

**CHILDREN'S HOME NETWORK**

**Combined Financial Statements,  
Supplementary Financial Information  
and Reports as Required by the Comptroller General  
of the United States and the Uniform Guidance**

**June 30, 2019 and 2018  
(With Independent Auditor's Report Thereon)**

# CHILDREN'S HOME NETWORK

## Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Combined Financial Statements:	
Combined Statements of Financial Position	3
Combined Statements of Support and Revenue, Expenses and Other Changes in Net Assets Without Donor Restrictions	4
Combined Statements of Changes in Net Assets	5
Combined Statement of Functional Expenses	6
Combined Statements of Cash Flows	7
Notes to Combined Financial Statements	8 - 23
Supplementary Financial Information:	
Schedule of Expenditures of Federal Awards and State Financial Assistance	24 - 26
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	27 - 28
Combining Schedule of Statement of Financial Position Information	29
Combining Schedule of Statement of Changes in Net Assets Information	30 - 31
Internal Control and Compliance:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Combined Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	32 - 33
Independent Auditor's 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, <i>Rules of the State of Florida Auditor General</i>	34 - 35
Schedule of Findings and Questioned Costs	36 - 37
Summary Schedule of Prior Audit Findings	38
Corrective Action Plan	39
Management Letter	40



**Mayer Hoffman McCann P.C.**

13577 Feather Sound Drive, Suite 400 ■ Clearwater, FL 33762  
Main: 727.572.1400 ■ Fax: 727.571.1933 ■ [www.mhmcpc.com](http://www.mhmcpc.com)

## **Independent Auditor's Report**

The Boards of Directors  
Children's Home Network:

### **Report on the Combined Financial Statements**

We have audited the accompanying combined financial statements of The Children's Home, Inc. (d/b/a Children's Home Network) and Affiliates (collectively the "Organization" or "Children's Home Network") which comprise the combined statements of financial position as of June 30, 2019 and 2018, and the related combined statements of support and revenue, expenses and other changes in net assets without donor restrictions, changes in net assets, and cash flows for the years then ended, the related combined statement of functional expenses for the year ended June 30, 2019, and the related notes to the combined financial statements.

### **Management's Responsibility for the Combined Financial Statements**

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the combined 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 Organization'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Children's Home Network as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended, and their functional expenses for the year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Other Information***

Our audit was performed for the purpose of forming an opinion on the combined financial statements of Children's Home Network as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and Chapter 10.650, *Rules of the State of Florida Auditor General*, is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated December 16, 2019 on our consideration of Children's Home Network's internal control over financial reporting and our tests of their 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 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 Children's Home Network's internal control over financial reporting and compliance.

### **Report on Summarized Comparative Information**

We have previously audited Children's Home Network's 2018 combined financial statements, and our report dated December 6, 2018 expressed an unmodified opinion on those combined financial statements. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2018, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

*Mayer Hoffman McCann P.C.*  
December 16, 2019  
Clearwater, Florida

**CHILDREN'S HOME NETWORK**

**Combined Statements of Financial Position**

**June 30, 2019 and 2018**

<b>Assets</b>	<u><b>2019</b></u>	<u><b>2018</b></u>
Cash (Note 9)	\$ 67,552	59,859
Receivables:		
Grants and contracts (Note 9)	1,885,845	1,281,052
Medicaid	46,419	51,715
Accrued interest	40,605	81,591
Contributions (Notes 4 and 16)	1,174,792	988,677
Investments (Notes 2, 5 and 16)	19,244,169	18,674,462
Prepaid expenses and other assets	321,330	261,003
Cash surrender value of life insurance	103,048	99,181
Beneficial interest in perpetual trust (Notes 10 and 16)	1,190,589	1,208,306
Net property and equipment (Note 3)	3,712,874	3,653,619
	<u>\$ 27,787,223</u>	<u>26,359,465</u>
 <b>Liabilities and Net Assets</b> 		
Liabilities:		
Line of credit (Note 5)	\$ 37,000	247,000
Accounts payable	247,868	172,647
Other accrued expenses	517,054	484,990
Deferred revenue	457,018	35,538
Estimated third-party payor liabilities (Note 15)	27,000	27,000
Annuities payable (Notes 14 and 16)	44,422	48,417
	<u>1,330,362</u>	<u>1,015,592</u>
Net assets (Note 11):		
Without donor restrictions:		
Undesignated	3,667,997	3,418,935
Designated for long-term investment	15,032,222	14,505,032
	<u>18,700,219</u>	<u>17,923,967</u>
With donor restrictions (Note 10)	<u>7,756,642</u>	<u>7,419,906</u>
	<u>26,456,861</u>	<u>25,343,873</u>
	<u>\$ 27,787,223</u>	<u>26,359,465</u>

## CHILDREN'S HOME NETWORK

### Combined Statements of Support and Revenue, Expenses and Other Changes in Net Assets Without Donor Restrictions

Years Ended June 30, 2019 and 2018

	2019	2018
Operating support and revenue:		
Public support:		
Special event revenue	\$ 320,168	294,010
Less special event costs	(124,949)	(100,408)
	195,219	193,602
Net revenue from special events	195,219	193,602
United Way	116,108	131,017
Contributions	1,008,985	942,373
Bequests	180,039	504,524
Government grants and contracts (Note 9)	11,804,863	10,358,521
	13,305,214	12,130,037
Revenue:		
Investment return designated for current operations (Note 2)	728,668	693,628
Medicaid	830,521	840,979
Program service fees	2,742	4,326
In-kind revenue (Note 8)	271,548	373,540
Other	517	3,937
	1,833,996	1,916,410
Net assets released from restrictions:		
Expiration of time restrictions	403,808	923,644
Satisfaction of donor restrictions	87,953	170,599
	491,761	1,094,243
Total operating support and revenue	15,630,971	15,140,690
Operating expenses:		
Program services	12,280,465	11,053,677
Supporting services:		
Management and general	2,157,715	2,051,370
Development and public information	662,095	688,801
	2,819,810	2,740,171
Total operating expenses	15,100,275	13,793,848
Increase in net assets without donor restrictions from operations	530,696	1,346,842
Other changes:		
Increase in fair value of investment portfolio over amounts designated for current operations (Note 2)	257,386	715,689
Loss on disposal of property and equipment	(9,025)	(14,411)
Change in value of split-interest agreements	(2,805)	(8,330)
Donated furniture and equipment (Note 8)	-	6,000
	776,252	2,045,790
Increase in net assets without donor restrictions	\$ 776,252	2,045,790

See accompanying independent auditor's report and notes to combined financial statements.

