

**ANCHORAGE CHILDREN'S HOME
OF BAY COUNTY, INC. AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Anchorage Children's Home of Bay County, Inc. and Affiliate:

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Anchorage Children's Home of Bay County, Inc. and Affiliate, which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Anchorage Children's Home of Bay County, Inc. and Affiliate as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Anchorage Children's Home of Bay County, Inc. and Affiliate and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

2022 Financial Statements Restated

As discussed in Note (14) to the financial statements, the 2022 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note (6) to the consolidated financial statements, effective July 1, 2022, the Organization adopted new accounting guidance for leases. There was no effect on beginning net assets. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Anchorage Children's Home of Bay County, Inc. and Affiliate's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Anchorage Children's Home of Bay County, Inc. and Affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Anchorage Children's Home of Bay County, Inc. and Affiliate's ability to continue as a going concern for a reasonable period of time.

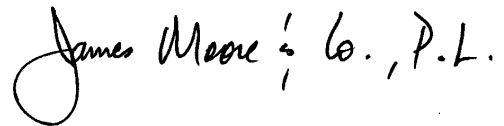
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by 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), Section 215.97, Florida Statutes, *Florida Single Audit Act*; and Chapter 10.650, Rules of the State of Florida, Office of the Auditor General, and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and State Financial Assistance is fairly stated, in all material respects, in relation to the consolidated 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 July 31, 2024, on our consideration of Anchorage Children's Home of Bay County, Inc. and Affiliate'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Anchorage Children's Home of Bay County, Inc. and Affiliate's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Anchorage Children's Home of Bay County, Inc. and Affiliate's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida
July 31, 2024

ANCHORAGE CHILDREN'S HOME OF BAY COUNTY, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS

Current assets	
Cash and cash equivalents	\$ 673,284
Investments	231,019
Grants, contracts, and other receivables, net	581,140
Prepaid expenses and other current assets	21,402
Total current assets	1,506,845
Property and equipment, net	3,573,108
Finance lease right of use assets, net	106,637
Total Assets	\$ 5,186,590

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 47,001
Accrued liabilities	198,845
Deferred revenue	5,000
Current portion of finance lease liability	44,063
Current portion of long-term debt	252,220
Total current liabilities	547,129
Long-term liabilities	
Long-term portion of finance lease liability	63,409
Total long-term liabilities	63,409
Total Liabilities	610,538
Net assets	
Without donor restrictions	4,531,252
With donor restrictions	
Purpose restrictions	44,800
Total net assets	4,576,052
Total Liabilities and Net Assets	\$ 5,186,590

The accompanying notes to the consolidated financial statements
are an integral part of this statement.

**ANCHORAGE CHILDREN'S HOME OF BAY COUNTY, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Federal and state grants	\$ 5,403,800	\$ -	\$ 5,403,800
Contributions	585,789	-	585,789
In-kind contributions	74,472	-	74,472
Other state support	6,332	-	6,332
Medicaid	51,775	-	51,775
Special events	53,182	-	53,182
Investment income	12,994	-	12,994
Other income	4,208	-	4,208
Net assets released from restrictions	834,430	(834,430)	-
Total support and revenue	<u>7,026,982</u>	<u>(834,430)</u>	<u>6,192,552</u>
Expenses			
Program services			
Hidle House	1,421,788	-	1,421,788
Street Outreach and Recovery	165,016	-	165,016
Transitional Living	285,110	-	285,110
Maternity Transitional Living	282,374	-	282,374
McElvey Group Home	610,224	-	610,224
Anchorage Family Counseling	345,737	-	345,737
Care Management	1,548,530	-	1,548,530
SNAP	208,169	-	208,169
Visitation	220,779	-	220,779
Total program services	<u>5,087,727</u>	<u>-</u>	<u>5,087,727</u>
Administrative and general	581,699	-	581,699
Fundraising	159,018	-	159,018
Total expenses	<u>5,828,444</u>	<u>-</u>	<u>5,828,444</u>
Increase (decrease) in net assets	<u>1,198,538</u>	<u>(834,430)</u>	<u>364,108</u>
Net assets, beginning of year, as restated	3,332,714	879,230	4,211,944
Net assets, end of year	<u>\$ 4,531,252</u>	<u>\$ 44,800</u>	<u>\$ 4,576,052</u>

The accompanying notes to the consolidated financial statements
are an integral part of this statement.

