



Financial Statements

June 30, 2019

(With Comparative Totals for June 30, 2018)

The Children's Cabinet, Inc.

The Children's Cabinet, Inc.
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(With Comparative Totals for June 30, 2018)

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Independent Auditor's Report

To the Board of Trustees
The Children's Cabinet, Inc.
Reno, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of The Children's Cabinet, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 The Children's Cabinet, Inc. as of June 30, 2019, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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*, 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 February 14, 2020, on our consideration of The Children's Cabinet, 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 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 the effectiveness of The Children's Cabinet, Inc. 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 The Children's Cabinet, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The Children's Cabinet, Inc.'s 2018 financial statements were audited by Kohn and Company LLP, who joined Eide Bailly LLP on December 3, 2018 and whose report dated November 21, 2018 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Reno, Nevada
February 14, 2020

The Children's Cabinet, Inc.
Statement of Financial Position
June 30, 2019
(With Comparative Totals for June 30, 2018)

	2019	2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Total (Memorandum Only)
Assets				
Current Assets				
Cash and cash equivalents	\$ 4,943,086	\$ 417,196	\$ 5,360,282	\$ 1,746,695
Investments	743,464	-	743,464	696,797
Grants and contract receivable	3,051,787	-	3,051,787	2,993,494
Prepaid expenses	3,614	-	3,614	767
Security deposit	8,500	-	8,500	-
Total current assets	8,750,451	417,196	9,167,647	5,437,753
Land, Building and Equipment	2,082,250	-	2,082,250	2,230,108
Other Assets				
Intangible assets	197,900	-	197,900	593,700
Total assets	<u>\$ 11,030,601</u>	<u>\$ 417,196</u>	<u>\$ 11,447,797</u>	<u>\$ 8,261,561</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	2,006,506	-	2,006,506	1,359,640
Funds held on behalf of Kellogg Foundation	301,160	-	301,160	492,620
Accrued compensated absences	174,605	-	174,605	184,604
Accrued expenses	429,854	-	429,854	501,498
Deferred revenue	664,915	-	664,915	176,686
Total current liabilities	3,577,040	-	3,577,040	2,715,048
Net Assets				
Without donor restrictions				
Net investment in land, building and equipment	2,082,250	-	2,082,250	2,230,108
Investment in intangible assets	197,900	-	197,900	593,700
Designated for reserve	471,924	-	471,924	721,312
Undesignated	4,701,487	-	4,701,487	1,124,907
With donor restrictions				
Purpose restrictions	-	417,196	417,196	876,486
Total net assets	7,453,561	417,196	7,870,757	5,546,513
Total liabilities and net assets	<u>\$ 11,030,601</u>	<u>\$ 417,196</u>	<u>\$ 11,447,797</u>	<u>\$ 8,261,561</u>

The Children's Cabinet, Inc.
Statement of Activities
Year Ended June 30, 2019
(With Comparative Totals for June 30, 2018)

