

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

HEARTLAND FOR CHILDREN, INC.

June 30, 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Heartland for Children, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Heartland for Children, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Heartland for Children, Inc. as of June 30, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Heartland for Children, Inc.'s 2019 financial statements, and our report dated December 11, 2019, expressed an unmodified opinion on these audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; 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 December 21, 2020, on our consideration of Heartland for Children, 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 that testing, and not to provide an opinion on 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 Heartland for Children, Inc.'s internal control over financial reporting and compliance.

Tampa, Florida
December 21, 2020



Heartland for Children, Inc.

STATEMENT OF FINANCIAL POSITION

June 30, 2020
(With comparative total for 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents (notes A6 and A7)	\$ 7,014,374	\$ 7,804,024
Grants receivable	82,391	-
Prepaid expenses	<u>318,408</u>	<u>131,162</u>
Total current assets	7,415,173	7,935,186
Property and equipment, net of accumulated depreciation (notes A9 and B)	24,298	26,371
Funds held in trust (note C)	416,904	232,358
Other asset (notes D and I)	<u>65,000</u>	<u>65,000</u>
Total assets	<u>\$ 7,921,375</u>	<u>\$ 8,258,915</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 3,603,776	\$ 3,791,354
Refundable advances (note A8)	1,348,512	2,221,411
Deferred revenue	<u>173,180</u>	<u>3,380</u>
Total current liabilities	5,125,468	6,016,145
Funds held in trust (note C)	<u>416,904</u>	<u>232,358</u>
Commitments and contingencies (note E)	<u>-</u>	<u>-</u>
Total liabilities	5,542,372	6,248,503
Net assets - without donor restriction (note A2)	<u>2,379,003</u>	<u>2,010,412</u>
Total liabilities and net assets	<u>\$ 7,921,375</u>	<u>\$ 8,258,915</u>

The accompanying notes are an integral part of this statement.

Heartland for Children, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2020
(With comparative total for 2019)

	<u>2020</u>	<u>2019</u>
Revenues		
Grants (notes A8, F and H)		
Governmental	\$ 47,114,364	\$ 43,871,800
Other	506,693	414,107
Contributions - other (note G)	<u>295,972</u>	<u>314,515</u>
Total revenues	<u>47,917,029</u>	<u>44,600,422</u>
Expenses		
Program		
Case management	17,006,859	16,393,239
Out of home care	8,662,568	7,930,745
Adoption	9,984,726	9,585,581
Independent living	1,330,404	1,025,797
Other client services	4,168,618	3,737,206
Preservation services	2,028,664	1,452,312
Prevention services	1,219,831	1,019,785
Training	519,324	835,825
Other family services	<u>739,912</u>	<u>541,109</u>
Total program expenses	45,660,906	42,521,599
Management and general	<u>1,887,532</u>	<u>1,968,229</u>
Total expenses	<u>47,548,438</u>	<u>44,489,828</u>
Change in net assets	368,591	110,594
Net assets at beginning of year	<u>2,010,412</u>	<u>1,899,818</u>
Net assets at end of year	<u>\$ 2,379,003</u>	<u>\$ 2,010,412</u>

The accompanying notes are an integral part of this statement.

Heartland for Children, Inc.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2020
(With comparative total for 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 368,591	\$ 110,594
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	42,828	92,060
Increase in grant receivables	(82,391)	-
(Increase) decrease in prepaid expenses	(187,246)	300,517
Decrease in accounts payable and accrued expenses	(187,578)	(474,620)
Decrease in refundable advances and deferred revenue	(703,099)	(395,616)
Total adjustments	<u>(1,117,486)</u>	<u>(477,659)</u>
Net cash used by operating activities	<u>(748,895)</u>	<u>(367,065)</u>
Cash flows from investing activities		
Purchases of office and computer equipment	(40,755)	(39,120)
Purchase of investment	-	(65,000)
Net cash used by investing activities	<u>(40,755)</u>	<u>(104,120)</u>
Net decrease in cash and cash equivalents	(789,650)	(471,185)
Cash and cash equivalents at beginning of year	<u>7,804,024</u>	<u>8,275,209</u>
Cash and cash equivalents at end of year	<u>\$ 7,014,374</u>	<u>\$ 7,804,024</u>
Supplemental disclosures of cash flow information		
Cash paid during the year		
Interest	<u>\$ -</u>	<u>\$ -</u>
Taxes	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Heartland for Children, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2020