**CHILDREN'S HOME NETWORK**

**Combined Statements of Changes in Net Assets**

**Years Ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
Net assets without donor restrictions:		
Total operating support and revenue	\$ 15,139,210	14,046,447
Total operating expenses	(15,100,275)	(13,793,848)
Increase in fair value of investment portfolio over amounts designated for current operations (Note 2)	257,386	715,689
Loss on disposal of property and equipment	(9,025)	(14,411)
Change in value of split-interest agreements	(2,805)	(8,330)
Donated equipment	-	6,000
Net assets released from restrictions	491,761	1,094,243
Change in net assets without donor restrictions	776,252	2,045,790
Net assets with donor restrictions:		
United Way allocations	-	46,660
Capital grants	346,658	231,368
Contributions	67,228	80,436
Bequests	416,247	156,826
Investment return	4,710	8,049
Change in value of split-interest agreements	11,371	40,862
Change in value of beneficial interest in perpetual trust	(17,717)	18,952
Net assets released from restrictions	(491,761)	(1,094,243)
Change in net assets with donor restrictions	336,736	(511,090)
Change in net assets	1,112,988	1,534,700
Net assets at beginning of year	25,343,873	23,809,173
Net assets at end of year	\$ 26,456,861	25,343,873

**CHILDREN'S HOME NETWORK**  
**Combined Statement of Functional Expenses**  
**Year Ended June 30, 2019**  
**(With Comparative Totals for 2018)**

	Program Services							Supporting Services			Total Expenses		
	Residential Services	Pinellas Support Team	Foster Care Support Services	Kinship	SEEDS	Healthy Families	Family Resource Centers	Total	Management and General	Development and Public Information	Total	2019	2018
Awards, grants, and assistance:													
Awards, grants and assistance to individuals	\$ 75,027	-	170,196	55,335	2,814	-	-	303,372	1,712	-	1,712	305,084	276,522
	75,027	-	170,196	55,335	2,814	-	-	303,372	1,712	-	1,712	305,084	276,522
Salaries and related expenses:													
Salaries	2,091,038	152,778	961,457	1,341,432	1,421,959	782,762	486,470	7,237,896	1,244,039	436,703	1,680,742	8,918,638	8,088,220
Payroll taxes	157,864	11,187	73,089	101,247	106,862	59,187	35,566	545,002	91,430	32,442	123,872	668,874	612,018
Employee benefits	334,750	33,033	107,028	167,426	222,455	141,293	49,097	1,055,082	102,671	56,780	159,451	1,214,533	1,007,055
	2,583,652	196,998	1,141,574	1,610,105	1,751,276	983,242	571,133	8,837,980	1,438,140	525,925	1,964,065	10,802,045	9,707,293
Other operating expenses:													
Professional fees	82,019	2,637	20,287	75,645	5,657	-	356	186,601	261,986	25,128	287,114	473,715	523,404
Subcontractors	-	173,885	377,462	71,447	-	-	-	622,794	-	-	-	622,794	342,954
Supplies and materials	202,110	4,329	25,860	49,625	37,620	20,883	22,051	362,478	27,327	7,294	34,621	397,099	382,869
Electronic communications	15,658	1,181	8,903	23,935	20,920	16,541	9,853	96,991	5,244	3,405	8,649	105,640	112,578
Postage and shipping	102	-	443	2,916	720	144	22	4,347	1,462	23,855	25,317	29,664	23,693
Occupancy	85,119	6,686	5,916	94,140	59,933	81,934	220,576	554,304	114,596	7,357	121,953	676,257	647,824
Repairs, maintenance and rentals	60,895	48	7,125	53,153	4,406	729	12,446	138,802	51,849	4,244	56,093	194,895	183,406
Copying and printing	10,263	3,300	8,357	21,751	7,486	8,142	21,194	80,493	23,322	38,099	61,421	141,914	134,336
Travel and vehicle	21,769	658	25,376	58,493	35,215	67,034	1,988	210,533	11,142	2,883	14,025	224,558	251,082
Financing expense	-	-	-	-	-	-	-	-	-	2,188	-	2,188	9,595
Insurance	142,895	2,140	16,218	25,856	21,759	19,432	8,228	236,528	53,925	9,128	63,053	299,581	279,446
Organization and staff development	14,295	3,857	6,721	18,138	5,310	16,320	380	65,021	75,948	959	76,907	141,928	112,141
In-kind	224,891	1,476	22,145	13,417	2,888	6,326	405	271,548	-	-	-	271,548	373,540
Bad debt expense	-	-	-	-	-	-	-	-	-	4,268	4,268	4,268	37,138
Other	1,928	61	423	429	23,086	313	474	26,714	15,355	7,084	22,439	49,153	42,245
	861,944	200,258	525,236	508,945	225,000	237,798	297,973	2,857,154	644,344	133,704	778,048	3,635,202	3,456,251
Depreciation and amortization	259,210	137	2,311	2,069	9,214	6,246	2,772	281,959	73,519	2,466	75,985	357,944	353,782
Total expenses before allocation of management and general	3,779,833	397,393	1,839,317	2,176,454	1,988,304	1,227,286	871,878	12,280,465	2,157,715	662,095	2,819,810	15,100,275	13,793,848
Allocation of management and general	860,641	61,556	240,477	300,382	296,138	176,132	102,089	2,037,415	(2,157,715)	120,300	(2,037,415)	-	-
	\$ 4,640,474	458,949	2,079,794	2,476,836	2,284,442	1,403,418	973,967	14,317,880	-	782,395	782,395	15,100,275	13,793,848

See accompanying independent auditor's report and notes to combined financial statements.

# CHILDREN'S HOME NETWORK

## Combined Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 1,112,988	1,534,700
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	357,944	353,782
Loss on disposal of property and equipment	9,025	14,411
Net realized and unrealized gains on investments	(316,915)	(813,108)
Change in value of split-interest agreements	(8,566)	(32,532)
Change in value of beneficial interest in perpetual trust	17,717	(18,952)
Bad debt provision	4,268	37,138
Donated equipment	-	(6,000)
Grants restricted for long-term investment	(346,658)	(231,368)
Decrease (increase) in accounts receivable	(737,523)	552,550
Decrease (increase) in prepaid expenses and other assets	(64,652)	49,366
Decrease (increase) in cash surrender value of life insurance	(3,867)	5,228
Increase (decrease) in accounts payable and other liabilities	528,765	(158,199)
	552,526	1,287,016
Net cash provided by operating activities	552,526	1,287,016
Cash flows from investing activities:		
Capital expenditures	(421,899)	(486,018)
Insurance proceeds from vehicle loss	-	25,169
Purchase of investment securities	(1,059,872)	(1,322,345)
Proceeds from sale of investment securities	807,080	740,469
	(674,691)	(1,042,725)
Net cash used in investing activities	(674,691)	(1,042,725)
Cash flows from financing activities:		
Net repayments on line of credit	(210,000)	(416,000)
Grants restricted for long-term investment	346,658	231,368
Payments to donor annuitants	(6,800)	(6,800)
	129,858	(191,432)
Net cash provided by (used in) financing activities	129,858	(191,432)
Net increase in cash	7,693	52,859
Cash at beginning of year	59,859	7,000
Cash at end of year	\$ 67,552	59,859
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 2,188	9,595

# CHILDREN'S HOME NETWORK

## Notes to Combined Financial Statements

June 30, 2019 and 2018

### (1) Description of Organization and Summary of Significant Accounting Policies

#### (a) Description of Organization

Children's Home Network (collectively the "Organization") consists of three not-for-profit entities that provide services to abused children and at-risk families. The Boards of Directors set policy and oversee the financial affairs of the Organization which is funded primarily by the U.S. Department of Health and Human Services, the State of Florida Department of Children and Families, Eckerd Youth Alternatives and other lead agencies, United Way Suncoast, Inc., The Children's Board of Hillsborough County, the Juvenile Welfare Board of Pinellas County, Healthy Start Coalition, investment earnings and private contributions.

In July 2009, the Boards of Directors approved a restructuring of the Organization. At the center of this structure, *The Children's Home, Inc.* continues to accomplish its historic mission through a therapeutic residential program; foster care, kinship care, and a wide range of community-based early intervention programs.

*Children's Home Foundation, Inc.* holds and invests the Organization's endowment and other funds designated by the Boards of Directors for long-term investment to preserve capital and generate income to finance the delivery of services to abused children and at-risk families.

*Children's Home Properties, Inc.* maintains certain real property which is leased to another not-for-profit organization in support of Children's Home Network's mission to provide opportunities to community families for success.

These entities are under common control and therefore their financial statements are combined for purposes of financial reporting. All significant intercompany balances and transactions have been eliminated in combination.