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Total	Total (Memorandum Only)
Public and Governmental Support, Revenue and Reclassifications				
Grants, contracts and contributions	\$ 20,927,569	\$ 54,086	\$ 20,981,655	\$ 21,277,802
Other contributions and donations	457,430	-	457,430	1,214,395
Program income and fees	670,399	-	670,399	320,112
Total public and governmental support	<u>22,055,398</u>	<u>54,086</u>	<u>22,109,484</u>	<u>22,812,309</u>
Special events revenue	233,036	-	233,036	422,407
Contributions at event	113,111	-	113,111	50,572
Special events expense	<u>(164,969)</u>	<u>-</u>	<u>(164,969)</u>	<u>(182,708)</u>
Net special event income	<u>181,178</u>	<u>-</u>	<u>181,178</u>	<u>290,271</u>
Other income	<u>69,444</u>	<u>-</u>	<u>69,444</u>	<u>71,180</u>
Net assets released due to satisfaction of program restriction	<u>513,376</u>	<u>(513,376)</u>	<u>-</u>	<u>-</u>
Total public and governmental support, revenue, and reclassifications	<u>22,819,396</u>	<u>(459,290)</u>	<u>22,360,106</u>	<u>23,173,760</u>
Expenses				
Program services				
Supporting early education and development	17,116,645	-	17,116,645	14,524,103
Family and youth interventions	<u>4,720,866</u>	<u>-</u>	<u>4,720,866</u>	<u>6,951,361</u>
Total program services	<u>21,837,511</u>	<u>-</u>	<u>21,837,511</u>	<u>21,475,464</u>
Supporting services				
General and administrative	988,028	-	988,028	1,364,498
Fundraising	<u>152,537</u>	<u>-</u>	<u>152,537</u>	<u>196,709</u>
Total supporting services	<u>1,140,565</u>	<u>-</u>	<u>1,140,565</u>	<u>1,561,207</u>
Total expenses	<u>22,978,076</u>	<u>-</u>	<u>22,978,076</u>	<u>23,036,671</u>
Other Income				
Net investment income	65,422	-	65,422	59,476
Gain on sale of intangible assets	<u>2,876,792</u>	<u>-</u>	<u>2,876,792</u>	<u>-</u>
Total other income and (expenses)	<u>2,942,214</u>	<u>-</u>	<u>2,942,214</u>	<u>59,476</u>
Change in Net Assets	2,783,534	(459,290)	2,324,244	196,565
Net Assets, Beginning of Year	<u>4,670,027</u>	<u>876,486</u>	<u>5,546,513</u>	<u>5,349,948</u>
Net Assets, End of Year	<u>\$ 7,453,561</u>	<u>\$ 417,196</u>	<u>\$ 7,870,757</u>	<u>\$ 5,546,513</u>

See Notes to Financial Statements

The Children's Cabinet, Inc.
Statement of Functional Expenses
Year Ended June 30, 2019
(With Comparative Totals for June 30, 2018)

	2019						2018	
	Program Services			Supporting Services			Total Expenses	Total Expenses (Memorandum Only)
	Supporting Early Education and Development	Family and Youth Interventions	Total Program Services	General and Administrative	Fundraising	Total Supporting Services		
Salaries	\$ 2,583,140	\$ 2,856,141	\$ 5,439,281	\$ 632,818	\$ 87,118	\$ 719,936	\$ 6,159,217	\$ 7,698,754
Employee taxes	209,223	233,592	442,815	52,717	7,355	60,072	502,887	629,959
Employee benefits and other costs	328,669	338,102	666,771	44,202	1,944	46,146	712,917	932,502
Total personnel costs	3,121,032	3,427,835	6,548,867	729,737	96,417	826,154	7,375,021	9,261,215
Bad debt	1,512	12	1,524	-	-	-	1,524	10,641
Bank service charge	8,787	-	8,787	11,650	-	11,650	20,437	22,195
Board expenses	-	-	-	2,259	4,570	6,829	6,829	1,439
Childcare subsidies	12,203,311	-	12,203,311	-	-	-	12,203,311	10,316,596
Client services	7,890	271,612	279,502	939	22,384	23,323	302,825	533,837
Computer equipment and software	50,304	28,960	79,264	14,289	6,069	20,358	99,622	144,290
Contract services	384,347	110,540	494,887	85,210	-	85,210	580,097	409,953
Copier	31,675	19,164	50,839	4,634	402	5,036	55,875	52,818
Depreciation	102,371	53,712	156,083	11,977	973	12,950	169,033	167,860
Disposal services	5,593	6,486	12,079	2,622	156	2,778	14,857	16,441
Dues and subscriptions	8,773	30	8,803	2,949	374	3,323	12,126	22,649
Food	43	42,530	42,573	3,437	-	3,437	46,010	65,632
Grants to other agencies	309,594	-	309,594	-	-	-	309,594	17,053
In kind	-	-	-	-	-	-	-	-
Insurance	23,989	23,493	47,482	4,727	399	5,126	52,608	58,682
Internet services	74,150	50,820	124,970	19,274	908	20,182	145,152	98,985
Janitorial services	17,333	17,441	34,774	3,402	303	3,705	38,479	38,419
Legal expenses	-	-	-	1,413	-	1,413	1,413	4,828
Miscellaneous	5,389	31,936	37,325	26,653	10,522	37,175	74,500	39,677
Office equipment and supplies	26,858	8,795	35,653	2,891	1,177	4,068	39,721	47,258
Postage	16,110	241	16,351	2,487	898	3,385	19,736	17,417
Printing	68,741	3,435	72,176	-	1,122	1,122	73,298	21,033
Program supplies	209,658	110,823	320,481	1,569	997	2,566	323,047	182,819
Rent expense, including in-kind rent expenses of \$177,017 and \$770,632, respectively	121,867	162,915	284,782	-	753	753	285,535	778,451
Repairs and maintenance	20,416	32,270	52,686	6,431	891	7,322	60,008	30,834
Scholarships	-	111,009	111,009	-	-	-	111,009	123,837
Security	21,788	4,294	26,082	1,837	277	2,114	28,196	5,817
Technology contract services	43,062	19,634	62,696	5,290	628	5,918	68,614	41,973
Telephone	44,313	37,182	81,495	34,650	634	35,284	116,779	142,788
Training	47,030	9,173	56,203	160	198	358	56,561	29,728
Travel	109,252	100,140	209,392	426	243	669	210,061	252,473
Utilities	15,508	19,272	34,780	4,115	302	4,417	39,197	33,201
Volunteer expense	-	-	-	-	534	534	534	537
Worker compensation	15,949	17,112	33,061	3,000	406	3,406	36,467	45,295
Total expenses	\$ 17,116,645	\$ 4,720,866	\$ 21,837,511	\$ 988,028	\$ 152,537	\$ 1,140,565	\$ 22,978,076	\$ 23,036,671

