equipment, general intangibles and fixtures. There was no principal balance on the line at June 30, 2017 or 2016.

D. Property, Plant and Equipment:

| | <u>Life</u> | <u>2017</u> | <u>2016</u> |
|--------------------------|-------------|------------------|------------------|
| Furniture and fixtures | 5 yrs. | \$ 32,438 | \$ 32,438 |
| Equipment | 5 yrs. | 159,068 | 159,068 |
| Vehicles | 5 yrs. | <u>75,055</u> | <u>96,241</u> |
| | | 266,561 | 287,747 |
| Accumulated depreciation | | <u>(259,381)</u> | <u>(276,977)</u> |
| | | <u>\$ 7,180</u> | <u>\$ 10,770</u> |

The Florida Department of Children and Families (DCF) has a reversionary interest in any equipment purchased with funds provided by DCF contracts.

E. Special Events:

The Organization had a major fundraiser during the years ending June 30, 2017 and 2016. Receipts totaled \$13,816 and \$17,733 and disbursements were \$4,877 and \$6,306, respectively.

F. In-Kind Contributions:

The Organization receives tangible property contributed for the children which is recorded at a discounted fair market value. The amounts are included in the financial statements as public support and specific assistance expense.

In-kind donations are measured at their fair value. The Financial Accounting Standards Board (FASB) in its Accounting Standards Codification 820 provides a single definition of fair value and established a three-tier hierarchy which is described below:

Level 1 – In-kind donations for which there are readily available prices in active markets for identical items.

KIDS FIRST OF FLORIDA, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016
-continued-

Level 2 – In-kind donations for which there is publicly available information about similar items in inactive markets, such as auction websites.

Level 3 – In-kind donations for which little publicly available information is available, and unobservable inputs may be used to measure fair value.

The in-kind contributions described above are considered Level 1.

No amounts have been reflected in the statements for donated services because they do not meet the criteria for recognition in accordance with the FASB Accounting Standards Codification 958

G. Related Party:

Kids First of Florida, Inc. and Clay Behavioral Health Center, Inc. are controlled by The Institute for Growth & Development, Inc. through board of directors' appointments and management agreements. Kids First of Florida, Inc. had accounts payable of \$22,494 and \$14,897 due to Clay Behavioral Health Center, Inc. at June 30, 2017 and 2016, respectively. Kids First of Florida, Inc. had accounts payable of \$15,147 and \$14,020 due to the Institute for Growth & Development, Inc. at June 30, 2017 and 2016, respectively. Kids First of Florida, Inc. paid The Institute for Growth & Development, Inc. \$354,527 and \$313,169 for management services during the years ending June 30, 2017 and 2016, respectively. Kids First of Florida, Inc. paid Clay Behavioral Health Center, Inc. \$146,760 and \$155,655 for services during the years ending June 30, 2017 and 2016, respectively.

H. Support from the State of Florida which Required Match:

The Organization had fixed price and/or unit of service contracts that required cost sharing or match. Kids First of Florida, Inc. met the matching requirements of these contracts for the years ending June 30, 2017 and 2016.

I. Operating Leases:

The Organization leases office space on Kingsley Avenue in Orange Park and a facility on Palmetto Avenue in Green Cove Springs. The office leases run through June 30, 2019 and have multiple two year options which, if exercised, would extend to September, 2023. The minimum lease payments, which include an assessment for common area maintenance, for the years ending June 30 are as follows:

KIDS FIRST OF FLORIDA, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016
-continued-

| | |
|------|-------------------|
| 2018 | \$ 288,364 |
| 2019 | <u>288,364</u> |
| | <u>\$ 576,728</u> |

Rent expense, including record storage, for the years ending June 30, 2017 and 2016 was \$286,857 and \$263,288, respectively.

J. Concentration of Credit Risk:

The Organization maintains bank accounts with three FDIC insured banks and exceeded depository insurance limits. The uninsured exposure at June 30, 2017 and 2016 was \$3,558,755 and \$3,252,097, respectively.

K. Contingencies:

Revenue from the State of Florida Department of Children and Families was 97% and 98% of total public support and revenue in the years ending June 30, 2017 and 2016. Laws and regulations governing the children’s programs are complex and subject to interpretation. The Organization believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and exclusion from the programs.