**ANCHORAGE CHILDREN'S HOME OF BAY COUNTY, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023**

	Program Services								
	Hide House	Street Outreach and Recovery	Transitional Living	Maternity Transitional Living	McElvey Group Home	Anchorage Family Counseling	Care Management	SNAP	Visitation
Salaries	\$ 854,476	\$ 74,606	\$ 140,950	\$ 141,079	\$ 365,425	\$ 259,631	\$ 1,118,962	\$ 159,048	\$ 162,031
Payroll taxes and benefits	135,263	16,767	20,922	25,482	55,223	42,252	178,423	22,512	24,839
Automobile	9,888	10,448	13,478	6,245	12,768	156	47,737	4	9,490
Accounting and legal	1,969	297	459	459	1,215	864	3,375	378	432
Crafts, recreation and gifts	10,887	1,082	1,055	338	7,082	771	2,596	1,466	-
Contract services	11,344	1	38	38	8,089	1,207	-	809	-
License and permits	430	37	207	103	3	4	-	-	-
Books and subscriptions	289	-	-	-	137	-	15	-	-
School	2,263	162	8	368	2,789	-	-	-	-
Food	80,814	4,101	5,591	3,900	18,702	430	1,347	1,777	168
Household supplies	35,825	8,042	4,190	4,165	9,071	32	3,617	466	282
Interest	414	-	-	421	723	-	768	-	250
Insurance	35,237	2,721	4,446	4,443	13,597	3,595	13,322	2,584	2,992
Medical	789	89	147	295	275	-	286	24	-
Miscellaneous	32,241	11,229	1,583	1,457	33,142	2,489	30,269	2,525	2,407
Memberships and dues	11,926	1,326	11	11	55	8	11	4	-
Office	41,635	7,540	7,059	6,339	17,653	8,156	28,254	5,702	3,033
Personal items - clothing	5,842	1,909	1,958	1,849	4,675	-	234	-	-
Postage	1,123	-	27	-	-	342	1,412	226	-
Printing	94	-	-	-	-	-	-	-	-
Repairs and maintenance	49,016	17	2,627	2,640	5,591	631	-	298	-
Staff and program development	2,129	208	147	94	1,634	555	3,108	650	-
Staff travel	689	401	462	462	2,264	12,390	82,538	2,606	9,388
Telephone	12,601	3,600	2,972	2,528	8,158	5,811	16,764	3,182	2,186
Utilities	35,525	409	8,403	7,834	13,733	2,272	-	1,837	-
Events	-	-	-	-	-	-	-	-	-
Short-term leases	4,546	18,807	57,057	57,071	2,178	980	5,028	668	-
Bad debt expense	1,827	-	-	-	-	-	-	-	-
Total expenses before amortization and depreciation	1,379,082	163,799	273,797	267,621	584,182	342,576	1,538,066	206,766	217,498
Amortization and depreciation	42,706	1,217	11,313	14,753	26,042	3,161	10,464	1,403	3,281
Total expense	<u>\$ 1,421,788</u>	<u>\$ 165,016</u>	<u>\$ 285,110</u>	<u>\$ 282,374</u>	<u>\$ 610,224</u>	<u>\$ 345,737</u>	<u>\$ 1,548,530</u>	<u>\$ 208,169</u>	<u>\$ 220,779</u>

The accompanying notes to consolidated financial statements are an integral part of this statement.

ANCHORAGE CHILDREN'S HOME OF BAY COUNTY, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(CONTINUED)

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Total Program Services</u>	<u>Administration and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries	\$ 3,276,208	\$ 247,987	\$ 79,684	\$ 327,671	\$ 3,603,879
Payroll taxes and benefits	521,683	38,475	13,537	52,012	573,695
Automobile	110,214	326	7	333	110,547
Accounting and legal	9,448	42,693	810	43,503	52,951
Crafts, recreation and gifts	25,277	767	4,337	5,104	30,381
Contract services	21,526	21,144	237	21,381	42,907
License and permits	784	6,373	359	6,732	7,516
Books and subscriptions	441	300	250	550	991
School	5,590	-	100	100	5,690
Food	116,830	11,373	2,255	13,628	130,458
Household supplies	65,690	52,637	4,615	57,252	122,942
Interest	2,576	-	-	-	2,576
Insurance	82,937	10,140	1,400	11,540	94,477
Medical	1,905	-	-	-	1,905
Miscellaneous	117,342	34,604	13,723	48,327	165,669
Memberships and dues	13,352	1,830	282	2,112	15,464
Office	125,371	20,327	5,558	25,885	151,256
Personal items - clothing	16,467	92	8,562	8,654	25,121
Postage	3,130	293	68	361	3,491
Printing	94	317	-	317	411
Repairs and maintenance	60,820	23,733	92	23,825	84,645
Staff and program development	8,525	1,712	2,622	4,334	12,859
Staff travel	111,200	4,088	1,145	5,233	116,433
Telephone	57,802	5,279	1,641	6,920	64,722
Utilities	70,013	13,463	533	13,996	84,009
Events	-	-	16,522	16,522	16,522
Short-term leases	146,335	698	-	698	147,033
Bad debt expense	1,827	-	-	-	1,827
Total expenses before amortization and depreciation	<u>4,973,387</u>	<u>538,651</u>	<u>158,339</u>	<u>696,990</u>	<u>5,670,377</u>
Amortization and depreciation	114,340	43,048	679	43,727	158,067
Total expense	<u><u>\$ 5,087,727</u></u>	<u><u>\$ 581,699</u></u>	<u><u>\$ 159,018</u></u>	<u><u>\$ 740,717</u></u>	<u><u>\$ 5,828,444</u></u>

The accompanying notes to consolidated financial statements
are an integral part of this statement.