The Children's Cabinet, Inc.
Statement of Cash Flows
Year Ended June 30, 2019
(With Comparative Totals for June 30, 2018)

	2019	2018 (Memorandum Only)
Reconciliation of Change in Net Assets to Net		
Cash Flows from Operating Activities		
Change in net assets	\$ 2,324,244	\$ 196,565
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	169,033	167,860
Net realized and unrealized gain on investments	(46,956)	(48,657)
Realized gain on sale of property and equipment	(2,876,793)	-
Changes in assets and liabilities		
Grants and contract receivable	(58,293)	49,413
Prepaid expenses	(2,847)	11,624
Security deposit	(8,500)	-
Accounts payable	646,866	30,623
Funds held on behalf of Kellogg Foundation	(191,460)	216,022
Accrued compensated absences	(9,999)	(40,452)
Accrued expenses	(71,644)	76,534
Deferred revenue	488,229	(32,232)
Net Cash Flows from Operating Activities	361,880	627,300
Investing Activities		
Proceeds from sale of investments	180,205	299,508
Purchase of investments	(179,916)	(309,086)
Proceeds from sale of property and equipment	3,272,593	-
Purchase of property and equipment	(21,175)	-
Net Cash Flows from (used for) Investing Activities	3,251,707	(9,578)
Net Change in Cash and Cash Equivalents	3,613,587	617,722
Cash and Cash Equivalents, Beginning of Year	1,746,695	1,128,973
Cash and Cash Equivalents, End of Year	\$ 5,360,282	\$ 1,746,695

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The Children's Cabinet, Inc. (Organization) was incorporated on December 18, 1985, as a non-profit corporation under Nevada Revised Statutes Section 81.290, et seq., and received tax exempt status on October 20, 1986. The Organization was established to keep children safe and families together by offering services and resources that address unmet needs through a unique and effective cooperative effort between the private sector and governmental agencies of Northern Nevada. These services and resources include the following:

Family and Youth Interventions

- Cabinet Ink
- Case Management
- Center for Aspiring Youth (CAY)
- Cottage of Change
- Differential Response (DR)
- Education Training Vouchers (ETV)
- Family Counseling
- Food Pantry
- Independent Living Program (ILP)
- Mobile Assessment and Response (MARP)
- Out of School Youth (OSY)
- Redfield Academy
- Washoe Face Forward
- Washoe YouthBuild
- Safe Place
- Safe Schools/Healthy Students (SS/HS)
- Safety Intervention and Permanency System (SIPS)
- Transition Specialist Program (TSP)

Supporting Early Education and Development (SEED)

- Subsidy Administration (Northern NV - All counties except for Clark, Nye & Lincoln)
- Resource & Referral (Northern NV - All counties except for Clark, Nye & Lincoln)
- Quality Rating Improvement System Coaching (Statewide)
- Provider Training (Statewide)
- Parent Education & Engagement (Statewide)
- Community Engagement (Statewide)
- Early Childhood Support Network (ECSN – Washoe County & Clark County)
- Home Instruction for Parents of Preschool Youngsters (HIPPIY – Elko County)
- Exceptional Family Member Program (EFMP) Respite – (Nellis & City of Fallon)
- Technical Assistance Center for Social Emotional Intervention (TACSEI)
- Coaching & Training (Statewide)
- Connecting Kids to Coverage (Statewide)
- Child Care and Development Fund Evaluation Project (Statewide)

Cash and Cash Equivalents

The Organization considers financial instruments with a fixed maturity date of less than three months to be cash equivalents.

Investments

Investments consist of stocks and mutual funds held in a brokerage account with readily determinable fair values which are reported at their fair value with realized and unrealized gains and losses included as investment income in the accompanying statement of activities. Donated securities are reported at their estimated fair values at the date of donation.

Grants and Contract Receivable

Support reported under grants and contracts is recorded when the related amounts are due from grantor agencies. The Organization does not anticipate any collection losses with respect to the receivable balances. Management has deemed the entire amount to be fully collectible; therefore, no allowance for doubtful accounts is reflected in the accompanying financial statements.

Property and Equipment

Property and equipment of the Organization, exceeding the capitalization threshold of \$5,000, are capitalized and recorded as fixed assets. Property and equipment are recorded at cost. Donated property is recorded as its estimated fair market value at the date received. Depreciation is calculated using the straight-line method over the estimated lives of three to thirty-nine years. Maintenance and repairs are charged to expenses as incurred. Renewals and betterments that materially extend the lives of assets are capitalized.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2019.

Intangible Assets

The intangible asset consists of mineral rights donated to the Organization which was originally recorded at the estimated fair value based upon a subsequent lease agreement with a third party as discussed in Note 5. This asset has a projected indefinite period of benefit and, therefore, is not amortized. Management annually assesses qualitative factors to determine if circumstances indicate that it is more likely than not that the asset's value has been impaired. In the event such impairment would be considered likely, an impairment assessment is performed, and the value may be adjusted.

Revenue Recognition

The Organization's revenue is derived primarily from state, federal and third-party contracts and grants. Under these contracts and grants, the Organization is reimbursed for substantially all its expenditures. The Organization recognizes contract and grant revenue when the related expenditure is incurred. Third party grants are recognized as revenue when the grant criteria are met.

All contributions are considered to be available for without donor restrictions use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restriction support that increases that net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, with donor restrictions net assets are reclassified to without donor restriction net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as without donor restriction support.

Contributed Facilities and Services

The Organization reports gifts of furniture and equipment as without donor restriction support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as with donor restriction support.

Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the acquired long-lived assets are placed in service.

The Organization receives donated services from unpaid volunteers who assist in fundraising, programming and special projects. Generally accepted accounting principles require that the Organization recognize revenue and related expense for services if the services received created or enhanced nonfinancial assets or require specialized skills. Contributed services that do not meet these criteria will not be recognized. No amounts have been recognized in the statement of activities because the criteria for recognition have not been satisfied.

Compensated Absences

Employees of the Organization are entitled to paid vacation depending on job classification, length of service and other factors. Accrued compensated absences represent the Organization's liability for the cost of unused employee vacation at year-end.

