



Financial Statements
June 30, 2021

The Children's Cabinet, Inc.

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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, 2021, 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, 2021, 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 January 24, 2022, 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

We have previously audited the 2020 financial statements of The Children's Cabinet, Inc.'s, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.



January 24, 2022

The Children's Cabinet, Inc.
Statement of Financial Position
June 30, 2021
(With Comparative Totals for June 30, 2020)

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,161,251	\$ 396,210	\$ 1,557,461	\$ 2,779,834
Investments	1,244,608	-	1,244,608	717,258
Grants and contract receivable	31,098,404	-	31,098,404	5,999,712
Prepaid expenses	2,201	-	2,201	-
Security deposit	8,500	-	8,500	8,500
Total current assets	33,514,964	396,210	33,911,174	9,505,304
Land, building and equipment	1,851,742	-	1,851,742	1,916,732
Other Assets				
Intangible assets	197,900	-	197,900	197,900
Total assets	<u>\$ 35,564,606</u>	<u>\$ 396,210</u>	<u>\$ 35,960,816</u>	<u>\$ 11,619,936</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 29,283,376	\$ -	\$ 29,283,376	\$ 4,772,472
Funds held on behalf of Kellogg Foundation	3,945	-	3,945	470,020
Accrued compensated absences	193,639	-	193,639	218,182
Accrued expenses	387,888	-	387,888	552,650
Conditional promises to give	122,439	-	122,439	9,016
Refundable advance	-	-	-	125,000
Deferred program income	-	-	-	13,125
Deferred lease income	156,811	-	156,811	320,441
Total current liabilities	30,148,098	-	30,148,098	6,480,906
Net Assets				
Without donor restrictions				
Net investment in land, building and equipment	1,851,742	-	1,851,742	1,916,732
Investment in intangible assets	197,900	-	197,900	197,900
Designated for reserve	660,261	-	660,261	111,305
Undesignated	2,706,605	-	2,706,605	2,490,279
With donor restrictions				
Purpose restrictions	-	396,210	396,210	422,814
Total net assets	5,416,508	396,210	5,812,718	5,139,030
Total liabilities and net assets	<u>\$ 35,564,606</u>	<u>\$ 396,210</u>	<u>\$ 35,960,816</u>	<u>\$ 11,619,936</u>

The Children's Cabinet, Inc.
Statement of Activities
Year Ended June 30, 2021
(With Comparative Totals for June 30, 2020)

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Public and Governmental Support, Revenue and Reclassifications				
Grants, contracts and contributions	\$ 52,894,514	\$ 304,760	\$ 53,199,274	\$ 25,768,958
Other contributions and donations	594,995	-	594,995	810,405
Program income and fees	41,257	-	41,257	1,016,028
Total public and governmental support	<u>53,530,766</u>	<u>304,760</u>	<u>53,835,526</u>	<u>27,595,391</u>
Special events revenue	167,622	-	167,622	271,405
Contributions at event	78,025	-	78,025	169,160
Special events expense	<u>(38,245)</u>	<u>-</u>	<u>(38,245)</u>	<u>(190,798)</u>
Net special event income	<u>207,402</u>	<u>-</u>	<u>207,402</u>	<u>249,767</u>
Other income	<u>179,151</u>	<u>-</u>	<u>179,151</u>	<u>168,500</u>
Net assets released due to satisfaction of program restriction	<u>331,364</u>	<u>(331,364)</u>	<u>-</u>	<u>-</u>
Total public and governmental support, revenue, and reclassifications	<u>54,248,683</u>	<u>(26,604)</u>	<u>54,222,079</u>	<u>28,013,658</u>
Expenses				
Program services				
Supporting early education and development	48,372,025	-	48,372,025	22,802,630
Family and youth interventions	<u>4,039,243</u>	<u>-</u>	<u>4,039,243</u>	<u>4,228,581</u>
Total program services	<u>52,411,268</u>	<u>-</u>	<u>52,411,268</u>	<u>27,031,211</u>
Supporting services				
General and administrative	1,058,658	-	1,058,658	1,153,170
Fundraising	<u>172,293</u>	<u>-</u>	<u>172,293</u>	<u>186,547</u>
Total supporting services	<u>1,230,951</u>	<u>-</u>	<u>1,230,951</u>	<u>1,339,717</u>
Unallocated payments to Children's Cabinet Foundation	<u>193,834</u>	<u>-</u>	<u>193,834</u>	<u>2,400,000</u>
Total expenses	<u>53,836,053</u>	<u>-</u>	<u>53,836,053</u>	<u>30,770,928</u>
Other Income				
Net investment income	<u>287,662</u>	<u>-</u>	<u>287,662</u>	<u>25,543</u>
Change in Net Assets	700,292	(26,604)	673,688	(2,731,727)
Net Assets, Beginning of Year	<u>4,716,216</u>	<u>422,814</u>	<u>5,139,030</u>	<u>7,870,757</u>
Net Assets, End of Year	<u>\$ 5,416,508</u>	<u>\$ 396,210</u>	<u>\$ 5,812,718</u>	<u>\$ 5,139,030</u>