Since 2002, The Children's Home, Inc. has been accredited by the Council on Accreditation. In June 2019, a site visit was completed, including a thorough review of all programs and services, resulting in the Organization's successful re-accreditation through September 2022.

#### (b) Financial Statement Presentation

The accompanying combined financial statements 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 and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Children's Home Network and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions:* Net assets without donor restrictions are available for use at the discretion of the Organization's Board of Directors (the "Board") and/or management for general operating purposes. From time to time, the Organization's Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

## CHILDREN'S HOME NETWORK

### Notes to Combined Financial Statements - Continued

(1) **Description of Organization and Summary of Significant Accounting Policies - Continued**

(b) **Financial Statement Presentation - Continued**

*Net Assets With Donor Restrictions:* Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the accompanying combined statements support and revenue, expenses and other changes in net assets without donor restrictions as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained in perpetuity while permitting the Organization to spend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

The combined statement of functional expenses includes certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

(c) **Financial Accounting Standards**

The Financial Accounting Standards Board (FASB) issued authoritative guidance establishing two levels of U.S. generally accepted accounting principles (GAAP) - authoritative and nonauthoritative - and made the Accounting Standards Codification (ASC) the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the Securities and Exchange Commission. This guidance was incorporated into ASC Topic 105, *Generally Accepted Accounting Principles*.

(d) **Contributions Receivable**

Contributions receivable are recorded without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a time or purpose restriction has been satisfied, amounts previously received and recorded in net assets with donor restrictions are reclassified to net assets without donor restrictions.

# CHILDREN'S HOME NETWORK

## Notes to Combined Financial Statements - Continued

### (1) Description of Organization and Summary of Significant Accounting Policies - Continued

#### (e) Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair values in the Organization's combined statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying combined financial statements. Restrictions on investment earnings are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the earnings are recognized.

#### (f) Property and Equipment

Depreciation of property and equipment is computed principally by the straight-line method over the estimated useful lives of the related assets. Expenditures for property and equipment are stated at cost, and those in excess of \$3,000 are capitalized. Similarly, property and equipment donated with a fair market value in excess of \$3,000 as of the date of receipt is capitalized. The estimated useful lives of related asset classes are as follows:

Buildings and improvements	5 to 30 years
Furniture and equipment	3 to 10 years
Transportation equipment	3 to 5 years
Software	3 to 5 years

#### (g) Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on historical experience, third-party contracts, and other circumstances, which may affect the ability of payors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

#### (h) Annuities Payable

Annuities payable are stated at the actuarial present value of future cash flows expected to be paid to donors, or in certain cases donors' spouses, in the event of a donor's death. The discount rate used in computing the present value of the remaining annuity obligation at June 30, 2019 was 1.87%.

## CHILDREN'S HOME NETWORK

### Notes to Combined Financial Statements - Continued

#### (1) **Description of Organization and Summary of Significant Accounting Policies - Continued**

##### (i) **Income Taxes**

Each of the entities included in the combined financial statements has been recognized by the Internal Revenue Service as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986. Income earned in furtherance of the Organization's tax-exempt purpose is exempt from Federal and State income taxes. The Organization is treated as a publicly supported organization, and not as a private foundation. The Organization has adopted the provisions of ASC Topic 740, *Income Taxes*, and does not believe it has any material income tax exposure relating to uncertain tax positions. The Organization's income tax filings for periods after the fiscal year ended June 30, 2015 remain subject to examination.

##### (j) **Functional Allocation of Expenses**

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the combined statement of functional expenses. Expenses directly attributable to a specific functional area of the Organization are reported as direct expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the functional areas based on either time spent by employees on each functional area or based on a square footage analysis for all indirect occupancy-related expenses.

##### (k) **Estimates in Combined Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of increases or decreases in net assets during the period. Actual results could differ from those estimates.

##### (l) **Fair Value Measurements**

The Organization has adopted the provisions of FASB ASC 820, *Fair Value Measurement*, which requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices that are observable for the assets or liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3). The carrying amounts reported in the combined statement of financial position for cash, accounts receivable, and accounts payable approximate fair value because of the immediate or short-term maturities of these financial instruments.

## CHILDREN'S HOME NETWORK

### Notes to Combined Financial Statements - Continued

(1) **Description of Organization and Summary of Significant Accounting Policies - Continued**

(m) **Recent Accounting Pronouncement**

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adopted ASU 2016-14 and has adjusted the presentation of these combined financial statements accordingly. The ASU has been applied retrospectively to all periods presented which had no impact on net assets without donor restrictions or net assets with donor restrictions as no underwater endowment funds were identified.

(n) **Subsequent Events**

The Organization has evaluated subsequent events through December 16, 2019, the date the combined financial statements were available for issuance.

(2) **Investments**

At June 30, 2019 and 2018, the cost and market value of investments are as follows:

	2019		2018	
	Cost	Market	Cost	Market
Annuity funds:				
Money market funds	\$ 2,577	2,577	2,457	2,457
Fixed income securities	62,743	71,458	60,489	66,952
	65,320	74,035	62,946	69,409
Endowments:				
Money market funds	673,792	673,792	1,136,435	1,136,435
U.S. Government and Agency obligations	1,310,539	1,273,720	1,418,567	1,271,885
Corporate obligations	3,141,594	3,131,030	2,483,005	2,371,744
Common stock	-	-	2,183,467	2,482,753
Foreign bonds	122,459	120,186	122,459	118,564
Mutual funds	11,939,283	13,971,406	9,412,622	11,223,672
	17,187,667	19,170,134	16,756,555	18,605,053
	\$ 17,252,987	19,244,169	16,819,501	18,674,462

The Organization’s investments in equities and debt securities are not concentrated in a single entity or in a few entities, nor are there any specific industry concentrations.

**CHILDREN'S HOME NETWORK**

**Notes to Combined Financial Statements - Continued**

**(2) Investments - Continued**

The following schedule summarizes investment return for the years ended June 30, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Dividend and interest income	\$ 752,261	656,715
Net realized and unrealized gains	316,915	813,108
Investment management fees	(78,412)	(52,457)
Total investment return	990,764	1,417,366
Investment return designated for current operations	728,668	693,628
Investment return with donor restrictions	4,710	8,049
Increase in fair value of investment portfolio over amounts designated for current operations	\$ 257,386	715,689

**(3) Property and Equipment**

Property and equipment at June 30, 2019 and 2018 consists of the following:

	<b>2019</b>	<b>2018</b>
Land and improvements	\$ 988,604	988,604
Buildings and improvements	7,087,802	6,891,106
Furniture and equipment	1,842,015	1,616,812
Computer software	225,061	225,061
Transportation equipment	401,028	407,028
	10,544,510	10,128,611
Less accumulated depreciation and amortization	6,831,636	6,474,992
	\$ 3,712,874	3,653,619

Depreciation expense for the years ended June 30, 2019 and 2018 was \$357,944 and \$353,782, respectively. In connection with funding obtained to renovate residential cottages, the Organization periodically enters into land use restriction agreements whereby the Organization must continue to use the cottages for the benefit of abandoned, abused and/or neglected children for periods ranging from five of forty years. Since 2009, the Organization has executed five such agreements and the corresponding land use restriction agreements expire at various dates through June 2049.