Deferred Revenue

Deferred revenue consists of funds received for fundraising events occurring in the subsequent year and funds received for a royalties lease related to mineral rights held by the Organization.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor 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 grantor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor or grantor restrictions. Some donor or grantor 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 or grantor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors or grantors as increases in net assets without donor restrictions if they are expended within the same year.

At June 30, 2019 and 2018, the Organization has net assets with donor restrictions which are restricted for specific purposes totaling \$417,196 and \$876,486, respectively.

Functional Expense Allocation

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, employee taxes, employee benefits and other costs, which are allocated on the basis of estimates of time and effort

Income Taxes

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) as a public charity. Management annually reviews its tax positions, which are summarized as follows:

- it has not engaged in activities that would jeopardize its tax-exempt status.
- it has not engaged in any activities that would result in unrelated business income tax.
- it has determined that there are no material uncertain tax positions that require recognition in the financial statements.

Accordingly, no provision for income taxes has been made. In addition, the Organization does not expect any material change in uncertain tax positions within the next twelve months.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Reclassifications

Certain items on the 2018 financial statements have been reclassified to conform to the 2019 presentation. The reclassifications had no impact on previously reported net assets.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash with financial institutions believed by the Organization to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, no losses have been experienced in any of these accounts. Credit risk associated with grants and contracts receivable are considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from government agencies.

Subsequent Events

Subsequent events have been evaluated through February 14, 2020, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Memorandum Only – Total Columns

Total columns in the financial statements are captioned “memorandum only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, changes in net assets or cash flows in conformity with generally accepted accounting principles.

Change in Accounting Principle

As of July 1, 2018, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions). The ASU introduces new disclosure requirements to provide information about what is included or excluded from the Organization’s intermediate measure of operations as well as disclosures to improve a financial statement user’s ability to assess the Organization’s liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statement of activities net of external and direct internal investment expenses.

The Organization has adopted this standard as management believes the standard improves the usefulness and understandability of the Organization’s financial reporting.

Note 2 - Availability and Liquidity

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

	2019	2018
Cash and cash equivalents	\$ 4,888,358	\$ 1,025,383
Investments	743,464	696,797
Grants and contract receivable	3,051,787	2,993,494
	\$ 8,683,609	\$ 4,715,674

The amount designated for reserve can be revised by the board members at their discretion and could be used for operating purposes should the additional cash flow needs exist.

Note 3 - Concentration of Revenue

The Organization is significantly dependent on certain state contracts and federal grants. The Organization's ability to continue operations is significantly dependent upon this revenue. Most of the contracts and grants are subject to spending restrictions. If it were ultimately determined by the contractor or the grantor that the funds had not been expended for the purposes intended, the Organization could be liable for a refund of part or all of such funds.

Note 4 - Investments and Fair Value

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs would be used only when Level 1 or Level 2 inputs are not available. The Organization has no investments valued using Level 2 or 3 inputs for the years ended June 30, 2019 or 2018.

Level 1 Fair Value Measurements

The fair value of money market funds and stocks are based on quoted market prices when available.

The following is a summary of investments at fair value for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Equity securities		
Domestic		
Stocks	\$ 583,201	\$ 547,909
Mutual Funds	<u>160,263</u>	<u>148,888</u>
	<u>\$ 743,464</u>	<u>\$ 696,797</u>

Note 5 - Property and Equipment, Net

Property and equipment consists of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Fixed assets being depreciated		
Building and improvements	\$ 3,109,238	\$ 3,109,238
Land improvements	42,906	42,906
Furniture and fixtures	607,285	607,285
Solar panels	172,267	172,267
Software	70,500	70,500
Machinery and equipment	<u>230,245</u>	<u>209,070</u>
	4,232,441	4,211,266
Less accumulated depreciation	<u>(2,409,465)</u>	<u>(2,240,432)</u>
	1,822,976	1,970,834
Fixed assets not being depreciated		
Land	<u>259,274</u>	<u>259,274</u>
	<u>\$ 2,082,250</u>	<u>\$ 2,230,108</u>

Note 6 - Lessor Commitment and Deferred Revenue

The Organization leased mineral rights to a third party under an original three-year lease that was extended for an additional two years until December 13, 2018.