L. Temporarily Restricted Net Assets:

The Organization received a restricted gift from Children’s Crisis Center, Inc. of \$83,345 for child welfare expenses during the year ending June 30, 2009 with annual disbursements restricted to no more than 5% of the balance.

| | | |
|--------------------------|------------------|------------------|
| | <u>2017</u> | <u>2016</u> |
| Children’s Crisis Center | \$ <u>53,954</u> | \$ <u>57,023</u> |

KIDS FIRST OF FLORIDA, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016
-continued-

M. Deferred Revenue:

Deferred revenue consists of the following as of June 30:

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| Florida Department of Children And Families carryforward | \$ 2,211,230 | \$ 2,290,386 |
| Other | <u>159,703</u> | <u>146,181</u> |
| | <u>\$ 2,370,933</u> | <u>\$ 2,436,567</u> |

N. Retirement Plan:

The IGD 401k Plan, which became effective on January 1, 2016, is a defined contribution plan providing retirement benefits for all eligible employees of The Institute for Growth & Development, Inc., Clay Behavioral Health Center, Inc. and Kids First of Florida, Inc. Substantially all employees who have completed one year of service are eligible to join the Plan and may contribute up to 90% of their eligible pretax compensation, subject to limitations established by the Internal Revenue Code. The company may elect to make discretionary matching contributions or non-elective contributions to the Plan. During the years ended June 30, 2017 and 2016 the company made no contributions. Plan participants are immediately fully vested in their contributions and any associated earnings. Vesting in any company contributions is based on years of continuous service and a participant is 100% vested in such contributions after six years of continuous service.

O. Subsequent Events:

In preparing these financial statements, the Organization evaluated events and transactions for potential recognition or disclosure through January 25, 2018, the date the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2017 that require recognition or disclosure in the financial statements.

KIDS FIRST OF FLORIDA, INC.
(A Nonprofit Corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE PROJECTS
Year Ended June 30, 2017

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>CFDA/ CSFA Number</u> | <u>Contract/Grant Number</u> | <u>Expenditures</u> | <u>Transfers to Subrecipients</u> |
|---|----------------------------------|----------------------------------|---------------------|---------------------------------------|
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | |
| Passed Through State of Florida | | | | |
| Department of Children and Families: | | | | |
| Promoting Safe and Stable Families | 93.556 | DJ039 | \$ 159,117 | \$ (118,466) |
| Temporary Assistance for Needy Families | 93.558 | DJ039 | 627,665 | (45,672) |
| Chafee Education and Training Vouchers Program | 93.599 | DJ039 | (72) | - |
| Adoption Incentive Payments | 93.603 | DJ039 | 14,442 | - |
| Child Welfare Services - State Grants | 93.645 | DJ039 | 116,802 | (10,663) |
| Foster Care - Title IV-E | 93.658 | DJ039 | 1,675,063 | (298,781) |
| Adoption Assistance | 93.659 | DJ039 | 1,199,387 | (24,107) |
| Social Services Block Grant | 93.667 | DJ039 | 297,233 | (139,849) |
| Child Abuse and Neglect State Grants | 93.669 | DJ039 | 6,829 | (494) |
| Chafee Foster Care Independent Living | 93.674 | DJ039 | 95,379 | - |
| Medical Assistance Program | 93.778 | DJ039 | <u>14,609</u> | <u>-</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 4,206,454</u> | <u>\$ (638,032)</u> |
| STATE OF FLORIDA | | | | |
| Direct Projects of Department of Children and Families | | | | |
| Child Welfare Out of Home Supports | 60.074 | DJ039 | 728,685 | (237,140) |
| Independent Living | 60.112 | DJ039 | 167,815 | (250) |
| CBC-Sexually Exploited Children | 60.138 | DJ039 | 4,500 | (4,500) |
| In-Home Supports | 60.075 | DJ039 | 38,506 | (3,200) |
| Extended Foster Care Program | 60.141 | DJ039 | <u>49,210</u> | <u>(5,850)</u> |
| TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE | | | <u>\$ 988,716</u> | <u>\$ (250,940)</u> |

The accompanying notes are an integral part of this schedule.