## CHILDREN'S HOME NETWORK

### Notes to Combined Financial Statements - Continued

#### (4) Contributions Receivable

Contributions receivable at June 30, 2019 and 2018 consist of the following:

	2019	2018
United Way allocations	\$ -	46,660
Bequests	574,256	318,980
Remainder trusts	560,853	559,836
Pledges	43,000	70,875
Total contributions receivable	1,178,109	996,351
Less allowance for doubtful collections	2,150	3,544
Less unamortized discount	1,167	4,130
	\$ 1,174,792	988,677
Amounts due in:		
Less than one year	\$ 103,248	236,111
One to five years	300,700	196,100
More than five years	774,161	564,140
	\$ 1,178,109	996,351

Pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using discount rates ranging from 1.9% to 3.3%. The Organization's interest in remainder trusts is more fully described in Note 14.

#### (5) Line of Credit

At June 30, 2019 and 2018, the Organization had a revolving line of credit from a commercial bank that allowed the Organization to borrow up to \$1,500,000 at one month LIBOR plus 1.56% (4.00% at June 30, 2019). The loan is secured by an investment account with a fair market value of \$4,549,739 and \$3,767,903 as of June 30, 2019 and 2018, respectively, and matures February 15, 2020. The outstanding balance on the line of credit at June 30, 2019 and 2018 was \$37,000 and \$247,000, respectively.

## CHILDREN'S HOME NETWORK

### Notes to Combined Financial Statements - Continued

#### (6) Leases

The Organization is obligated under several noncancellable operating leases, primarily for office space and equipment, which expire over the next five years. Security deposits related to such leases are included in other assets. Rental expense on operating leases was approximately \$508,000 and \$488,000 for the years ended June 30, 2019 and 2018, respectively.

Future minimum lease payments under noncancellable operating leases as of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 413,900
2021	275,000
2022	219,500
2023	197,600
2024	<u>103,200</u>
	<u>\$ 1,209,200</u>

#### (7) Retirement Plan

The Organization sponsors a defined contribution retirement plan which covers all employees with one year's service who have attained the age of 21. For the years ended June 30, 2019 and 2018, the plan, subject to minimum funding standards, required matching contributions up to 3% of each participant's gross wages, which are paid to the plan in bi-weekly installments. Participants are immediately vested in their salary deferral contributions and become fully vested in Organization contributions over a five year period of continuous service. Organization contributions to the plan were \$96,162 and \$87,777 for the years ended June 30, 2019 and 2018, respectively.

#### (8) Donated Services and Materials

A substantial number of volunteers have donated significant amounts of time in different projects for the Organization. In addition, materials are donated to the Organization on a periodic basis. For the years ended June 30, 2019 and 2018, total in-kind support (consisting solely of donated materials) was \$307,214 and \$400,238, respectively, of which \$35,666 and \$26,698, respectively, are included in special event revenue and expense. For the years ended June 30, 2019 and 2018, donated furniture and equipment totaled \$0 and \$6,000, respectively.

#### (9) Credit and Funding Concentrations

The Organization maintains several deposit accounts with what management believes to be high credit quality financial institutions and a large commercial brokerage. The total balances of these accounts were covered by federal deposit insurance at June 30, 2019 and 2018. The Organization has no financial instruments which subject it to off-balance-sheet risk.

## CHILDREN'S HOME NETWORK

### Notes to Combined Financial Statements - Continued

**(9) Credit and Funding Concentrations - Continued**

The Organization relies to a significant extent on the federal government and the State of Florida as sources of funding. Funding from the federal government and the State of Florida represented approximately 44% and 36% of total operating support and revenue before investment return for the years ended June 30, 2019 and 2018, respectively. At June 30, 2019 and 2018, approximately 69% and 33%, respectively, of total receivables from grants, contracts and the Medicaid program were comprised of funding provided by the federal government and the State of Florida.

**(10) Net Assets With Donor Restrictions**

Net assets with donor restrictions as of June 30, 2019 and 2018 relate to the following:

	2019	2018
<i>Subject to time restrictions:</i>		
Charitable gift annuities	\$ 30,376	30,376
United Way allocations	-	46,660
Contributions restricted for future periods	1,174,792	942,017
Facilities subject to time restrictions	1,113,965	929,612
	2,319,133	1,948,665
 <i>Subject to use restrictions:</i>		
Contributions restricted for programs	117,657	133,672
Investment earnings restricted for programs	16,194	16,194
	133,851	149,866
 <i>Net assets held in perpetuity:</i>		
Internally-controlled endowment:		
Donor restricted endowment funds	4,113,069	4,113,069
Externally-controlled endowment:		
Beneficial interest in a perpetual trust	1,190,589	1,208,306
	5,303,658	5,321,375
	\$ 7,756,642	7,419,906

Net assets with donor restrictions include the Organization's beneficial interest in a perpetual trust and assets contributed by donors as endowments to be held in perpetuity. Earnings on these endowments are without donor restrictions in most cases. Restrictions on earnings are reported as increases in net assets without donor restrictions if the restrictions are satisfied in the fiscal year in which the earnings are recognized.

## CHILDREN'S HOME NETWORK

### Notes to Combined Financial Statements - Continued

#### (11) Endowment Funds

The Organization's internally-controlled endowment net assets are comprised of investments held in various donor endowments and funds designated by the Boards of Directors. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Boards of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### *Interpretation of Relevant Law*

The Boards of Directors have interpreted the wishes of donors and state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets restricted by the donor in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable and classified as net assets with donor restrictions until appropriated for expenditure.

#### *Investment Return Objectives, Risk Parameters and Strategies*

The Organization has adopted investment and spending policies, approved by the Boards of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and fixed-income securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of no more than 4.0% to 7.0% (depending on the nature of the endowment), while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 8% net of fees over a full market cycle. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

#### *Spending Policy*

The Organization has a policy of appropriating for distribution each year no more than 4.0% to 7.0% of its endowment fund's fair market value at the end of the calendar year that precedes the start of the organization's fiscal year. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a real after-inflation growth rate of 0.5% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

**CHILDREN'S HOME NETWORK**

**Notes to Combined Financial Statements - Continued**

**(11) Endowment Funds - Continued**

Endowment net asset composition by type of fund as of June 30, 2019 and 2018 is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total Endowment Net Assets</u>
2019:			
Board-designated endowments	\$ 15,032,221	-	15,032,221
Donor-restricted endowments	-	4,252,552	4,252,552
	<u>\$ 15,032,221</u>	<u>4,252,552</u>	<u>19,284,773</u>
2018:			
Board-designated endowments	\$ 14,505,032	-	14,505,032
Donor-restricted endowments	-	4,251,021	4,251,021
	<u>\$ 14,505,032</u>	<u>4,251,021</u>	<u>18,756,053</u>

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total Endowment Net Assets</u>
Balance, June 30, 2017	\$ 13,073,020	4,243,769	17,316,789
Contributions	773,541	-	773,541
Net investment income	421,735	124,508	546,243
Net appreciation	648,063	165,045	813,108
Reclassifications	282,301	(282,301)	-
Withdrawals	(693,628)	-	(693,628)
Balance, June 30, 2018	14,505,032	4,251,021	18,756,053
Contributions	325,968	-	325,968
Net investment income	475,064	139,441	614,505
Net appreciation	251,295	65,620	316,915
Reclassifications	203,530	(203,530)	-
Withdrawals	(728,668)	-	(728,668)
Balance, June 30, 2019	<u>\$ 15,032,221</u>	<u>4,252,552</u>	<u>19,284,773</u>

## CHILDREN'S HOME NETWORK

### Notes to Combined Financial Statements - Continued

#### (12) Funds Held by Community Foundation

In 1992, the Organization established an account at the Community Foundation of Tampa Bay (the "Foundation") with a payment of \$25,000. This amount is considered an asset (beneficial interest in assets held by others) of the Organization and is included in other assets in the accompanying combined statements of financial position. Earnings on this account are earmarked to be distributed on a periodic basis to the Organization. The Foundation has been granted variance power over these funds, which provides the Foundation the unilateral power to redirect the use of the funds to other beneficiaries. Because the Foundation has been granted variance power, funds contributed to the Foundation on behalf of the Organization are not considered to be an asset. The Foundation distributed \$3,239 and \$1,593 of earnings to the Organization for the years ended June 30, 2019 and 2018, respectively.