Lease income of \$38,522 and \$63,336, respectively, for the years ended June 30, 2019 and 2018, is included in other income on the statement of activities and \$484,071 and \$31,701, respectively, is included in deferred revenue on the statement of financial position.

Future minimum lease payments for the remaining term of the lease:

	2019	2018
Without Donor Restrictions		
Administration	\$ 11,331	\$ 18,691
Supporting early education and development	237,652	207,399
Family and youth interventions	152,874	638,496
Fundraising	15,339	11,900
	\$ 417,196	\$ 876,486

Note 7 - Net Assets with Donor Restrictions

Temporarily restricted net assets are available for the following purposes for the years ended June 30:

	2019	2018
Art of Childhood		
Special events revenue	\$ 233,036	\$ 422,408
Contributions at event	113,111	50,571
Special events expense	(164,969)	(182,708)
Net Special Event Income	\$ 181,178	\$ 290,271

Note 8 – Operating Leases

The Organization has non-cancellable operating leases for office equipment. The terms of those lease agreements require monthly payments ranging from \$148 to \$1,958 per month with terms of 60 to 63 months maturing between March 2020 and June 2020. The Organization also leases office space on a month-to-month basis for \$1,228 per month and leases a storage unit on a month-to-month basis for \$250 per month.

At June 30, 2019, remaining future minimum operating lease payments are \$24,828 for the year ending June 30, 2020.

Lease expense for the years ended June 30, 2019 and 2018 totals \$47,768 and \$67,089, respectively.

Note 9 – Related Parties

In the normal course of business and given the level of the Organization's Board of Trustees within the community, the Organization sometimes obtains grants from employers or governments with whom certain Board members are associated or employed. The Organization has conflict of interest policies in place and believes that all transactions are appropriate in the ordinary course of business.

For the year ending June 30, 2019, the members of the Board of Directors contributed approx. \$46,000, 1% of total contributions received, to the Organization.

Note 10 – In-Kind Contributions

The Organization utilized office space provided by the State of Nevada under a multi-year agreement. The Organization also used office space at other facilities where staff worked during the year. The total in-kind contribution is included in revenue as "Other contributions and donations" on the statement of activities.

In-kind rent of \$177,017 is included under Supporting Early Education and Development and Family and Youth Interventions Program Services on the statement of functional expenses.

Note 11 – Commitments and Contingencies

In August 2015, the Organization entered into a fiscal agent agreement with the W.K. Kellogg Foundation. The Foundation approved a grant of \$1,500,000 to the Organization to be used to expand Nevada's Quality Rating Improvement System to include pre-K programs operated by local school districts. The Organization acts as a financial agent for the project and maintains custody of the funds. As of June 30, 2019, \$1,500,000 had been received and \$1,198,840 had been expended leaving \$301,160 to be expended. The funds are held in the Organization's operating bank account and are reflected as funds held on behalf of Kellogg Foundation in the accompanying statement of financial position. Additionally, the Organization recognized revenue and recorded expenses of \$35,691 and \$58,295 related to services performed for administration of the above expenditures during the years ended June 30, 2019 and 2018, respectively.



**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 Trustees
The Children's Cabinet, Inc.
Reno, Nevada

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 The Children's Cabinet, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 14, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Children's Cabinet, 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 The Children's Cabinet, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's 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 The Children's Cabinet, 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 cursive script that reads "Eide Bailly LLP".