	Program Expenses									Management and General	Total	
	Case Management	Out of Home Care	Adoption	Independent Living	Other Client Services	Preservation Services	Prevention Services	Training	Other Family Services			Subtotal
Salaries, benefits, and taxes	\$ 3,842,502	\$ -	\$ 426,145	\$ 114,444	\$ 140,556	\$ -	\$ 289,422	\$ 392,820	\$ 201,961	\$ 5,407,850	\$ 784,929	\$ 6,192,779
Out of home care payments	-	8,662,568	8,629,515	682,344	-	-	-	-	-	17,974,427	-	17,974,427
Subcontracts	12,192,557	-	737,117	533,616	2,050,697	2,028,664	-	-	-	17,542,651	-	17,542,651
Contracted services	193,831	-	138,393	-	1,977,365	-	859,424	6,352	192,802	3,368,167	565,937	3,934,104
In-kind expenditures	-	-	-	-	-	-	-	-	193,234	193,234	-	193,234
Insurance	470,443	-	28,787	-	-	-	24,150	24,150	-	547,530	115,200	662,730
Media	59,432	-	16	-	-	-	-	-	-	59,448	-	59,448
Occupancy	196,018	-	20,153	-	-	-	28,294	52,837	-	297,302	161,811	459,113
Other expense	14,816	-	1,768	-	-	-	12,430	14,041	144,499	187,554	166,862	354,416
Travel	37,260	-	2,832	-	-	-	6,111	29,124	7,416	82,743	49,965	132,708
Total expenses before depreciation and amortization	17,006,859	8,662,568	9,984,726	1,330,404	4,168,618	2,028,664	1,219,831	519,324	739,912	45,660,906	1,844,704	47,505,610
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	42,828	42,828
Total expenses	<u>\$ 17,006,859</u>	<u>\$ 8,662,568</u>	<u>\$ 9,984,726</u>	<u>\$ 1,330,404</u>	<u>\$ 4,168,618</u>	<u>\$ 2,028,664</u>	<u>\$ 1,219,831</u>	<u>\$ 519,324</u>	<u>\$ 739,912</u>	<u>\$ 45,660,906</u>	<u>\$ 1,887,532</u>	<u>\$ 47,548,438</u>

The accompanying notes are an integral part of this statement.

Heartland for Children, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A brief description of the organization and a summary of its significant accounting policies consistently applied in the preparation of the accompanying financial statements follow:

1. Organization

Heartland for Children, Inc. ("HFC"), formerly known as Devereux Families, Inc., was incorporated in June 2002 and changed its name in June 2007. HFC serves as the lead agency for the State of Florida Department of Children and Families ("DCF") Community Based Care Project (the "CBCP") in Polk, Highlands and Hardee Counties of Florida (the "Tri-County") by performing administrative services, financial management, data communication services, training, family preservation services and quality assurance for child protection services. DCF, who previously performed these activities, still provides child protection investigations and legal services through the State of Florida Office of the Attorney General within the Tri-County for the CBCP. Under the authority of DCF, HFC was contracted to perform the lead agency services for the CBCP in January of 2004.

HFC accomplishes its purpose as the lead agency for the CBCP by utilizing a system of care that includes independent agencies (the "Stakeholders") that are subcontracted through HFC to provide services to the abused and neglected children and their families within the Tri-County. The Stakeholders consist of the following agencies that operate within the Tri-County: The Children's Home Society of Florida, Inc., One Hope United, Inc., and The Devereux Foundation. The Stakeholders operate and work together in four independent, but related care centers established throughout the Tri-County. The four care centers collectively serve approximately 2,000 children. The purpose of the care centers is to serve as a central point of operations and administration for the CBCP in different geographical areas of the Tri-County.

HFC receives the majority of their funding and support from DCF. Included in the funding from DCF are federal funds, primarily from the U.S. Department of Health and Human Services. As the lead agency in the CBCP, HFC acts as a pass-through entity for a significant portion of the DCF funding. As a pass-through entity, HFC is responsible for administration of the pass-through funds to the sub-recipient organizations, which is accomplished through their role as the lead agency as described in the DCF contracts.

2. Basis of Accounting

HFC follows the provisions of the Financial Accounting Standards Boards *Accounting Standards Codification* ("FASB ASC").

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on HFC as a whole and to present revenue, expenses, and net assets based on the existence or absence of donor-imposed restrictions.