#### (13) Assets Held in Trust by Others

The Organization is currently the sole income beneficiary of the Mary W. Wiggins trust, a perpetual trust established for the Organization's benefit. The trustee directs investment of the principal assets in the trust. Income received by the Organization from the trust was \$24,951 and \$22,285 for the years ended June 30, 2019 or 2018, respectively. The market value of the investments held in the trust was approximately \$585,000 and \$594,000 at June 30, 2019 and 2018, respectively.

#### (14) Split-Interest Gifts

##### *Charitable Gift Annuities*

The Organization is certified by the State of Florida to market and manage charitable gift annuity contracts. Under these contracts, a donor transfers assets to the Organization at the beginning of the contract and the Organization makes predetermined quarterly or semi-annual payments to the donor over their remaining lifetime. Upon the donors' death, the remaining assets are available for the Organization's use. State law requires that the Organization limit the manner in which the Organization invests these assets and that the Organization maintain a reserve fund equal to a minimum of 110% of the actuarial present value of the related annuity obligations. At June 30, 2019, the Organization was in compliance with this requirement.

##### *Receivable Under Remainder Trusts*

The Organization has been named the remainder beneficiary under two charitable remainder trusts. Each remainder trust provides for the payment of quarterly distributions to donors over the donors' lifetimes, ranging from 5% to 6% of the fair market value of the trust assets as of the beginning of the trust year. Upon the death of the donors, the remaining assets are available for the Organization's use. The receivable under remainder trusts is reported at estimated fair market value and is included with contributions receivable in the accompanying combined statements of financial position.

## CHILDREN'S HOME NETWORK

### Notes to Combined Financial Statements - Continued

#### (15) Contingencies

The Organization is involved in various legal actions arising during the ordinary course of its operations. The potential loss under these claims, if any, is not determinable at this time. Management believes any potential loss would be expected to fall within the Organization's insurance policy limits. The only anticipated financial exposure would be payment of the insurance policy deductible, a nominal amount. In the opinion of management, no material liability exists with respect to these claims.

The Organization routinely enters into grant agreements and contracts with governmental agencies that provide for reimbursement of the eligible direct and indirect costs of providing certain of the Organization's program services. The grants and contracts are subject to audit or review and retroactive adjustment based on a final determination by the grantor of eligible reimbursable expenditures. The effect of such adjustments, if any, on the Organization's financial statements cannot be determined at this time and no provision has been made for any such adjustment in the accompanying combined financial statements.

The Organization is also subject to Medicaid audits. As of June 30, 2019 and 2018, the Organization has included a provision for any potential third party payor liabilities in the amount of \$27,000. The effect of an adjustment, if any, resulting from future audits cannot be determined at this time and no provision above the reserve has been made for any such adjustment in the accompanying combined financial statements. Management's estimate of the provision is subject to a significant degree of uncertainty and actual third party payor liabilities may differ from management's estimate in the near term.

#### (16) Fair Value Measurements

Financial instruments measured at fair value are classified and disclosed in the following categories:

Level 1: Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 are cash, money market mutual funds, fixed income mutual funds, equity mutual funds, U.S. government bonds, and mortgage backed securities.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. The types of investments included in Level 2 are corporate bonds and certain U.S. government and agency obligations.

Level 3: Valuation is based on unobservable inputs. Fair values for receivables under remainder trusts and annuities payable are determined by calculating the present value of expected cash flows over the term of the underlying agreements.

There have been no changes in the valuation methodologies used at June 30, 2019 and 2018. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

**CHILDREN'S HOME NETWORK**

**Notes to Combined Financial Statements - Continued**

**(16) Fair Value Measurements - Continued**

Fair value of assets and liabilities measured on a recurring basis at June 30, 2019 are as follows:

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Fixed income securities:				
Corporate obligations	\$ 3,154,999	-	3,154,999	-
U.S. government and agency obligations	1,273,720	1,194,392	79,328	-
Foreign bonds	120,186	120,186	-	-
Equity securities:				
Mutual funds	14,018,895	14,018,895	-	-
Money market funds	676,369	676,369	-	-
	<u>19,244,169</u>	<u>16,009,842</u>	<u>3,234,327</u>	<u>-</u>
Receivable under remainder trusts	560,853	-	-	560,853
Beneficial interest in perpetual trust	1,190,589	-	-	1,190,589
	<u>\$ 20,995,611</u>	<u>16,009,842</u>	<u>3,234,327</u>	<u>1,751,442</u>
Liabilities:				
Annuities payable	\$ 44,422	-	-	44,422

Fair value of assets and liabilities measured on a recurring basis at June 30, 2018 are as follows:

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Fixed income securities:				
Corporate obligations	\$ 2,394,360	-	2,394,360	-
U.S. government and agency obligations	1,271,885	1,190,739	81,146	-
Foreign bonds	118,564	118,564	-	-
Equity securities:				
Mutual funds	11,268,008	11,268,008	-	-
Common stock	2,482,753	2,482,753	-	-
Money market funds	1,138,892	1,138,892	-	-
	<u>18,674,462</u>	<u>16,198,956</u>	<u>2,475,506</u>	<u>-</u>
Receivable under remainder trusts	559,836	-	-	559,836
Beneficial interest in perpetual trust	1,208,306	-	-	1,208,306
	<u>\$ 20,442,604</u>	<u>16,198,956</u>	<u>2,475,506</u>	<u>1,768,142</u>
Liabilities:				
Annuities payable	\$ 48,417	-	-	48,417

**CHILDREN'S HOME NETWORK**

**Notes to Combined Financial Statements - Continued**

**(16) Fair Value Measurements - Continued**

The following table sets forth a summary of changes in fair value of assets and liabilities using significant unobservable inputs (Level 3) for the years ended June 30, 2019 and 2018:

	<u>Receivable Under Remainder Trusts</u>	<u>Annuities Payable</u>
Balances at June 30, 2017	\$ 511,510	46,887
Total gains included in changes in net assets	48,326	8,330
Purchases, issues sales and settlements:		
Purchases	-	-
Issues	-	-
Sales	-	-
Settlements	-	(6,800)
Balances at June 30, 2018	559,836	48,417
Total gains included in changes in net assets	1,017	2,805
Purchases, issues, sales and settlements:		
Purchases	-	-
Issues	-	-
Sales	-	-
Settlements	-	(6,800)
Balances at June 30, 2019	<u>\$ 560,853</u>	<u>44,422</u>
Change in unrealized gains for the period included in changes in net assets for assets held at June 30, 2018	<u>\$ 48,326</u>	<u>8,330</u>
Change in unrealized gains for the period included in changes in net assets for assets held at June 30, 2019	<u>\$ 1,017</u>	<u>2,805</u>

*Quantitative Information About Significant Unobservable Inputs Used in Level 3 Fair Value Measurements*

The Organization utilizes discounted cash flow methods to estimate the fair value of the receivable under remainder trusts and annuities payable. At June 30, 2019, significant unobservable inputs include using discount rates ranging from 1.87% to 3.4% and estimated life expectancies of income beneficiaries which range from 2 to 7 years.

**CHILDREN'S HOME NETWORK**

**Notes to Combined Financial Statements - Continued**

**(17) Liquidity and Availability of Resources**

Children's Home Network is supported by contributions with and without donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal including cash and a revolving line of credit (described in Note 5).