Reno, Nevada
February 14, 2020



**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control over Compliance Required by the Uniform Guidance**

To the Board of Trustees
The Children's Cabinet, Inc.
Reno, Nevada

Report on Compliance for Each Major Federal Program

We have audited The Children's Cabinet, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Children's Cabinet, Inc.'s major federal programs for the year ended June 30, 2019. The Children's Cabinet, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of The Children's Cabinet, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance 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 occurred. An audit includes examining, on a test basis, evidence about The Children's Cabinet, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, The Children's Cabinet, 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 for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of The Children's Cabinet, 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, we considered The Children's Cabinet, Inc.'s internal control over compliance with requirements that could have a direct and material effect on each major federal program 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 to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Children's Cabinet, 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 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 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, 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. Accordingly, this report is not suitable for any other purpose.



Reno, Nevada
February 14, 2020

The Children's Cabinet, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Program Title/Pass Through Grantor	Identifying Number	Grant Period	CFDA Number	Expenditures
<u>United States (U.S.) Department of Health and Human Services</u>				
Direct Programs				
Basic Center Grant	90CY7002-01-01	7/1/18-9/30/18	93.623	\$ 50,462
	90CY7002-02-00	10/1/18-6/30/19	93.623	143,436
				<u>193,898</u>
Passed through State of Nevada, Department of Health and Human Services, Division of Welfare & Supportive Services				
Child Care and Development Fund (CCDF) Cluster				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	2018G999005	7/1/18-6/30/19	93.596	2,266,304
Child Care and Development Block Grant	2018G996005	7/1/18-6/30/19	93.575	9,468,138
Passed through State of Nevada, Department of Education, Office of Early Learning and Development				
Child Care and Development Fund (CCDF) Cluster				
Child Care and Development Block Grant	19-794-95000	7/1/18-6/30/19	93.575	1,902,051
				<u>11,370,189</u>
				13,636,493
Subtotal CCDF Cluster				
Passed through State of Nevada, Department of Education Office of Early Learning and Development				
Temporary Assistance for Needy Families (TANF) Cluster				
Temporary Assistance for Needy Families	2018G996005	7/1/18-6/30/19	93.558	1,737,126
	19-797-9500	7/1/18-6/30/19	93.558	730,751
				<u>2,467,877</u>
Subtotal TANF Cluster				
Passed through State of Nevada, Department of Health and Human Services, Division of Child and Family Services				
Promoting Safe and Stable Families	93556-19-014	7/1/18-6/30/19	93.556	81,857
Chafee Education and Training Vouchers Program (ETV)	93599-17-001	7/1/17-9/30/18	93.599	113,503
	1801NV CETV	10/1/18-9/30/19	93.599	279,177
				<u>392,680</u>
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	SOC-3646-FY18-SE07	10/1/17-9/30/18	93.104	10,393
	SOC-3646-FY19-03	10/1/18-9/30/19	93.104	58,551
				<u>68,944</u>
Stephanie Tubbs Jones Child Welfare Services Program	99SWC-NV-18-808-1	10/24/18-9/30/19	93.645	115,089
Passed through State of Nevada, Department of Health and Human Services, Division of Public & Behavioral Health				
Block Grants for Prevention and Treatment of Substance Abuse				
	16410	2/1/18-9/30/18	93.959	13,421
Maternal and Child Health Services Block Grant to the States	HD 16343	1/5/18-12/31/18	93.994	37,395
	HD 16897	1/1/19-12/31/19	93.994	15,987
				<u>53,382</u>
Maternal, Infant and Early Childhood Home Visiting Grant Program	16190	10/1/17-9/30/18	93.870	36,973
	16731	10/1/18-6/30/19	93.870	94,535
	16191	10/1/17-9/30/18	93.870	72,946
	16730	10/1/18-9/30/19	93.870	184,165
				<u>388,619</u>
Passed through State of Nevada, Department of Education, Office for a Safe and Respectful Learning Environment				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance (PRNS)				
	18-779-95000	9/30/17-9/29/18	93.243	112,926
	HD 16378	12/30/17-9/29/18	93.243	14,840
	HD 16815	9/30/18-9/29/19	93.243	41,324
				<u>169,090</u>