Heartland for Children, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accordingly, net assets of HFC and changes therein are classified and reported as follows:

- With Donor Restriction – Net assets with donor restriction are net assets subject to donor-imposed stipulations that may be fulfilled by the actions of HFC, that may become undesignated by the passage of time, or that require net assets to be permanently maintained, thereby restricting the use of principal.
- Without Donor Restriction – Net assets without donor restrictions are net assets not subject to donor-imposed restrictions or the donor-imposed restrictions have expired. These net assets are available for use at the discretion of the Board and/or management for general operating purposes.

3. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

4. Liquidity

Assets are presented in the accompanying Statement of Financial Position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash. See also note J.

5. Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid short-term money market instruments with a maturity of three months or less when purchased or acquired. Cash equivalents approximated \$6,678,000 at June 30, 2020.

6. Concentrations of Credit Risk

Financial instruments, which potentially subject HFC to concentrations of credit risk, consist principally of cash. The total of these balances that exceeded federal deposit insurance limits is approximately \$7,550,000 as of June 30, 2020.

HFC receives a substantial amount of its support from the State of Florida Department of Children and Families (98% of total revenues for the year ended June 30, 2020). Any significant reduction in the level of this support could have an effect on HFC's programs.

Heartland for Children, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Grant Revenues and Refundable Advances

Revenues from governmental grants are recorded based upon terms of the grantor allotment which generally provide that revenues are earned when the allowable costs of the specific grant provisions have been incurred. Support received from governmental agencies in advance of related allowable costs is recorded as refundable advances. Unexpended advances may have to be returned to the awarding agency at the end of the contract term. Revenues are subject to audit by the grantor and, if the examination results in a disallowance of any expenditure, repayment could be required.

8. Property and Equipment

Property and equipment are stated at cost on the date of acquisition. Depreciation is provided for using the straight-line method over the estimated useful lives of each asset, approximately three to five years. HFC follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$1,000.

9. Income Tax Status

HFC is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively. Accordingly, no income tax liability has been recorded in the financial statements. HFC has not reported any unrelated business income; however, such status is subject to final determination upon examination, if any, of the related income tax returns by appropriate taxing authorities.

HFC is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years after 2016 remain subject to examination by federal and state taxing authorities.

10. Functional Allocation of Expenses

The costs of providing the various programs have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs benefited. Capital purchases of approximately \$41,000 were reported to the Florida Department of Children and Families as expenditures in fiscal year 2020. These capital purchases are included as capital assets in the property and equipment category on the statement of financial position and are being amortized over their useful life for financial reporting purposes.

The major activities of HFC include: protective services, foster care, adoptions, independent living, prevention, family preservation, family support services and other related services. These individual aspects of program services focus on permanency of children through adoption finalization or reunification.

Heartland for Children, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. Comparative Information/Reclassifications

The financial statements include certain prior period summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the HFC's financial statements for the year ended June 30, 2019, from where it was derived. Certain amounts from the 2019 financial statements have been reclassified to conform to the June 30, 2020 presentation.

NOTE B - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2020:

Vehicles	\$ 114,107
Equipment	<u>1,731,741</u>
Total property and equipment	1,845,848
Less accumulated depreciation and amortization	<u>(1,821,550)</u>
	<u>\$ 24,298</u>

Property and equipment acquired with State funds from DCF are considered to be controlled by HFC while being used for general operations. However, ownership of this property shall be vested in DCF. The cost basis of such property approximated \$1,846,000 (net book value of approximately \$24,000) at June 30, 2020.

NOTE C - FUNDS HELD IN TRUST

HFC acts as a representative payee for individuals who receive Social Security and/or Supplemental Security Income (SSI) benefits. Funds held in trust represent Social Security and/or SSI funds received by individuals within HFC's system of care. These funds are maintained in an interest bearing collective checking account which is used to deposit beneficiaries' Social Security and SSI benefits, and also to make disbursements for beneficiaries' cost of care charges. Interest earnings on this account are allocated to the beneficiaries based on their individual ending ledger balance for the month.

HFC records the value of the collective checking account as an asset and records a liability for the total value of the individual participant accounts on the Statement of Financial Position. These amounts offset each other at June 30, 2020.

Heartland for Children, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

NOTE D - OTHER ASSETS

HFC invested in a captive insurance arrangement with the acquisition of one share of CBC Casualty Insurance Limited, an exempted company organized with limited liability under the laws of the Cayman Islands, for \$65,000 in June 2019.