**ANCHORAGE CHILDREN'S HOME OF BAY COUNTY, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

Cash flows from operating activities	
Cash received from grantors, contractors, and contributors	\$ 6,091,387
Cash paid to employees, vendors, and subcontractors	(5,660,780)
Interest received	1,691
Interest paid	(2,247)
Net cash provided by operating activities	430,051
Cash flows from investing activities	
Purchases of investments	(12,992)
Sales of investments	3,723
Purchases of property and equipment	(1,306,416)
Net cash used in investing activities	(1,315,685)
Cash flows from financing activities	
Principal payments on finance lease liabilities	(26,740)
Principal payments on long-term debt	(53,450)
Net cash used in financing activities	(80,190)
Net decrease in cash and cash equivalents	(965,824)
Cash and cash equivalents, beginning of year	1,639,108
Cash and cash equivalents, end of year	\$ 673,284
Reconciliation of increase in net assets to net cash provided by operating activities	
Increase in net assets	\$ 364,108
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	130,492
Amortization of right-of use assets	27,575
Unrealized gain on investment	(3,877)
Loss on disposal of property and equipment	(2,200)
Increase in grants, contracts, and other receivables	(21,125)
Decrease in prepaid expenses and other current assets	550
Decrease in accounts payable	(88,123)
Increase in accrued liabilities	22,651
Total adjustments	65,943
Net cash provided by operating activities	\$ 430,051
Supplemental schedule of non-cash financing and operating activities:	
Right-of-use assets obtained in exchange for finance lease obligations	\$ 134,212

The accompanying notes to consolidated financial statements
are an integral part of this statement.

ANCHORAGE CHILDREN'S HOME OF BAY COUNTY, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies and practices of Anchorage Children's Home of Bay County, Inc. and Affiliate (the "Organization") which affect significant elements of the accompanying consolidated financial statements:

(a) **Organization and purpose**—The Organization was incorporated in the State of Florida, in April 1983, for the purpose of establishing and operating a group home and shelter for the abused, neglected, and homeless children of Bay County. In 1999, Anchorage Children's Home of Bay County, Inc. formed Anchorage Foundation, Inc. The Organizations share a majority of common board members as well as common management. The consolidated financial statements include Anchorage Children's Home of Bay County, Inc. and Anchorage Foundation, Inc. Anchorage Foundation, Inc. is consolidated since Anchorage Children's Home of Bay County, Inc. has both an economic interest in and control of this entity through a majority voting interest in the governing board. All significant intercompany transactions and accounts are eliminated.

The Organization provides the following programs:

Hide House – A short-term crisis/emergency shelter, Hide House provides 24-hour awake supervision to adolescents 10 to 17 years of age, furnishing food, clothing, shelter, and counseling. Runaways and other troubled youth are accepted as walk-ins, through referral from the family, school, law enforcement, and other sources within the community. The purpose is to reunite the youth with their family, and keep the youth out of the delinquency and dependency systems. Youth who have been removed from their home due to allegations of abuse, or youth who are in the foster care systems are referred through the Florida Department of Children and Families (DCF) or Northwest Florida Health Network, Inc. (NWF Health Network) for up to a 30 day stay. The purpose is to provide a safe environment for youth while the Florida Department of Children and Families investigates the family and/or locates an alternative living arrangement for the youth.

Anchorage Family Counseling – When children, ages 6 to 17 years old, and their families need help with developing and strengthening their relationships at home, this program provides individual, family, and group counseling, and case management. Services are provided in the home, at school, and in the Organization's offices for up to 12 weeks. Counselors also provide group counseling services in some area high schools for high-risk youth.

Street Outreach and Recovery – Specialists go to the beach, neighborhoods, and streets to find the youth, up to 21 years old, at greatest risk for sexual exploitation and abuse. By providing them survival aid and access to critical services, staff engage these youth by developing trusting relationships in an effort to facilitate their leaving street life. The following program is included in the amounts reported as "Street Outreach and Recovery" on the statement of activities and the statement of functional expenses:

Safe Place – A nationwide program uniting businesses and runaway shelters, this program provides a safety net for youth on the streets to gain immediate access to safe shelter. Businesses where youth congregate or are easily accessible to youth demonstrate their partnership to provide transportation to shelter through volunteers. They post obvious bright yellow signs on their buildings to demonstrate their participation in this program.

ANCHORAGE CHILDREN'S HOME OF BAY COUNTY, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

(1) **Summary of Significant Accounting Policies:** (Continued)

Transitional Living – This transitional living program serves up to 6 youth residentially and 14 youth in non-residential services at any given time. These youth, ages 16 to 21 years old, continue or complete their education, establish employment, and develop essential life skills during the course of this 18 month program.

Maternity Transitional Living – Apartment based living for homeless teens age 16 to 22 who are pregnant or have had their baby within 6 months. This program provides a safe place to live while staff help youth develop adequate life skills leading to independence and successful parenting.