See Notes to Financial Statements

The Children's Cabinet, Inc.
Statement of Functional Expenses
Year Ended June 30, 2021
(With Comparative Totals for June 30, 2020)

	2021						2020	
	Program Services			Supporting Services			Total Expenses	Total Expenses
	Supporting Early Education and Development	Family and Youth Interventions	Total Program Services	General and Administrative	Fundraising	Total Supporting Services		
Salaries	\$ 3,232,859	\$ 2,071,800	\$ 5,304,659	\$ 698,190	\$ 87,892	\$ 786,082	\$ 6,090,741	\$ 6,467,487
Employee taxes	264,585	172,379	436,964	35,775	7,540	43,315	480,279	519,971
Employee benefits and other costs	439,835	238,330	678,165	66,842	1,447	68,289	746,454	637,070
Total personnel costs	3,937,279	2,482,509	6,419,788	800,807	96,879	897,686	7,317,474	7,624,528
Advertising	3,076	843	3,919	2,995	-	2,995	6,914	-
Bad debt	-	537	537	-	-	-	537	270
Bank service charge	6,206	-	6,206	16,542	212	16,754	22,960	21,562
Board expenses	-	-	-	6,308	-	6,308	6,308	1,543
Childcare subsidies	10,961,456	-	10,961,456	-	-	-	10,961,456	14,075,280
Client services	32,177,706	598,000	32,775,706	-	58,316	58,316	32,834,022	3,969,077
Computer equipment and software	52,932	39,769	92,701	11,176	167	11,343	104,044	153,319
Contract services	508,588	185,628	694,216	122,763	231	122,994	817,210	814,815
Copier	21,839	15,043	36,882	3,724	183	3,907	40,789	59,687
Credit card charges	-	8	8	2	2,989	2,991	2,999	-
Depreciation	122,808	10,878	133,686	2,656	528	3,184	136,870	165,518
Disposal services	4,449	8,035	12,484	1,716	90	1,806	14,290	13,543
Donor recognition	-	-	-	-	805	805	805	-
Dues and subscriptions	13,034	2,715	15,749	1,788	110	1,898	17,647	11,167
Employee incentive	-	-	-	5,787	-	5,787	5,787	-
Finger prints, background verification & sheriff's cards	3,803	2,078	5,881	435	-	435	6,316	-
Food	-	66,797	66,797	4	2,161	2,165	68,962	48,754
Grants to other agencies	-	-	-	-	-	-	-	6,025
Insurance	32,176	16,709	48,885	4,192	458	4,650	53,535	53,991
Internet services	67,003	28,833	95,836	4,583	486	5,069	100,905	109,278
Janitorial services	20,571	21,330	41,901	3,304	303	3,607	45,508	48,499
Legal expenses	-	-	-	2,373	-	2,373	2,373	17,413
Miscellaneous	-	-	-	891	-	891	891	140,307
Office equipment and supplies	24,536	1,730	26,266	2,882	560	3,442	29,708	38,378
Payroll taxes - direct services	-	362	362	-	-	-	362	-
Postage	14,798	2,909	17,707	1,320	854	2,174	19,881	18,056
Printing	16,425	1,635	18,060	241	1,907	2,148	20,208	47,792
Program supplies	82,468	57,398	139,866	1,595	10	1,605	141,471	142,079
Public education and awareness	585	-	585	171	1,500	1,671	2,256	-
Rent expense, including in-kind rent expenses of \$0 and \$83,867, respectively	124,349	734	125,083	-	-	-	125,083	201,156
Repairs and maintenance	18,446	22,765	41,211	8,909	325	9,234	50,445	42,006
Salaries - direct services	-	4,193	4,193	-	-	-	4,193	-
Scholarships	-	357,688	357,688	-	400	400	358,088	115,895
Security	4,496	2,994	7,490	831	83	914	8,404	8,077
Special event supplies	-	-	-	-	342	342	342	-
Taxes and licenses	255	830	1,085	50	-	50	1,135	-
Technology contract services	51,318	22,192	73,510	13,619	1,515	15,134	88,644	78,143
Telephone	43,815	28,173	71,988	32,836	600	33,436	105,424	88,664
Training	6,401	13,807	20,208	771	(103)	668	20,876	46,749
Transportation - cabinet van	-	2,218	2,218	-	-	-	2,218	-
Travel	33,681	23,542	57,223	174	-	174	57,397	130,982
Utilities	17,526	16,214	33,740	3,213	313	3,526	37,266	42,647
Volunteer expense	-	-	-	-	69	69	69	326
Worker compensation - direct services	-	147	147	-	-	-	147	35,402
Total expenses	<u>\$ 48,372,025</u>	<u>\$ 4,039,243</u>	<u>\$ 52,411,268</u>	<u>\$ 1,058,658</u>	<u>\$ 172,293</u>	<u>\$ 1,230,951</u>	<u>\$ 53,642,219</u>	<u>\$ 28,370,928</u>