NOTE E - COMMITMENTS AND CONTINGENCIES

1. Pension Plans

Through the Administrative Service Agreement with Devereux Foundation, Inc. ("Devereux"), HFC participates in the employee benefits offered to Devereux employees. Retirement plans offered by HFC are through TIAA-CREF.

The plan covers all employees who are at least 18 years of age and meet certain service requirements. HFC's contributions to the plan are equal to 7% of the employee annual salary plus 100% of elective deferrals, up to, but not exceeding 3% of employee compensation for the year (maximum matching contribution of 3%). HFC's contributions to the plan approximated \$367,000 for the year ended June 30, 2020.

2. Operating Leases

HFC conducts its operations in leased facilities and also leases certain equipment. All leases are classified as operating leases.

Approximate future minimum rental payments over the lease terms expiring through 2022 are as follows:

<u>Year ending June 30,</u>	
2021	\$ 43,500
2022	<u>43,500</u>
	<u>\$ 87,000</u>

Rent expense for HFC was approximately \$219,000 for the year ended June 30, 2020.

3. Contingencies

HFC was involved in legal actions and disputes at June 30, 2020. No actions exist which, in management's opinion, would have a material effect on HFC's financial position.

Heartland for Children, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

NOTE F - GOVERNMENTAL GRANT REVENUES

Governmental grant revenues consisted of funds from the following tiers of government for the year ended June 30, 2020:

Federal	\$ 21,596,681
State	2,860,615
State funds used to match federal funds	<u>22,657,068</u>
	<u>\$ 47,114,364</u>

NOTE G - OTHER CONTRIBUTIONS

Other contributions consisted of cash and in-kind contributions, from individuals and non-related agencies, to support HFC with funding for operations.

NOTE H - MATCHING REQUIREMENTS

HFC has met all Federal and State matching requirements included in Contract #TJ501 with DCF.

NOTE I - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board ASC 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described below:

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

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for that asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means;
- If the asset or liability has a specified (contractual) term, the input must be observable for substantially the full term of the asset or liability.

Heartland for Children, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

NOTE I - FAIR VALUE MEASUREMENTS - Continued

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

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

Following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2020:

Bank overnight sweep account: The carrying amounts reported in the Statement of Financial Position approximate the fair value because of the short maturities of those instruments.

Investment in insurance company private offering: This investment does not trade on an active market nor do any similar organizations. With no meaningful basis to value the investment, management has recorded it at historic cost and considers this to be a Level 3 measurement of value.

The methods described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while HFC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The estimated fair values of HFC's financial instruments are as follows at June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$6,677,930	\$ -	\$ -	\$6,677,930
Investment in insurance company private offering	<u>-</u>	<u>-</u>	<u>65,000</u>	<u>65,000</u>
Total	<u>\$6,677,930</u>	<u>\$ -</u>	<u>\$ 65,000</u>	<u>\$6,742,930</u>

The following table illustrates a rollforward of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2020:

Heartland for Children, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

NOTE I - FAIR VALUE MEASUREMENTS - Continued

Balance July 1, 2019	\$ 65,000
Realized and unrealized gains and losses	-
Purchases and issuances	-
Sales and settlements	-
Transfers in/out of Level 3, net	-
	<hr/>
Balance June 30, 2020	<u>\$ 65,000</u>

NOTE J - LIQUIDITY AND AVAILABILITY

At June 30, 2020 HFC had \$7,096,765 of financial assets available to meet needs for general expenditures consisting of cash and cash equivalents as well as grants receivable. Amounts included that were received from the Florida Department of Children and Families are subject to contractual provisions that would require repayment of unexpended funds at the end of the contract term. Accordingly, all such funds are available to meet the cash needs of HFC in the next 12 months.

HFC manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due.

NOTE K - RISKS AND UNCERTAINTIES

In March 2020, the United States and global financial markets experienced significant volatility resulting from uncertainty caused by the world-wide coronavirus pandemic (COVID-19). General economic uncertainties have arisen that may impact future funding, cash flows and changes in net assets related to grants as a result of the pandemic. The related financial impact cannot be reasonably estimated at this time.

NOTE L - SUBSEQUENT EVENTS

HFC has evaluated events and transactions occurring subsequent to June 30, 2020 as of December 21, 2020 which is the date the financial statements were available to be issued.