McElvey Group Home – McElvey At-Risk Group Home provides housing for up to 8 youth ages 12-17 who are currently in foster care and are at-risk of human trafficking. The program will provide a safe, home-like environment while youth attend school and have opportunities for extracurricular activities and bring about positive change in their lives.

Care Management – When children, birth to 17 years old, who have been found to be abused, neglected, or abandoned, and in need of protection and support, the Care Management program provides child protective supervision, foster care case management, and intensive family intervention. As a partner of the NWF Health Network system of care, the Organization provides care management in Calhoun, Holmes, Jackson, and Washington counties.

SNAP – SNAP stands for Stop Now and Plan. The program helps troubled children and their parents learn how to effectively manage their emotions and keep problems small. The gender sensitive SNAP program is designed for children ages 6 to 11 who are engaging in aggressive, anti-social behavior and/or have come into contact with authority figures at school or in the community.

Visitation – This program is a family visitation program that serves children who are placed in out of home care with non-custodial caregivers and are court-ordered and referred by the Dependency Case Management Organizations for visitation services. Visitation services are provided in order to allow caregivers and family members who do not have custody of their children due to a history of child abuse or neglect to visit in a safe environment. These services are provided to enhance the parent or caregiver's relationship with the child and to facilitate reunification or other appropriate permanency goals.

(b) **Property and equipment**—Property and equipment acquired by the Organization is considered to be owned by the Organization. However, funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State of Florida has a reversionary interest in those assets purchased with its funds which have a cost of \$1,000 or more and an estimated useful life of at least one year. The Federal Government has a reversionary interest in those assets purchased with its funds which have cost of \$5,000 or more and an estimated useful life of at least one year.

Property and equipment with a value greater than \$500 and an estimated useful life of at least one year are recorded at cost when purchased or at estimated fair market value when contributed.

Depreciation is computed using the straight-line method over the estimated useful life of the assets, ranging from 3 to 50 years.

ANCHORAGE CHILDREN'S HOME OF BAY COUNTY, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

(1) **Summary of Significant Accounting Policies:** (Continued)

(c) **Cash and cash equivalents**—For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, demand deposits held with banks, and short-term investments with original maturities of 90 days or less.

(d) **Income taxes**—The Organization is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for Federal income taxes has been made in the accompanying consolidated financial statements.

The Organization files income tax returns in the U.S. Federal jurisdiction. The Organization's income tax returns for the past three years are subject to examination by taxing authorities and may change upon examination.

The Organization has reviewed and evaluated the relevant technical merits of each of their tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the consolidated financial statements of the Organization.

(e) **Use of estimates**—The preparation of consolidated 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 could differ from those estimates.

(f) **Basis of accounting**—The consolidated financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables and other liabilities.

(g) **Net assets**— Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

(h) **Functional allocation of expenses**—The cost of providing the various services and other activities have been summarized on a functional basis in the Consolidated Statement of Activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

(i) **Accrued leave**—The Organization compensates its employees for unused paid time off upon termination of employment. The amount of the change in accrued paid time off for all employees from one year to the next is reported as an expense during the current year.

ANCHORAGE CHILDREN'S HOME OF BAY COUNTY, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

(1) **Summary of Significant Accounting Policies:** (Continued)

(j) **Contributions**—The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is 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 restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Contributed property and equipment is recorded at fair value at the date of donation. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.

The value of donated professional services, if any, is included as in-kind contributions and related expense in the consolidated financial statements. The value of these donations is based upon current rates for similar services. In addition, the Organization receives a significant amount of donated services from unpaid volunteers who assist the Organization. No amounts have been recognized in the consolidated statement of activities because the criteria for recognition has not been satisfied.

Contributed materials and supplies are valued using estimated U.S. wholesale prices (principal market) of identical or similar products using pricing data under a “like-kind” methodology considering the goods’ condition and utility for use at the time of the contribution.

(k) **Investments**—We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

(l) **Grants, contracts, and other receivables**—Grants, contracts, and other receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on management’s assessment of the credit history with customers, grantors, and contractors having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

(m) **Revenue recognition**— With the exception of contributions, substantially all of the Organization’s revenue is grant and contract revenue from Federal and state agencies. The Organization recognizes contract revenue (up to the contract ceiling) from its contracts over a period which represents the service period for certain contracts, or to the extent of expenses. Revenue recognition depends on the contract. A substantial portion of the revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statement of financial position. At June 30, 2023, no amount had been received in advance.

ANCHORAGE CHILDREN'S HOME OF BAY COUNTY, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

(1) **Summary of Significant Accounting Policies:** (Continued)

(n) **Deferred revenue**— The Organization holds an annual golf tournament each autumn as a fundraiser to support the mission of the Organization. Management obtains sponsorships for the event from local businesses. The deferred revenue amount on the consolidated statement of financial position represents sponsorship monies for the event received prior to June 30, 2023.