As of June 30, 2019, the Organization's financial assets available to meet general expenditures within one year were as follows:

Financial assets:	
Cash	\$ 67,552
Accounts receivable	1,932,264
Contributions receivable	1,174,792
Investments	19,244,169
Beneficial interest in perpetual trusts	<u>1,190,589</u>
Total financial assets	23,609,366
Less amounts unavailable for general expenditure within one year due to:	
Contractual or donor-imposed restrictions:	
Charitable gift annuities	(30,376)
Contributions restricted for future periods	(1,174,792)
Contributions restricted for programs	(117,657)
Investment earnings restricted for programs	(16,194)
Donor restricted endowment funds	(4,113,069)
Beneficial interest in perpetual trust	(1,190,589)
Board-designations:	
Quasi-endowment	<u>(15,032,222)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,934,467</u></u>

**SUPPLEMENTARY FINANCIAL INFORMATION**

# CHILDREN'S HOME NETWORK

## Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2019

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/ Grant No.	Total Expenditures	Transfers to Subrecipients
<b>U.S. Department of Agriculture</b>				
Passed-through State of Florida Department of Agriculture and Consumer Affairs:				
<i>Child Nutrition Cluster:</i>				
School Breakfast Program	10.553	01-0131	\$ 36,072	-
National School Lunch Program	10.555	01-0131	28,662	-
Subtotal - Child Nutrition Cluster			64,734	-
Subtotal - U.S. Department of Agriculture			64,734	-
<b>U.S. Department of Housing and Urban Development</b>				
Passed-through Hillsborough County, State of Florida				
<i>CDBG - Entitlement Grants Cluster:</i>				
Community Development Block Grants/Entitlement Grants	14.218	18-1449	346,658	-
Subtotal - U.S. Department of Housing and Urban Development			346,658	-
<b>U.S. Department of Health and Human Services</b>				
Passed-through Sarasota Family YMCA:				
Foster Care Title IV-E	93.658	CHNOHCR18	52,760	-
Social Services Block Grant	93.667	CHNOHCR18	37,170	-
			89,930	-
Passed-through Healthy Start Coalition of Hillsborough County, Inc.:				
Promoting Safe and Stable Families				
<i>TANF Cluster*:</i>	93.556	18-19-01	24,235	-
Temporary Assistance for Needy Families (TANF)	93.558	18-19-01	155,951	-
			180,186	-
Passed-through Heartland for Children, Inc.:				
Foster Care Title IV-E	93.658	RA-NCM01	15,070	-
Social Services Block Grant	93.667	RA-NCM01	10,915	-
			25,985	-
Passed-through Community Based Care of Central Florida, Inc.:				
Promoting Safe and Stable Families				
<i>TANF Cluster*:</i>	93.556	SEMOROS041-1819	21,749	-
Temporary Assistance for Needy Families (TANF)	93.558	SEMOROS041-1819	24,060	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	SEMOROS041-1819	7,331	-
Foster Care Title IV-E	93.658	SEMOROS041-1819	54,735	-
Adoption Assistance	93.659	SEMOROS041-1819	15,508	-
			123,383	-
Passed-through ChildNet, Inc.:				
Foster Care Title IV-E	93.658	n/a	1,967	-
Social Services Block Grant	93.667	n/a	1,405	-
			3,372	-
Passed-through from State of Florida, Department of Children and Families:				
Promoting Safe and Stable Families	93.556	LJ985	148,842	-
			148,842	-

(Continued)

## CHILDREN'S HOME NETWORK

### Schedule of Expenditures of Federal Awards and State Financial Assistance - Continued

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/ Grant No.	Total Expenditures	Transfers to Subrecipients
Passed-through Our Kids of Miami-Dade/Monroe, Inc.:				
Foster Care Title IV-E	93.658	9119-035	11,537	-
Social Services Block Grant	93.667	9119-035	8,357	-
			19,894	-
Passed-through Children's Network of Southwest Florida:				
Foster Care Title IV-E	93.658	SBP14	7,902	-
Social Services Block Grant	93.667	SBP14	5,855	-
			13,757	-
Passed-through Eckerd Youth Alternatives, Inc.:				
Promoting Safe and Stable Families	93.556	ECA-C13-TFC-CHN-FY19 & ECA-C13-FCO-CHN-FY19 (C13) ECA-C13-TFC-CHN-FY19 & ECA-C13-FCO-CHN-FY19 (C6) ECA-C13-CPA-CHN-FY22 C13	2,058  124 4,177	-  - 1,328
<i>TANF Cluster*:</i>				
Temporary Assistance for Needy Families (TANF)	93.558	ECA-C13-TFC-CHN-FY19 & ECA-C13-FCO-CHN-FY19 (C13) ECA-C13-TFC-CHN-FY19 & ECA-C13-FCO-CHN-FY19 (C6) ECA-C13-CPA-CHN-FY22 C13	81,086  4,890 88,795	-  - 28,262
Stephanie Tubbs Jones Child Welfare Services Program	93.645	ECA-C13-TFC-CHN-FY19 & ECA-C13-FCO-CHN-FY19 (C13) ECA-C13-TFC-CHN-FY19 & ECA-C13-FCO-CHN-FY19 (C6) ECA-C13-CPA-CHN-FY22 C13	16,243  980 48,488	-  - 15,433
Foster Care Title IV-E	93.658	ECA-C13-TFC-CHN-FY19 & ECA-C13-FCO-CHN-FY19 (C13) ECA-C13-TFC-CHN-FY19 & ECA-C13-FCO-CHN-FY19 (C6) ECA-C13-RGC-C6-CHN-FY19 ECA-C13-RGC-CHN-FY19 ECA-C6-KIN-CHI-FY19 ECA-C13-CPA-CHN-FY22 C13	75,727  4,567 176,768 474,813 251 368,514	-  - - - - 117,284
Adoption Assistance	93.659	ECA-C13-TFC-CHN-FY19 & ECA-C13-FCO-CHN-FY19 (C13) ECA-C13-TFC-CHN-FY19 & ECA-C13-FCO-CHN-FY19 (C6) ECA-C13-CPA-CHN-FY22 C13	29,010  1,749 84,219	-  - 26,804
Social Services Block Grant	93.667	ECA-C13-RGC-CHN-FY19 ECA-C13-RGC-C6-CHN-FY19	343,926 128,034	- -
			1,934,419	189,111
Subtotal - U.S. Department of Health and Human Services			2,539,768	189,111
Total Expenditures of Federal Awards			\$ 2,951,160	189,111

\* See TANF Cluster subtotal in accompanying notes to schedule of expenditures of federal awards.

(Continued)

**CHILDREN’S HOME NETWORK**

**Schedule of Expenditures of Federal Awards and State Financial Assistance - Continued**

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/ Grant No.	Total Expenditures	Transfers to Subrecipients
<b>State of Florida, Department of Children and Families</b>				
Passed-through Eckerd Youth Alternatives, Inc.:				
Out-of-Home Supports	60.074	ECA-C13-TFC-CHN-FY19 & ECA-C13-FCO-CHN-FY19 (C13) ECA-C13-RGC-C6-CHN-FY19 ECA-C13-RGC-CHN-FY19 ECA-C6-KIN-CHI-FY19	39,966 12,770 16,427 54,665	- - - -
CBC - Purchase of Therapeutic Services for Children	60.183	ECA-C13-RGC-C6-CHN-FY19	171,860	-
Passed-through St. John's Community Based Care:				
Out-of-Home Supports	60.074	n/a	6,020	-
Passed-through Community Based Care of Central Florida, Inc.				
Out-of-Home Supports	60.074	SEMOROS041-1819	554,594	-
Total Expenditures of State Financial Assistance			<u>\$ 856,302</u>	<u>-</u>

# CHILDREN'S HOME NETWORK

## Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2019

(1) **Basis of Presentation**

The accompanying schedule of expenditures of federal awards and state financial assistance (the "Schedule") includes the federal and state grant activity of Children's Home Network under programs of the federal and state government for the year ended June 30, 2019. 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 State of Florida Auditor General*. Because the Schedule presents only a selected portion of the operations of Children's Home Network, it is not intended to and does not present the combined financial position, changes in net assets, or cash flows of Children's Home Network.