See Notes to Financial Statements

The Children's Cabinet, Inc.
Statement of Cash Flows
Year Ended June 30, 2021
(With Comparative Totals for June 30, 2020)

	2021	2020
Reconciliation of change in net assets to net cash from operating activities		
Change in net assets	\$ 673,688	\$ (2,731,727)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	136,870	165,518
Net realized and unrealized gain on investments	(275,907)	29,944
Changes in assets and liabilities		
Grants and contract receivable	(25,098,692)	(2,947,925)
Prepaid expenses	(2,201)	3,614
Accounts payable	24,510,904	2,765,966
Funds held on behalf of Kellogg Foundation	(466,075)	168,860
Accrued compensated absences	(24,543)	43,577
Accrued expenses	(164,762)	122,796
Conditional promises to give	113,423	9,016
Refundable advance	(125,000)	13,219
Deferred program income	(13,125)	(55,938)
Deferred lease income	(163,630)	(163,630)
Net Cash used for Operating Activities	(899,050)	(2,576,710)
Investing Activities		
Proceeds from sale of investments	423,555	595,055
Purchase of investments	(674,998)	(598,793)
Purchase of property and equipment	(71,880)	-
Net Cash used for Investing Activities	(323,322)	(3,738)
Net Change in Cash and Cash Equivalents	(1,222,373)	(2,580,448)
Cash and Cash Equivalents, Beginning of Year	2,779,834	5,360,282
Cash and Cash Equivalents, End of Year	\$ 1,557,461	\$ 2,779,834

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:

Supporting Early Education and Development (SEED) - this department utilizes Federal and State funds from various sources to provide early childhood programming across Nevada. In 15 of Nevada's 17 counties, this department provides childcare resource and referral to assist parents in their search for childcare and administers childcare subsidies to parents who are low income and working, in job training, or actively seeking employment. Quality enhancement services are provided statewide. These programs include parent and early learning provider training, community outreach and education, early childhood system building and support, quality rating and improvement system, onsite coaching for licensed childcare, and early childhood support network, which provides substitute childcare providers to licensed childcare facilities.

Family and Youth Interventions (FYI) - this department includes family counseling, case management, runaway and homeless youth outreach, safe place, onsite high school, and workforce development programs. Family counseling is provided at no charge to families with children/youth between ages of birth and twenty-four. Case management is a component of many programs and may include home visits, school visits and onsite services. Runaway and homeless youth outreach is conducted throughout the community providing resources, including information on our safe place program. Safe place is a 24/7 phone/text number that youth who find themselves in an unsafe situation can contact for immediate access to a Children's Cabinet case manager. The Cabinet's onsite high school is Redfield Academy, a high school for youth that are severely credit deficient. They receive intensive case management and academic support to meet their educational goals. Youthbuild is a workforce development program that reengages youth with education and provides construction education and certifications. An onsite food pantry provides families with access to food, hygiene, and other basic necessities. Additional programs in FYI allow for the full spectrum of wraparound services such as a clothing closet, and emergency assistance.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended June 30, 2020, from which the summarized information was derived.

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.

Land, Building 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, 2021.

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 6. 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

A portion of the Organization's 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 advance in the statement of financial position.

The Organization recognizes revenue from childcare and tuition services at the time the service is provided. The Organization records special events revenue equal to the fair value of direct benefits to donors when the event takes place, and contribution income for the excess received when received.

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Consequently, at June 30, 2021, contributions of \$122,439, have not been recognized in the accompanying statement of activities because the condition(s) on which they depend has not yet been met.

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.

Accrued 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 Program and Lease Income

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. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

At June 30, 2021, the Organization has net assets with donor restrictions which are restricted for specific purposes totaling \$396,210.

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 organized as a Nevada nonprofit corporation and have been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualify for the charitable contribution deduction, and have been determined not to be a private foundation. The entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Organization determined that the entity is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that the entity has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

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.