(o) **Leases**— The Organization leases vehicles to support ongoing operations. The Organization determines if an arrangement is a lease at inception. Operating leases are reflected as an operating lease right-of-use (ROU) asset and operating lease liabilities on the Organization's consolidated statement of financial position. Finance leases are included in finance lease right-of-use (ROU) assets, current liabilities, and long-term liabilities on the Organization's consolidated statement of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. When an implicit rate is unavailable, the Organization uses the risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment. In allocating consideration in the contract to the separate lease components and the non-lease components, the Organization uses the standalone prices of the lease and non-lease components. Observable standalone prices are used, if available. If the standalone price for a component has a high level of variability or uncertainty, this allocation may require significant judgment.

(2) **Significant Funding Sources:**

The Organization receives approximately 60% of its funding from the State of Florida, Department of Juvenile Justice as passed through the Florida Network of Youth and Family Services and the U.S. Department of Health and Human Services, passed through the DCF and NWF Health Network. A significant reduction in the level of this funding, if it were to occur, could have an adverse effect on the Organization's programs and activities.

**ANCHORAGE CHILDREN'S HOME OF BAY COUNTY, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

(3) Concentrations of Credit Risk:

The more significant concentrations of credit risk are as follows:

(a) **Demand deposits**—The Organization maintains cash deposits with a financial institution. The Organization has no policy requiring collateral or other security to support its deposits, although all demand deposits with this institution is Federally insured up to FDIC limits.

(b) **Grants, contracts, and other receivables**—The Organization’s receivables are for amounts due under contracts with state and Federal agencies. The Organization has no policy requiring collateral or other security to support its receivables.

(c) **Financial instruments**— Financial instruments that potentially subject the Organization to concentrations of credit risk include investments. The investments are held in high quality institutions and companies with high credit ratings.

(4) Property and Equipment:

The following is a summary of property and equipment at June 30, 2023:

Land	\$ 255,000
Buildings and improvements	3,829,635
Furniture and fixtures	144,929
Machinery and equipment	244,340
Leasehold improvements	430,447
Vehicles	74,864
	<hr/>
	4,979,215
Less: accumulated depreciation and amortization	1,406,107
Total	<hr/> <u>\$ 3,573,108</u>

Depreciation expense for the year ending June 30, 2023, was \$130,492. Depreciation expense is included with amortization expense and presented on the consolidated Statement of Functional Expenses.

(5) Short-Term Leases:

The Organization had certain vehicle and office equipment leases with less than 12 months remaining on the lease as of June 30, 2023, (year of ASC 842 implementation) with no intention to purchase the underlying asset. The Organization has elected the practical expedient for these short-term leases. Total short-term lease cost was \$147,033 for 2023.

**ANCHORAGE CHILDREN'S HOME OF BAY COUNTY, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

(6) Obligations Under Leases:

The Organization has finance leases for vehicles which have remaining lease terms expiring in fiscal years 2025 and 2026. As of June 30, 2023, assets recorded under finance leases were \$134,212 and accumulated amortization associated with finance leases was \$27,575.

The components of lease expense for the year ended June 30, 2023, was as follows:

Amortization of right-of-use assets	\$ 27,575
Interest on lease liabilities	2,576
	\$ 30,151

Other information related to leases for the year ended June 30, 2023, was as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Financing cash flows from finance leases	\$ 26,739
ROU assets obtained in exchange for new finance lease liabilities	134,212
Weighted-average remaining lease term—finance leases	2.47 years
Weighted-average discount rate—finance leases	3.71%

Future minimum lease payments under non-cancellable leases as of 2023, were as follows:

Year Ending June 30,	Amount
2024	\$ 47,170
2025	47,170
2026	17,853
2027	-
2028	-
Thereafter	-
Total future minimum lease payments	112,193
Less: Imputed interest	4,721
	\$ 107,472

(7) Retirement Plan:

The Organization sponsors a 401(k) retirement plan. All employees over 21 years old with at least 1,000 hours of service within a 12-month fiscal year period are eligible to participate. Employees may contribute a maximum allowable for 401(k) plans and the Organization will match 25% of employee contributions up to 3% of the employee's annual gross salary. The Organization contributed \$24,320 to this plan for the fiscal year ended June 30, 2023.

ANCHORAGE CHILDREN'S HOME OF BAY COUNTY, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

(8) Fair Value Measurements:

The Organization reports investments at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- **Level 1:** Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities that are not active. Such inputs may include interest rates and yield curves, volatilities, prepayment speeds, credit risks, and default rates.
- **Level 3:** Unobservable inputs to measure fair value of assets and liabilities for which there is little, if any market activity at the measurement date, using reasonable inputs and assumptions based upon the best information at the time, to the extent that inputs are available without undue cost and effort. 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. There have been no changes in the methodologies used at June 30, 2023.

Mutual funds– Valued at quoted market prices.

Exchange traded funds– Valued at quoted market prices.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization 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.