KIDS FIRST OF FLORIDA, INC.
(A Nonprofit Corporation)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and grant activity of Kids First of Florida, Inc. for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, Rules of the Auditor General. Because the schedule presents only a selected portion of the operations of Kids First of Florida, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Kids First of Florida, Inc.

Note 2. Summary of Significant Accounting Policies

- a) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b) Pass through entity identifying numbers are presented where available.
- c) Kids First of Florida, Inc. has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

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MEMBER OF
AMERICAN AND FLORIDA
INSTITUTES OF
CERTIFIED PUBLIC ACCOUNTANTS

**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
Kids First of Florida, Inc.
Orange Park, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Kids First of Florida, Inc. (a nonprofit corporation) which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Kids First of Florida, Inc.'s internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Kids First of Florida, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness Kids First of Florida, Inc.'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 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 Kids First of Florida, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



James Knutzen & Associates, C.P.A.'s, P.A.
Jacksonville, Florida
January 25, 2018

JAMES KNUTZEN & ASSOCIATES, C.P.A.'s, P.A.

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**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
Kids First of Florida, Inc.
Orange Park, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Kids First of Florida, Inc.'s, (a nonprofit organization) compliance 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 each of its major federal programs and state projects for the year ended June 30, 2017. Kids First of Florida, Inc.'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 the requirements of federal and state statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Kids First of Florida, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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. Those standards, the 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 Kids First of Florida, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Kids First of Florida, Inc.'s compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, Kids First of Florida, Inc. 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, 2017.

Report on Internal Control over Compliance

Management of Kids First of Florida, Inc. 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 Kids First of Florida, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state project in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 Kids First of Florida, Inc.'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 the 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.

JAMES KNUTZEN & ASSOCIATES
C.P.A.'s, P.A.

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.



James Knutzen & Associates, C.P.A.'s, P.A.
Jacksonville, Florida
January 25, 2018

KIDS FIRST OF FLORIDA, INC.
(A Nonprofit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

Section I--Summary of Auditors' Results

Financial Statements:

Unmodified auditors' report issued

Internal control over financial reporting:

| | | | | |
|---|-------|-----|-------------|----|
| Material weakness(es) identified? | _____ | YES | _____X_____ | NO |
| Significant deficiency(ies) identified? | _____ | YES | _____X_____ | NO |
| Noncompliance material to financial statements noted? | _____ | YES | _____X_____ | NO |

Federal Awards and State Projects:

Internal control over major programs:

| | | | | |
|---|-------|-----|-------------|----|
| Material weakness(es) identified? | _____ | YES | _____X_____ | NO |
| Significant deficiency(ies) identified? | _____ | YES | _____X_____ | NO |

Unmodified auditors' report issued on compliance for major programs:

| | | | | |
|---|-------|-----|-------------|----|
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) or Chapter 10.656 | _____ | YES | _____X_____ | NO |
|---|-------|-----|-------------|----|

Identification of major federal programs or state projects:

| | <u>CFDA #'s</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------------|-----------------|---|
| Foster Care - Title IV-E | 93.658 | N/A |
| Adoption Assistance | 93.659 | N/A |

Dollar threshold used to distinguish between type A and type B programs-Federal Awards:

\$750,000

CSFA #'s

| | |
|------------------------------------|--------|
| Child Welfare Out of Home Supports | 60.074 |
|------------------------------------|--------|

Dollar threshold used to distinguish between type A and type B programs-State Projects:

\$ 296,615

Auditee qualified as low risk auditee pursuant to the Uniform Guidance?

| | | | |
|-------------|-----|-------|----|
| _____X_____ | YES | _____ | NO |
|-------------|-----|-------|----|

Section II--Financial Statement Findings

None

Section III--Federal Award and State Project Findings and Questioned Costs

Major Federal Award Programs and State Projects Audit:

None

KIDS FIRST OF FLORIDA, INC.
(A Nonprofit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

Section IV--Summary Schedule of Prior Audit Findings

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to Federal Programs or State Projects.

Section V--Corrective Action Plan

No Corrective Action Plan is required because there were no findings required to be reported under the Federal or Florida Single Audit Act.

Section VI--Management Letter

No management letter as defined in State of Florida, Rules of the Auditor General 10656(3)(e) is required because there were no findings related to State Financial Assistance required to be reported.