(2) **Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) **Other**

The accompanying Schedule includes federal and state expenditures awarded by pass-through agencies. Expenditures of certain federal programs and state projects were awarded to Children's Home Network by more than one pass-through agency or under more than one contract.

Due to the Organization's historical use of a negotiated indirect cost rate agreement with the U.S. Department of Health and Human Services, the Organization is not using the 10% de minimus rate allowed under the Uniform Guidance.

**CHILDREN'S HOME NETWORK**

**Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance - Continued**

**(3) Other - Continued**

Total federal and state expenditures by federal program and state project for the year ended June 30, 2019 were as follows:

<u>CFDA/ CSFA No.</u>	<u>Federal Program/State Project</u>	<u>Expenditures</u>
<i>Child Nutrition Cluster:</i>		
10.553	School Breakfast Program	\$ 36,072
10.555	National School Lunch Program	28,662
		<u>64,734</u>
 <i>CDBG - Entitlement Grants Cluster:</i>		
14.218	Community Development Block Grants/Entitlement Grants	346,658
 <i>TANF Cluster:</i>		
93.558	Temporary Assistance for Needy Families (TANF)	354,782
93.556	Promoting Safe and Stable Families	201,185
93.645	Stephanie Tubbs Jones Child Welfare Services Program	73,042
93.658	Foster Care Title IV-E	1,244,611
93.659	Adoption Assistance	130,486
93.667	Social Services Block Grant	535,662
	Total Expenditures of Federal Awards	<u>\$ 2,951,160</u>
60.074	Out-of-Home Supports	\$ 684,442
60.183	CBC - Purchase of Therapeutic Services for Children	171,860
	Total Expenditures of State Financial Assistance	<u>\$ 856,302</u>

# CHILDREN'S HOME NETWORK

## Combining Schedule of Statement of Financial Position Information

June 30, 2019

	The Children's Home, Inc.	The Children's Home Properties, Inc.	The Children's Home Foundation, Inc.	Eliminations	Combined Total
<b>Assets</b>					
Cash	\$ 2,250	-	97,662	(32,360)	67,552
Receivables:					
Grants and contracts	1,885,845	-	-	-	1,885,845
Medicaid	46,419	-	-	-	46,419
Accrued interest	-	-	40,605	-	40,605
Contributions	1,154,331	-	20,461	-	1,174,792
Intercompany	-	-	99,640	(99,640)	-
Investments	74,137	-	19,170,032	-	19,244,169
Prepaid expenses and other assets	271,266	-	50,064	-	321,330
Cash surrender value of life insurance	-	-	103,048	-	103,048
Beneficial interest in a perpetual trust	-	-	1,190,589	-	1,190,589
Net property and equipment	3,291,561	421,313	-	-	3,712,874
	<u>\$ 6,725,809</u>	<u>421,313</u>	<u>20,772,101</u>	<u>(132,000)</u>	<u>27,787,223</u>
<b>Liabilities and Net Assets</b>					
Liabilities:					
Line of credit	\$ 69,360	-	-	(32,360)	37,000
Accounts payable:					
Trade	247,868	-	-	-	247,868
Intercompany	99,640	-	-	(99,640)	-
Other accrued expenses	517,054	-	-	-	517,054
Deferred revenue	457,018	-	-	-	457,018
Estimated third-party payor liabilities	27,000	-	-	-	27,000
Annuities payable	44,422	-	-	-	44,422
	<u>1,462,362</u>	<u>-</u>	<u>-</u>	<u>(132,000)</u>	<u>1,330,362</u>
Total liabilities	1,462,362	-	-	(132,000)	1,330,362
Net assets	<u>5,263,447</u>	<u>421,313</u>	<u>20,772,101</u>	<u>-</u>	<u>26,456,861</u>
	<u>\$ 6,725,809</u>	<u>421,313</u>	<u>20,772,101</u>	<u>(132,000)</u>	<u>27,787,223</u>

# CHILDREN'S HOME NETWORK

## Combining Schedule of Statement of Changes in Net Assets Information

Year Ended June 30, 2019

	The Children's Home, Inc.	The Children's Home Properties, Inc.	The Children's Home Foundation, Inc.	Combined Total
Activities without donor restrictions:				
Operating support and revenue:				
Public support:				
Special event revenue	\$ 320,168	-	-	320,168
Less special event costs	(124,949)	-	-	(124,949)
Net revenue from special events	195,219	-	-	195,219
United Way	116,108	-	-	116,108
Contributions	968,536	-	40,449	1,008,985
Bequests	18,005	-	162,034	180,039
Government grants and contracts	11,804,863	-	-	11,804,863
	13,102,731	-	202,483	13,305,214
Revenue:				
Investment return designated for current operations	-	-	728,668	728,668
Medicaid	830,521	-	-	830,521
Program service fees	2,742	-	-	2,742
In-kind revenue	271,548	-	-	271,548
Other	517	-	-	517
	1,105,328	-	728,668	1,833,996
Net assets released from restrictions:				
Expiration of time restrictions	403,808	-	-	403,808
Satisfaction of donor restrictions	84,774	-	3,179	87,953
	488,582	-	3,179	491,761
Total operating support and revenue	14,696,641	-	934,330	15,630,971
Operating expenses:				
Program services	12,280,465	-	-	12,280,465
Supporting services:				
Management and general	2,154,975	-	2,740	2,157,715
Development and public information	662,095	-	-	662,095
	2,817,070	-	2,740	2,819,810
Total operating expenses	15,097,535	-	2,740	15,100,275
Change in net assets without donor restrictions from operations	(400,894)	-	931,590	530,696
Other changes:				
Increase in fair value of investment portfolio over amounts designated for current operations	4,735	-	252,651	257,386
Affiliate contributions	779,251	-	(779,251)	-
Loss on disposal of property and equipment	(9,025)	-	-	(9,025)
Change in value of split-interest agreements	(2,805)	-	-	(2,805)
	371,262	-	404,990	776,252

(Continued)

## CHILDREN'S HOME NETWORK

### Combining Schedule of Statement of Changes in Net Assets Information - Continued

	<u>The Children's Home, Inc.</u>	<u>The Children's Home Properties, Inc.</u>	<u>The Children's Home Foundation, Inc.</u>	<u>Combined Total</u>
Donor restricted activities:				
Support and revenue:				
Capital grants	\$ 346,658	-	-	346,658
Contributions	67,228	-	-	67,228
Bequests	395,786	-	20,461	416,247
Investment return	-	-	4,710	4,710
Change in value of split-interest agreements	11,371	-	-	11,371
Change in value of beneficial interest in perpetual trust	-	-	(17,717)	(17,717)
Net assets released from restrictions	<u>(488,582)</u>	<u>-</u>	<u>(3,179)</u>	<u>(491,761)</u>
Change in net assets with donor restrictions	332,461	-	4,275	336,736
Change in net assets	703,723	-	409,265	1,112,988
Net assets at beginning of year	<u>4,559,724</u>	<u>421,313</u>	<u>20,362,836</u>	<u>25,343,873</u>
Net assets at end of year	<u>\$ 5,263,447</u>	<u>421,313</u>	<u>20,772,101</u>	<u>26,456,861</u>

**INTERNAL CONTROL AND COMPLIANCE**



**Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Combined Financial Statements Performed in Accordance with *Government Auditing Standards***

The Boards of Directors  
Children’s Home Network:

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 combined financial statements of Children’s Home Network, which comprise the combined statement of financial position as of June 30, 2019, and the related combined statements of support and revenue, expenses and other changes in net assets without donor restrictions, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated December 16, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the combined financial statements, we considered Children’s Home Network’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Children’s Home Network’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s combined 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 Children’s Home Network’s combined 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 combined 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.