**ANCHORAGE CHILDREN'S HOME OF BAY COUNTY, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

(8) **Fair Value Measurements:** (Continued)

The following is a summary of the valuation as of June 30, 2023, for the Organization's investments based upon the three levels defined above

	<u>Fair Value</u>	<u>Quoted Prices (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments:				
Exchange traded funds	\$ 23,016	\$ 23,016	\$ -	\$ -
Mutual funds	208,003	208,003	-	-
Total	<u>\$ 231,019</u>	<u>\$ 231,019</u>	<u>\$ -</u>	<u>\$ -</u>

The following schedule summarizes the investment return in the consolidated Statement of Activities for the year ended June 30, 2023:

Interest income	\$ 1,691
Dividend income	7,426
Net realized and unrealized gains	3,877
Investment income	<u>\$ 12,994</u>

(9) **Contingencies:**

Grant Programs—Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government and the State of Florida. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

Litigation—The Organization is party to routine legal proceedings and litigation arising in the ordinary course of business. In the opinion of management, the outcome of such actions is unable to be estimated at this time, and thus the impact on the Organization's financial condition is unknown.

ANCHORAGE CHILDREN'S HOME OF BAY COUNTY, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

(10) Long-Term Debt:

Long-term debt consisted of the following at June 30, 2023:

4.45% note payable to a financial institution, due upon demand, otherwise payable in monthly installments of \$5,484, including interest, through October 2027, collateralized by real estate.	\$ 252,220
Long-term debt	252,220
Less: current portion of long-term debt	252,220
Long-term debt, net	\$ -

Maturities on long-term debt are as follows:

Year Ending June 30,	Amount
2024	\$ 252,220
2025	-
2026	-
2027	-
2028	-
Total	\$ 252,220

(11) Liquidity and Availability:

Financial assets available for general expenditure, that is, without donor restrictions or internally board designations limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 673,284
Investments	231,019
Grants, contracts, and other receivables	581,140
Financial assets available to meet cash needs for general expenditures	1,485,443
Less those unavailable for general expenditures within one year due to donor imposed restrictions	(44,800)
Financial assets available to meet cash needs for general expenditures	\$ 1,440,643

**ANCHORAGE CHILDREN'S HOME OF BAY COUNTY, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

(12) In-kind Support:

The Organization received the following in-kind donations presented as in-kind contributions on the Consolidated Statement of Activities during the year ended June 30, 2023:

Materials and supplies	\$ <u>74,472</u>
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Contributed materials and supplies are used in Hidle House, Street Outreach and Recovery, Maternity Transitional Living, Transitional Living, McElvey Group Home, Anchorage Family Counseling, Care Management, Fundraising, and Administration

(13) Subsequent Events:

The Organization has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through July 31, 2024, the date which the consolidated financial statements were available to be issued. No subsequent events have been recognized or disclosed.

(14) Restatement of Net Assets:

Subsequent to the issuance of the Organization's June 30, 2022, financial statements, management determined that its financial statements should have been reported on a consolidated basis with the affiliate. This resulted in an understatement of assets, liabilities, and net assets of \$1,063,129, \$305,669, and \$757,460, respectively. Additionally, this resulted in a decrease in net assets by \$15,523 for the year ending June 30, 2022.

(15) Net Assets With Donor Restrictions:

Net assets with donor restrictions are restricted for the following purposes or periods:

Purpose restricted – Transitional Living	\$ 3,991
Purpose restricted – Other program expenses	38,870
In perpetuity- Operations	<u>1,939</u>
Total	<u>\$ 44,800</u>

The net assets released in the current year were the result of incurring expenses for the Transitional Living building that satisfied donor restrictions.

ANCHORAGE CHILDREN'S HOME OF BAY COUNTY, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

(16) Recently Issued Accounting Pronouncements:

The Financial Accounting Standards Board (FASB) and other entities issued new or modifications to, or interpretations of, existing accounting guidance during the year. The Organization has considered the new pronouncements that altered accounting principles generally accepted in the United States of America, and other than as disclosed in the notes to the consolidated financial statements, does not believe that any other new or modified principles will have a material impact on the Organization's reported consolidated financial position or operations in the near term.

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the consolidated statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of consolidated financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted the standard effective July 1, 2022, and recognized and measured leases existing at, or entered into after, July 1, 2021, (the beginning of the earliest comparative period presented) using a modified retrospective approach, with certain practical expedients available.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

In June 2016, the FASB issued guidance (ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the consolidated financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. The new standard is effective for fiscal years beginning after December 15, 2022. The Organization is currently evaluating the effect that implementation of the new standard will have on its consolidated financial position, results of operations, and cash flows.