In response to the COVID-19 Pandemic, the U.S Congress passed the CARES Act and allows the U.S. Small Business Administration (SBA) to administer the Paycheck Protection Program to provide loans to qualifying businesses. The Paycheck Protection Program loans have a two-year maturity at one percent annual interest with a loan forgiveness provision should the business spend the proceeds on qualifying expenses (payroll, rent, mortgage interest and utilities) within the covered period following the receipt of the loan proceeds. In July 2020, HFC was approved for an SBA Paycheck Protection Program loan of approximately \$866,000 and intends on following the loan forgiveness provisions of the program.

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

HEARTLAND FOR CHILDREN, INC.

For the year ended June 30, 2020

Heartland for Children, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

For the year ended June 30, 2020

Federal/State Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA # or State CSFA #	Pass-Through Entity Identifying Number	Passed- Through to Subrecipients	Total Federal/State Expenditures
Federal				
U.S. Department of Health and Human Services				
Indirect Programs				
Passed-through the Florida Department of Children and Families				
Promoting Safe and Stable Families	93.556	TJ501	\$ 1,173,494	\$ 1,830,148
Temporary Assistance for Needy Families	93.558	TJ501	1,780,073	4,603,078
Grants to States for Access and Visitation Program	93.597	TJ501	33,950	33,950
Stephanie Tubbs Jones Child Welfare Services Program	93.645	TJ501	619,034	814,917
Foster Care - Title IV-E	93.658	TJ501	4,913,929	7,120,847
Adoption Assistance	93.659	TJ501	1,016,381	5,305,137
Social Services Block Grant	93.667	TJ501	652,735	1,468,236
Child Abuse and Neglect State Grants	93.669	TJ501	17,405	59,409
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	TJ501	-	284,323
Medical Assistance Program	93.778	TJ501	-	76,636
Total U.S. Department of Health and Human Services - Indirect Programs			10,207,001	21,596,681
Total expenditures of federal awards			10,207,001	21,596,681
State				
Florida Department of Children and Families				
Direct Projects				
Out of Home Supports	60.074	TJ201	141,211	2,229,975
The Independent Living and Road-to-Independence Program	60.112	TJ501	-	27,075
CBC - Purchase of Therapeutic Services for Children	60.183	TJ501	314,405	347,751
Total Florida Department of Children and Families - Direct Projects			455,616	2,604,801
Florida Department of Education and Commissioner of Education				
Indirect Projects				
Passed through University of Central Florida				
School and Instructional Enhancement Programs	48.040	18117004-04	126,913	255,814
Total Florida Department of Education and Commissioner of Education			126,913	255,814
Total expenditures of state financial assistance			582,529	2,860,615
Total expenditures of federal awards and state financial assistance			\$ 10,789,530	\$ 24,457,296

The accompanying notes are an integral part of this schedule.

Heartland for Children, Inc.

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

June 30, 2020

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") includes the federal and state award activity of Heartland for Children, Inc. under programs of the federal government and State of Florida for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* 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 Heartland for Children, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Heartland for Children, Inc.

NOTE B - 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 the Uniform Guidance and Chapter 10.650 *Rules of the Auditor General*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE C - INDIRECT COST RATE

Heartland for Children, Inc. has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - STATE MATCHING FUNDS FOR FEDERAL PROGRAMS

State funds awarded to HFC as matching funds for federal programs consisted of the following:

Federal Program Title	Federal CFDA #	Pass-Through Entity Identifying Number	Expenditures
Promoting Safe and Stable Families	93.556	TJ501	\$ 283,699
Temporary Assistance for Needy Families	93.558	TJ501	2,921,904
Stephanie Tubbs Jones Child Welfare Services Program	93.645	TJ501	272,803
Foster Care - Title IV-E	93.658	TJ501	15,345,397
Adoption Assistance	93.659	TJ501	3,421,320
Chafee Foster Care Independent Living	93.674	TJ501	335,303
Medical Assistance Program	93.778	TJ501	<u>76,642</u>
Total state funds awarded for matching on contract TJ501			<u><u>\$ 22,657,068</u></u>

Heartland for Children, Inc.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE - CONTINUED

June 30, 2020

NOTE E - RECONCILIATION OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
TO THE FINANCIAL STATEMENTS

Following is a reconciliation of the Schedule of Expenditures of Federal Awards and State Financial Assistance to the total funding reported to HFC by the Department of Children and Families in the Fiscal Year 2019-20 Post Award Notice of Federal Awards and State Financial Assistance:

Total expenditures of federal awards and state financial assistance per the Florida Department of Children and Families Post Award Notice for contracts TJ501	<u>\$ 45,776,140</u>
Add:	
Expenditures of state awards received in prior fiscal years and expended in fiscal year 2020	1,413,561
Expenditures of adoption incentive funds	52,098
Expenditures of state financial assistance received from other contracts	255,814
Less:	
Unexpended federal funds returned during fiscal year 2020	383,249
State financial assistance received in fiscal year 2020 and revenue recognition deferred until future periods	<u>-</u>
Total governmental grant revenues per the financial statements	<u><u>\$ 47,114,364</u></u>

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*

HEARTLAND FOR CHILDREN, INC.

June 30, 2020

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
Heartland for Children, Inc.

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 Heartland for Children, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Heartland for Children, Inc.'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Heartland for Children, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Heartland for Children 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

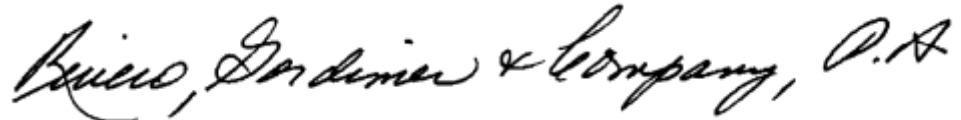
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Heartland for Children, 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.

A handwritten signature in black ink that reads "Benicio, Gordinier & Company, P.A." The signature is written in a cursive, flowing style.

Tampa, Florida
December 21, 2020

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

HEARTLAND FOR CHILDREN, INC.

June 30, 2020

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

Board of Directors
Heartland for Children, Inc.

Report on Compliance for Each Major Federal Program and State Project

We have audited Heartland for Children, Inc.'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 each of Heartland for Children, Inc.'s major federal programs and state projects for the year ended June 30, 2020. Heartland for Children, Inc.'s major federal programs and state projects 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 the 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 each of Heartland for Children, Inc.'s major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.650 *Rules of the Auditor General*. 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 Heartland for Children, 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 and state project. However, our audit does not provide a legal determination of Heartland for Children, Inc.'s compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, Heartland for Children, 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, 2020.

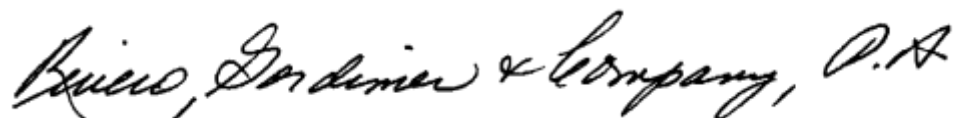
Report on Internal Control Over Compliance

Management of Heartland for Children, 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 Heartland for Children, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project, and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Heartland for Children, 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 internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Tampa, Florida
December 21, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS

HEARTLAND FOR CHILDREN, INC.

June 30, 2020

Heartland for Children, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS

For the year ended June 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? yes X no
 Significant deficiency(ies) identified? yes X none reported

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 none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a) or Chapter 10.656? yes X no

Identification of major programs:

Federal Program or Cluster

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.659	Adoption Assistance

State Project

<u>CSFA Number</u>	<u>Name of State Project</u>
48.040	School and Instructional Enhancement Programs
60.074	Out-of-Home Supports

Dollar threshold used to distinguish between Type A and Type B programs - Federal programs: \$ 750,000

Dollar threshold used to distinguish between Type A and Type B programs - State programs: \$ 750,000

Auditee qualified as low-risk auditee pursuant to the Uniform Guidance (not applicable for State projects)? X yes no

Heartland for Children, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS - CONTINUED

For the year ended June 30, 2020

Section II - Financial Statement Findings

No matters were reported for the year ended June 30, 2020.

Section III - Federal Award and State Financial Assistance Findings and Questioned Costs

No matters were reported for the year ended June 30, 2020.

Other Issues

- a) A management letter is not required because there were no findings required to be reported in the management letter (see AG Rule Section 10.656(3)(e)).
- b) A Summary Schedule of Prior Audit Findings is not required because there were no prior audit findings related to Federal programs or State projects (see AG Rules 10.557(3)(e)5. and 10.656(3)(d)5.).