*Mayer Hoffman McCann P.C.*

December 16, 2019  
Clearwater, Florida



**Independent Auditor’s 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 State of Florida Auditor General**

The Boards of Directors  
Children’s Home Network:

**Report on Compliance for Each Major Federal Program and State Project**

We have audited Children’s Home Network’s 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 its major federal program and state project for the year ended June 30, 2019. Children’s Home Network’s major federal program and state project are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

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

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for Children’s Home Network’s major federal program and state project 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 State of Florida Auditor General*. Those standards, the Uniform Guidance, and Chapter 10.650 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 Children’s Home Network’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 the major federal program and state project. However, our audit does not provide a legal determination of Children’s Home Network’s compliance.

**Opinion on Each Major Federal Program and State Project**

In our opinion, Children’s Home Network complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program and state project for the year ended June 30, 2019.

## Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

Children's Home Network's response to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. Children's Home Network's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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. Accordingly, this report is not suitable for any other purpose.

*Mayer Hoffman McCann P.C.*

December 16, 2019  
Clearwater, Florida

# CHILDREN'S HOME NETWORK

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

### (A) Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the combined financial statements of Children's Home Network.
2. No significant deficiencies relating to the audit of the combined financial statements were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Combined Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the combined financial statements of Children's Home Network which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One significant deficiency relating to the audit of the major federal award program and state project is reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and State Financial Assistance Project and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, *Rules of the State of Florida Auditor General*.
5. The auditor's report on compliance for the major federal award program and state project for Children's Home Network expresses an unmodified opinion.
6. Audit findings, if any, relative to the major federal award programs and state projects that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in Parts B and C of this Schedule.
7. The programs tested as a major federal program and state project were:

**Federal Program:**

Foster Care Title IV-E (CFDA 93.658)

**State Project:**

Out-of-Home Supports (CSFA 60.074)

8. The threshold for distinguishing Types A and B programs was \$750,000 for major federal programs and \$300,000 for major state projects.
9. Children's Home Network was determined to be a low-risk auditee.

### (B) Findings - Audit of Combined Financial Statements

None.

## CHILDREN'S HOME NETWORK

### Schedule of Findings and Questioned Costs - Continued

#### (C) Findings and Questioned Costs - Major Federal Award Program

**Finding 2019-001** Passed through Children's Home Network  
Foster Care Title IV-E (CFDA No. 93.658)  
Grant Number: ECA-C13-TFC-CHN-FY19  
Grant Period: Year ended June 30, 2019

*Significant Deficiency:* Foster care providers were not visited within the required time frame.

*Condition:* Foster care providers are required to be visited at least every 90 days or 30 days if the foster home has more than five children placed or more than two children younger than the age of two.

*Criteria:* Internal controls should be in place to provide reasonable assurance that foster care providers will be visited within the required timeframe.

*Cause:* The foster care providers did not adhere to the scheduled visit which caused delays beyond the minimum time period specified.

*Effect:* Delays in visiting foster care providers may negatively impact needed changes to child placements.

*Context:* From our sample of twenty-two foster care providers covering 108 visits, we noted 7 visits were not conducted within the required timeframe for six foster care providers. We noted 101 visits were conducted within the required timeframe.

*Auditor's Recommendation:* Implement internal control procedures to ensure deadlines are monitored by more than one individual and provide training to new and existing staff to ensure their understanding of the program's requirements.

*Views of Responsible Officials and Planned Corrective Actions:* Children's Home Network agrees with the finding and has initiated training of all program staff and is considering implementation of a software solution to more readily monitor deadlines.

#### (D) Findings and Questioned Costs - Major State Project

None.

#### (E) Other Issues

A Corrective Action Plan is required because there were findings required to be reported under the OMB *Compliance Supplement*.

## CHILDREN'S HOME NETWORK

### Summary Schedule of Prior Audit Findings

Year Ended June 30, 2019

#### FINDING - MAJOR FEDERAL PROGRAM

##### U.S. Department of Health and Human Services

**Finding 2018-001:** Passed through Children's Home Network  
Foster Care Title IV-E (CFDA No. 93.658)  
Grant Number: ECA-C13-RGC-CHN-FY19  
Grant Period: Year ended June 30, 2018

*Condition:* The finding was a significant deficiency stating that a case treatment plan was not updated six months after admission into the program. The child was discharged from the program after seven months in the program.

*Recommendation:* Implement internal control procedures to ensure deadlines are monitored by more than one individual and provide training to new and existing staff to ensure their understanding of the program's requirements.

*Current Status:* The recommendation was adopted in October 2018. No similar findings were noted in the 2019 audit.

**Finding 2018-002:** Passed through Sarasota Family YMCA  
Foster Care Title IV-E (CFDA No. 93.658)  
Grant Number: ECA-C13-RGC-CHI-FY19  
Grant Period: Year ended June 30, 2018

*Condition:* The finding was a significant deficiency stating that a discharge form was not completed upon a teen mom's discharge from the program.

*Recommendation:* Implement internal control procedures to ensure discharge forms are completed in a timely manner upon a client's discharge from the program. A supervisor should review client file documentation for all discharged clients to ensure file documentation is complete.

*Current status:* The recommendation was adopted in October 2018. No similar findings were noted in the 2019 audit.



## Corrective Action Plan

Year Ended June 30, 2019

Department of Health and Human Services

Children's Home Network respectfully submits the following corrective action plan for the year ended June 30, 2019.

Name and address of independent public accounting firm:

Mayer Hoffman McCann P.C.  
13577 Feather Sound Drive, Suite 400  
Clearwater, FL 33762

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2019 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### FINDINGS - MAJOR FEDERAL PROGRAM

#### DEPARTMENT OF HEALTH AND HUMAN SERVICES

**2019-001** Foster Care Title IV-E (CFDA No. 93.658)

*Auditor's Recommendation:* Implement internal control procedures to ensure deadlines are monitored by more than one individual and provide training to new and existing staff to ensure their understanding of the program's requirements.

*Action Taken:* Children's Home Network agrees with the finding and has initiated training of all program staff and is considering implementation of a software solution to more readily monitor deadlines.

If the Department of Health and Human Services has questions regarding this plan, please call Mary Lu Kiley, CFO, at (813) 864-1510.



The Board of Directors  
Children’s Home Network, Inc.:

**Report on Combined Financial Statements**

We have audited the combined financial statements of Children’s Home Network as of and for the year ended June 30, 2019, and have issued our report thereon dated December 16, 2019.

**Auditor’s Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States; 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 State of Florida Auditor General*.

**Other Reports and Schedule**

We have issued our Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Combined Financial Statements Performed in Accordance with *Government Auditing Standards*, our Independent Auditor’s 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 State of Florida Auditor General*, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated December 16, 2019, should be considered in conjunction with this management letter.

**Other Matter**

Section 10.654(1)(e), *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the combined financial statements or state project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not identify any such findings.

**Purpose of This Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

*Mayer Hoffman McCann P.C.*

December 16, 2019  
Clearwater, Florida