ANCHORAGE CHILDREN'S HOME OF BAY COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/State Grantor/Pass Through Grantor/ Program Title	Federal Assistance Listing Number	State CSFA Number	Contract Number	Expenditures
FEDERAL AWARDS				
U.S. Department of Health and Human Services				
Basic Center Grant	93.623	-	90CY7243-02-00	\$ 40,005
Basic Center Grant	93.623	-	90CY7243-03-00	120,015
				<u>160,020</u>
Transitional Living for Homeless Youth	93.550	-	90CX7123-05-00	48,682
Transitional Living for Homeless Youth	93.550	-	90CX7422-01-00	168,669
Transitional Living for Homeless Youth	93.550	-	90YZ0023-02-00	175,124
Transitional Living for Homeless Youth	93.550	-	90YZ0023-01-00	65,714
				<u>458,189</u>
Child and Adult Care Food Program	10.558	-	H-4145	32,113
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless, an Street Youth	93.557	-	90YO2389-02-00	55,809
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless, an Street Youth	93.557	-	90YO2389-03-00	93,032
				<u>148,841</u>
Passed through NWF Health Network				
Promoting Safe and Stable Families	93.556	-	25522	4,727
Promoting Safe and Stable Families	93.556	-	25522	64,443
Promoting Safe and Stable Families	93.556	-	25522	108,472
				<u>177,642</u>
Foster Care_Title IV-E	93.658	-	25522	358,641
Foster Care_Title IV-E	93.658	-	25522	29,533
Foster Care_Title IV-E	93.658	-	25522	31,143
Foster Care_Title IV-E	93.658	-	25522	65,020
				<u>484,337</u>
Temporary Assistance for Needy Families	93.558	-	25522	283,961
Temporary Assistance for Needy Families	93.558	-	25522	20,127
				<u>304,088</u>
Stephanie Tubbs Jones Child Welfare Services Program	93.645	-	25522	54,821
Stephanie Tubbs Jones Child Welfare Services Program	93.645	-	25522	6,308
				<u>61,129</u>
Adoption Assistance-Title IV-E	93.659	-	25522	30,214
Adoption Assistance-Title IV-E	93.659	-	25522	4,425
				<u>34,639</u>
Social Services Block Grant	93.667	-	25522	39,267
Total Federal Awards				<u>\$ 1,900,265</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

ANCHORAGE CHILDREN'S HOME OF BAY COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2023
(Continued)

Federal Grantor/State Grantor/Pass Through Grantor/ Program Title	Federal Assistance Listing Number	State CSFA Number	Contract Number	Expenditures
<u>STATE FINANCIAL ASSISTANCE</u>				
State of Florida, Department of Economic Opportunity				
Division of Housing and Community Development	-	40.038	HL 143	\$ <u>732,467</u>
State of Florida, Department of Children and Families				
Passed through NWF Health Network				
Out-Of-Home Supports	-	60.074	25522	157,676
Out-Of-Home Supports	-	60.074	25522	<u>329,747</u>
				<u>487,423</u>
Early Childhood Court Case Management and Prevention	-	60.225	25522	<u>15,996</u>
State of Florida, Department of Juvenile Justice				
Passed through Florida Network of Youth and Family Services				
Children and Families in Need of Services (CINS/FINS)	-	80.005	NA	<u>1,150,966</u>
Total State Financial Assistance				<u>2,386,852</u>
Total Federal Awards and State Financial Assistance				<u>\$ <u>4,287,117</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

**ANCHORAGE CHILDREN'S HOME OF BAY COUNTY, INC. AND AFFILIATE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2023**

(1) **Basis of Presentation:**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the Federal and State award activity of Anchorage Children's Home of Bay County, Inc. and Affiliate and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Section 215.97, Florida Statutes, *Florida Single Audit Act*, and Chapter 10.650, Rules of the State of Florida, Office of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the consolidated financial statements.

(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 the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

(3) **De Minimis Indirect Cost Rate Election:**

Anchorage Children's Home of Bay County, Inc. and Affiliate has elected not to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

(4) **Subrecipients:**

For the year ended June 30, 2023, there were no amounts passed through to subrecipients.

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*

To the Board of Directors,
Anchorage Children's Home of Bay County, Inc. and Affiliate:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Anchorage Children's Home of Bay County, Inc. and Affiliate, (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 31, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing 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 consolidated 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

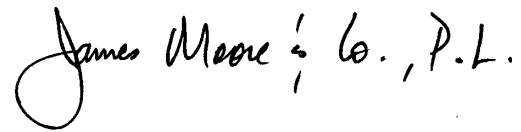
As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Anchorage Children's Home of Bay County, Inc. and Affiliate's Response to Finding

Anchorage Children's Home of Bay County, Inc. and Affiliate's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. Anchorage Children's Home of Bay County, Inc. and Affiliate's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

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 "James Moore & Co., P.L." The signature is written in a cursive style with a large initial "J" and a distinct "Co." followed by "P.L.".

Tallahassee, Florida
July 31, 2024

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND CHAPTER 10.650, RULES OF THE STATE OF FLORIDA, OFFICE OF THE AUDITOR GENERAL

To the Board of Directors,
Anchorage Children's Home of Bay County, Inc. and Affiliate:

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited Anchorage Children's Home of Bay County, Inc. and Affiliate'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 Anchorage Children's Home of Bay County, Inc. and Affiliate's major federal programs and state projects for the year ended June 30, 2023. Anchorage Children's Home of Bay County, Inc. and Affiliate's major federal programs and state projects are identified in the accompanying schedule of findings and questioned costs.