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 January 24, 2022, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Recent Accounting Guidance

In February 2016, the FASB issued ASU 2016-02 "Leases" which replaces the existing guidance in ASC 840 "Leases". The standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2021. This standard requires a dual approach for lessee accounting under which a lessee would account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use ("ROU") asset and a corresponding lease liability. For finance leases, the lessee would recognize interest expense and amortization of the ROU asset and for operating leases the lessee would recognize a straight-line total lease expense. The Organization is currently assessing the impact the adoption of this standard will have on its financial statements and footnote disclosures.

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:

Cash and cash equivalents	\$ 1,557,461
Investments	1,244,608
Grants and contract receivable	<u>31,098,404</u>
	33,900,473
Less designations	<u>660,261</u>
	<u>\$ 33,240,212</u>

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 year ended June 30, 2021.

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 year ended June 30, 2021:

Equity securities	
Domestic	
Stocks	\$ 928,431
Mutual funds	<u>316,177</u>
	<u>\$ 1,244,608</u>

Note 5 - Land, Building and Equipment

Property and equipment consists of the following for the year ended June 30, 2021:

Fixed assets being depreciated	
Building and improvements	\$ 3,167,054
Land improvements	42,906
Furniture and fixtures	607,285
Solar panels	172,267
Software	84,564
Machinery and equipment	<u>230,245</u>
	4,304,321
Less accumulated depreciation	<u>(2,711,853)</u>
	1,592,468
Fixed assets not being depreciated	
Land	<u>259,274</u>
	<u>\$ 1,851,742</u>

Depreciation expense totaled \$136,870 for the year ended June 30, 2021.

Note 6 - Lessor Commitment and Deferred Revenue

The Organization leased mineral rights to a third party under a three-year lease that expires in June 2022.

Lease income of \$163,630, for the year ended June 30, 2021, is included in other income on the statement of activities and \$156,811 is included in deferred revenue on the statement of financial position. The remaining balance will be recognized during the year ending June 30, 2022.

Note 7 - Operating Leases

The Organization has non-cancellable operating leases for office space and equipment. The terms of those lease agreements require monthly payments ranging from \$65 to \$8,303 per month with terms of 12 to 63 months maturing between July 2021 and July 2025. Future minimum lease payments are as follows:

Years Ending June 30,	Amount
2022	\$ 28,691
2023	15,213
2024	15,213
2025	15,017
2026	1,108
	\$ 75,242

Lease expense for the years ended June 30, 2021 totals \$125,083.

Note 8 - Net Assets with Donor Restrictions

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

Subject to expenditure for specified purpose	
Administration	\$ 9,861
Supporting early education and development	42,573
Family and youth interventions	214,765
Fundraising	129,011
	\$ 396,210

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2021:

Satisfaction of purpose restrictions	
Administration	\$ 1,109
Supporting early education and development	13,181
Family and youth interventions	160,168
Fundraising	156,906
	\$ 331,364
	\$ 331,364

Note 9 - Revenue from Contracts with Customers

The following table provides information about significant changes in deferred revenue for the year ended June 30, 2021:

Deferred program income, beginning of year	\$ 13,125
Revenue recognized that was included in deferred at the beginning of year	(13,125)
Increase in deferred revenue due to cash received during the period	-
	-
Deferred program income, end of year	\$ -

Note 10 - 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 ended June 30, 2021, The Children's Cabinet Foundation contributed \$113,820 for general operations. In addition, the Organization contributed \$193,834 to the Children's Cabinet Foundation. During the year ended June 30, 2021, contributions totaling \$158,985 were donated from members of the Board of Directors.

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 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, 2021, \$1,500,000 had been received and \$1,496,055 had been expended leaving \$3,945 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 \$293,842 related to services performed for administration of the above expenditures during the year ended June 30, 2021.



**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, 2021, 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 January 24, 2022.

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) as a basis for designing 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 Children's Cabinet, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 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*.

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
January 24, 2022



**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, 2021. 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, 2021.