The Children's Cabinet, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Program Title/Pass Through Grantor	Identifying Number	Grant Period	CFDA Number	Expenditures
Passed through State of Nevada, Department of Health and Human Services, Division of Public & Behavioral Health Chafee Foster Care Independence Program	93674-18-001	7/1/18-6/30/19	93.674	\$ 55,916
Passed through Washoe County School District Chafee Foster Care Independence Program	6500002371	7/1/18-12/31/18	93.674	55,000 <u>110,916</u>
Passed through State of Nevada, Department of Health and Human Services, Office of Community Partnership and Grants - Title XX Social Services Block Grant	11007	7/1/18-6/30/19	93.667	129,072
Passed Through Catholic Charities of Northern Nevada Social Services Block Grant	170INVSOSR	7/12/18-9/30/19	93.667	25,907
Passed Through Catholic Charities of Northern Nevada Social Services Block Grant	93667	7/1/18-6/30/19	93.667	50,000 <u>204,979</u>
Total U.S. Department of Health and Human Services				<u>17,897,245</u>
<u>U.S. Department of Education</u>				
Passed through State of Nevada, Department of Education, Office of Early Learning and Development Preschool Development Grants	19-795-95000 19-796-95000	7/1/18-6/30/19 7/1/18-6/30/19	84.419A 84.419A	181,795 252,000 <u>433,795</u>
Passed through Nevada System of Higher Education, University of Nevada Reno Special Education Cluster (IDEA) Special Education Grants to States	19-667-95000	7/1/18-6/30/19	84.027	71,376 <u>71,376</u>
Total U.S. Department of Education				<u>505,171</u>
<u>U.S. Department of Labor, Office of Employment Training Administration</u>				
<u>Direct Programs</u>				
YouthBuild	YB-32992-18-60A-32 YB-30109-17-60A-32	2/1/19-5/31/22 10/17/16-2/16/20	17.274 17.274	\$ 8,014 371,340 <u>379,354</u>
Passed through Institute for Educational Leadership Reintegration of Ex-Offenders	YF-27297-15-60-A-11	1/1/18-12/31/18	17.270	119,957 <u>119,957</u>
Total U.S. Department of Labor				<u>499,311</u>
<u>U.S. Department of Justice</u>				
Passed through State of Nevada, Department of Health and Human Services, Division of Child and Family Services Crime Victim Assistance	16575-16-007 16575-15-064 16575-17-012	7/1/17-7/31/18 9//17-9/30/2018 7/1/18-9/30/19	16.575 16.575	83,212 186,738 255,803
Passed through Washoe County Social Services Crime Victim Assistance	WCSS-SIPS	7/1/17-6/30/18	16.575	60,229 <u>585,982</u>
Passed through State of Nevada, Department of Health and Human Services, Division of Child and Family Services Crime victim Assistance/Discretionary Grants	2018-V3-GX-0060	10/24/18-9/30/19	16.582	118,497
Passed through Many Mentoring+ Juvenile Mentoring Program Juvenile Mentoring Program	2017-JU-FX-0004	3/1/18-3/31/20	16.726	48,821 <u>48,821</u>
Total U.S. Department of Justice				<u>753,300</u>

The Children's Cabinet, Inc.
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2019

<u>Federal Grantor/Program Title/Pass Through Grantor</u>	<u>Identifying Number</u>	<u>Grant Period</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Homeland Security</u> Passed through United Way of Northern Nevada and the Sierra Emergency Food and Shelter National Board Program	Phase 35	2/1/18-5/31/19	97.024	<u>27,093</u>
Total Federal Expenditures				<u>\$ 19,682,120</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of The Children's Cabinet, Inc. under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The Children's Cabinet, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 - Indirect Cost Rate

The Organization has an approved indirect cost rate and not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	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 the Uniform Guidance 2 CFR 200.516	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Child Care and Development Fund (CCDF) Cluster	93.575/93.596
Temporary Assistance for Needy Families (TANF) Cluster	93.558
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee Qualified As Low-Risk Auditee?	Yes

Section II – Financial Statement Findings

No findings noted.

Section III – Federal Awards Findings and Questioned Costs

No findings noted.