In our opinion, Anchorage Children's Home of Bay County, Inc. and Affiliate complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program and State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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, Office of the Auditor General (Chapter 10.650). Our responsibilities under those standards, the Uniform Guidance and Chapter 10.650 are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Anchorage Children's Home of Bay County, Inc. and Affiliate and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program and state project. Our audit does not provide a legal determination of Anchorage Children's Home of Bay County, Inc. and Affiliate's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Anchorage Children's Home of Bay County, Inc. and Affiliate's federal programs and state projects.

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Anchorage Children's Home of Bay County, Inc. and Affiliate's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.650, Rules of the State of Florida, Office of the Auditor General, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Anchorage Children's Home of Bay County, Inc. and Affiliate's compliance with the requirements of each major federal program and state project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.650, Rules of the State of Florida, Office of the Auditor General, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Anchorage Children's Home of Bay County, Inc. and Affiliate's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Anchorage Children's Home of Bay County, Inc. and Affiliate's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, Rules of the State of Florida, Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of Anchorage Children's Home of Bay County, Inc. and Affiliate's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

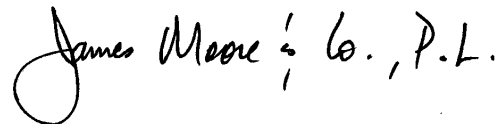
Report on Internal Control Over Compliance

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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 State of Florida Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

James Moore & Co., P.L.

Tallahassee, Florida
July 31, 2024

**ANCHORAGE CHILDREN'S HOME OF BAY COUNTY, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS AND STATE PROJECTS
FOR THE YEAR ENDED JUNE 30, 2023**

I. Summary of Auditors' Results:

Financial Statements:

Type of audit report issued on the consolidated financial statements: *Unmodified.*

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to consolidated financial statements noted? yes no

Federal Awards:

Internal control over major Federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Types of auditors' report issued on compliance for major Federal programs: *Unmodified.*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major Federal programs:

Federal Program	Federal Assistance Listing Number
Foster Care- Title IV-E	93.658
Transitional Living for Homeless Youth	93.550

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

Auditee qualified as low risk auditee? yes no

**ANCHORAGE CHILDREN'S HOME OF BAY COUNTY, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS AND STATE PROJECTS
FOR THE YEAR ENDED JUNE 30, 2023**

I. Summary of Auditors' Results: (Continued)

State Financial Assistance:

Internal control over major State projects:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Types of auditors' report issued on compliance for major State projects: *Unmodified.*

Any audit findings disclosed that are required to be reported related to state financial assistance projects? _____yes X no

Identification of major State projects:

State Projects	State CSFA Number
Children and Families in Need of Services (CINS/FINS)	80.005
Housing and Community Development	40.038
Dollar threshold used to distinguish between type A and type B State projects:	\$716,055

II. Financial Statement Findings:

Finding 2023-001: Material Adjustments and Preparation of Financial Statements

Criteria: Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Condition: Adjustments were required to be made to the accounting records to be in accordance with GAAP. Since these adjustments resulted in a material misstatement of the consolidated financial statements, this deficiency is deemed to be a material weakness.

Cause: Audit procedures resulted in auditors proposing material adjustments.

Effect: Errors or material misstatements in the consolidated financial statements presented to the board by management may exist and not be detected.

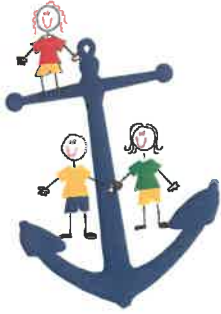
Recommendation: We recommend that the process for identifying accounting transactions be reviewed and updated.

**ANCHORAGE CHILDREN'S HOME OF BAY COUNTY, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS AND STATE PROJECTS
FOR THE YEAR ENDED JUNE 30, 2023**

- III. **Federal Award Findings and Questioned Cost:** None.
- IV. **State Project Findings and Questioned Costs:** None.
- V. **Management letter in Accordance with Chapter 10.650, Rules of the State of Florida, Office of the Auditor General:** Nothing to Report

**ANCHORAGE CHILDREN'S HOME OF BAY COUNTY, INC. AND AFFILIATE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDING
JUNE 30, 2023**

Finding 2022-001: Material Adjustments and Preparation of Financial Statements – Corrective action not taken. See repeat comment 2023-001.



ANCHORAGE CHILDREN'S HOME OF BAY COUNTY, INC.

An Anchor for Today's **Children...** Strengthening Tomorrow's **Families.**

In response to the Finding 2023-001, Management will review and update the process for identifying accounting transactions and make the appropriate journal entries to ensure the fair presentation of financial statements in accordance with generally accepted accounting principles (GAAP).

Joel Booth
Executive Director