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
January 24, 2022

The Children's Cabinet, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass Through Grantor /Program Title ro Cluster Title	Federal Financial Assistance Listing/ Federal CFDA Number	Pass-Through Identifying Number	Grant Period	Expenditures
<u>U.S. Department of Health and Human Services</u>				
Direct Program				
Basic Center Grant	93.623	90CY7002-03	9/30/17-9/29/20	\$ 44,233
	93.623	90CY7297-01-00	9/30/20-9/29/23	136,470
				<u>180,703</u>
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	93674-19-006	3/27/20-9/30/20	63,270
COVID 19 -John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674		5/1/21-9/30/22	24,300
				<u>87,570</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 and Development Block Grant	93.575	G2001NVCCDM	7/1/20-6/30/21	43,767,377
COVID 19-Child Care and Development Fund (CCDF) Cluster				
Child Care and Development Block Grant	93.575	G2001NVCCDM	7/1/20-6/30/21	3,816,965
				<u>47,584,342</u>
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	93.558	2020G996115	10/1/19-12/31/21	164,155
Passed through State of Nevada, Department of Health and Human Services, Division of Child and Family Services				
MaryLee Promoting Safe and Stable Families	93.556	93556-20-006	7/1/20-6/30/21	45,373
Chafee Education and Training Vouchers Program (ETV)	93.599	93599-20-001	10/1/19-9/30/20	138,548
	93.599	93599-21-101	10/1/2020-9/30/22	197,248
	93.599	93599-20-001	10/1/20-9/30/21	415,659
				<u>751,455</u>
Stephanie Tubbs Jones Child Welfare Services Program	93.645	99SWC-NV-18-808-5	7/1/20-6/30/21	354,692
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	93.959	HD 17501	12/1/19-9/30/20	14,265
Maternal and Child Health Services Block Grant to the States	93.994	HD 17617	7/1/20-6/30/21	41,393
	93.994	HD 17726	7/1/20-6/30/21	98,965
				<u>140,358</u>
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	HD 17275	10/1/19-9/30/20	73,237
	93.870	HD 17759-1	10/1/20-9/30/21	268,907
				<u>342,144</u>
Direct Programs				
Projects of Regional and National Significance (PRNS)	93.243		4/30/20-4/29/23	122,825
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)	93.243	HD 17216	9/30/19-9/29/20	6,578
				<u>129,403</u>

The Children's Cabinet, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Program Title/Pass Through Grantor	Federal Financial Assistance Listing/ Federal CFDA Number	Pass-Through Identifying Number	Grant Period	Expenditures
Passed through State of Nevada, Department of Health and Human Services, Office of Community Partnership and Grants - Title XX				
Social Services Block Grant	93.667	1040		\$ 70,397
Social Services Block Grant	93.667	201NVSOSR	7/1/19-6/30/20	125,953
				<u>196,350</u>
Total U.S. Department of Health and Human Services				<u>49,990,810</u>
<u>U.S. Department of Agriculture</u>				
Passed through State Administrative Matching Grants				
SNAP Education				
State Administrative Matching Grants for the Supplemental Nutritional Assistance Program	10.561	AWD-01-00002337	10/1/19-9/30/20	31,295
	10.561	GR10171	10/1/20-9/30/20	47,243
				<u>78,538</u>
Total U.S. Department of Agriculture				<u>78,538</u>
<u>U.S. Department of Labor, Office of Employment Training Administration</u>				
Direct Programs				
YouthBuild	17.274	YB-32992-18-60A-32	2/1/19-5/31/22	469,188
				<u>469,188</u>
Total U.S. Department of Labor				<u>469,188</u>
<u>U.S. Department of Justice</u>				
Direct Programs				
Crime Victim Assistance/Discretionary Grants	16.582	2018-V3-GX-0060	10/1/18-9/30/21	241,476
Passed through State of Nevada, Department of Health and Human Services, Division of Child and Family Services				
Crime Victim Assistance	16.575	16575-19-006	7/1/20-6/30/21	209,620
	16.575	16575-19-104	7/1/20-6/30/21	33,824
				<u>243,444</u>
Total U.S. Department of Justice				<u>484,920</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	97.024	589600-021	1/1/20-4/30/21	32,800
	97.024	589600-021	1/1/20-8/31/21	11,611
COVID 19-Emergency Food and Shelter National Board Program	97.024	589600-021	1/27/20-6/30/21	74,702
				<u>119,113</u>
Total U.S. Department of Homeland Security				<u>119,113</u>
<u>U.S. Department of Treasury</u>				
Passed through the City of Reno				
Coronavirus Relief Fund	21.019		3/1/20-12/30/20	264,000
				<u>264,000</u>
Total U.S. Department of Treasury				<u>264,000</u>
<u>U.S. Department of Education</u>				
Education Stabilization Fund	84.425D		7/1/20-9/30/22	104,992
				<u>104,992</u>
Total U.S. Department of Education				<u>104,992</u>
Total Federal Expenditures				<u>\$ 51,511,561</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of The Children's Cabinet, Inc. under programs of the federal government for the year ended June 30, 2021. 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 Children's Cabinet, Inc.

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.

No federal financial assistance has been provided to a subrecipient.

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
Youth Build	17.274
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.