



Financial Statements

June 30, 2020

(With Comparative Totals for June 30, 2019)

**The Children's Cabinet, Inc.**

Independent Auditor's Report .....	1
Financial Statements	
Statement of Financial Position .....	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7
Compliance Section	
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 <i>Government Auditing Standards</i> .....	18
Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance .....	20
Schedule of Expenditures of Federal Awards .....	22
Notes to the Schedule of Expenditures of Federal Awards .....	24
Schedule of Findings and Questioned Costs .....	25



## 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, 2020, 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, 2020, 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 December 22, 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**

We have previously audited The Children's Cabinet, Inc.'s financial statements, and we expressed an unmodified opinion on those financial statements in our report dated February 14, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Reno, Nevada  
December 22, 2020

The Children's Cabinet, Inc.  
Statement of Financial Position  
June 30, 2020  
(With Comparative Totals for June 30, 2019)

	Without Donor Restrictions	2020 With Donor Restrictions	Total	2019 Total (Memorandum Only)
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 2,357,020	\$ 422,814	\$ 2,779,834	\$ 5,360,282
Investments	717,258	-	717,258	743,464
Grants and contract receivable	5,999,712	-	5,999,712	3,051,787
Prepaid expenses	-	-	-	3,614
Security deposit	8,500	-	8,500	8,500
Total current assets	9,082,490	422,814	9,505,304	9,167,647
Land, building and equipment	1,916,732	-	1,916,732	2,082,250
<b>Other Assets</b>				
Intangible assets	197,900	-	197,900	197,900
Total assets	<u>\$ 11,197,122</u>	<u>\$ 422,814</u>	<u>\$ 11,619,936</u>	<u>\$ 11,447,797</u>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 4,772,472	\$ -	\$ 4,772,472	\$ 2,006,506
Funds held on behalf of				
Kellogg Foundation	470,020	-	470,020	301,160
Accrued compensated absences	218,182	-	218,182	174,605
Accrued expenses	552,650	-	552,650	429,854
Conditional promises to give	9,016	-	9,016	-
Refundable advance	125,000	-	125,000	111,781
Deferred program income	13,125	-	13,125	69,063
Deferred lease income	320,441	-	320,441	484,071
Total current liabilities	6,480,906	-	6,480,906	3,577,040
<b>Net Assets</b>				
<b>Without donor restrictions</b>				
Net investment in land, building and equipment	1,916,732	-	1,916,732	2,082,250
Investment in intangible assets	197,900	-	197,900	197,900
Designated for reserve	111,305	-	111,305	471,924
Undesignated	2,490,279	-	2,490,279	4,701,487
<b>With donor restrictions</b>				
Purpose restrictions	-	422,814	422,814	417,196
Total net assets	4,716,216	422,814	5,139,030	7,870,757
Total liabilities and net assets	<u>\$ 11,197,122</u>	<u>\$ 422,814</u>	<u>\$ 11,619,936</u>	<u>\$ 11,447,797</u>

The Children's Cabinet, Inc.  
Statement of Activities  
Year Ended June 30, 2020  
(With Comparative Totals for June 30, 2019)

	2020		2019
	Without Donor Restrictions	With Donor Restrictions	Total (Memorandum Only)
Public and Governmental Support, Revenue and Reclassifications			
Grants, contracts and contributions	\$ 25,500,045	\$ 268,913	\$ 25,768,958
Other contributions and donations	810,405	-	810,405
Program income and fees	1,016,028	-	1,016,028
Total public and governmental support	<u>27,326,478</u>	<u>268,913</u>	<u>27,595,391</u>
Special events revenue	271,405	-	271,405
Contributions at event	169,160	-	169,160
Special events expense	(190,798)	-	(190,798)
Net special event income	<u>249,767</u>	<u>-</u>	<u>249,767</u>
Other income	<u>168,500</u>	<u>-</u>	<u>168,500</u>
Net assets released due to satisfaction of program restriction	<u>263,295</u>	<u>(263,295)</u>	<u>-</u>
Total public and governmental support, revenue, and reclassifications	<u>28,008,040</u>	<u>5,618</u>	<u>28,013,658</u>
Expenses			
Program services			
Supporting early education and development	22,802,630	-	22,802,630
Family and youth interventions	4,228,581	-	4,228,581
Total program services	<u>27,031,211</u>	<u>-</u>	<u>27,031,211</u>
Supporting services			
General and administrative	3,553,170	-	3,553,170
Fundraising	186,547	-	186,547
Total supporting services	<u>3,739,717</u>	<u>-</u>	<u>3,739,717</u>
Total expenses	<u>30,770,928</u>	<u>-</u>	<u>30,770,928</u>
Other Income			
Net investment income	25,543	-	25,543
Gain on sale of intangible assets	-	-	-
Total other income	<u>25,543</u>	<u>-</u>	<u>25,543</u>
Change in Net Assets	(2,737,345)	5,618	(2,731,727)
Net Assets, Beginning of Year	<u>7,453,561</u>	<u>417,196</u>	<u>7,870,757</u>
Net Assets, End of Year	<u>\$ 4,716,216</u>	<u>\$ 422,814</u>	<u>\$ 5,139,030</u>

The Children's Cabinet, Inc.  
Statement of Functional Expenses  
Year Ended June 30, 2020  
(With Comparative Totals for June 30, 2019)

	2020						2019	
	Program Services			Supporting Services			Total Expenses (Memorandum Only)	
	Supporting Early Education and Development	Family and Youth Interventions	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses	Total Expenses (Memorandum Only)
Salaries	\$ 3,069,986	\$ 2,589,830	\$ 5,659,816	\$ 720,209	\$ 87,462	\$ 807,671	\$ 6,467,487	\$ 6,159,217
Employee taxes	244,431	210,698	455,129	57,471	7,371	64,842	519,971	502,887
Employee benefits and other costs	316,004	275,747	591,751	44,544	775	45,319	637,070	712,917
Total personnel costs	3,630,421	3,076,275	6,706,696	822,224	95,608	917,832	7,624,528	7,375,021
Bad debt	221	49	270	-	-	-	270	1,524
Bank service charge	9,509	-	9,509	12,053	-	12,053	21,562	20,437
Board expenses	-	190	190	1,353	-	1,353	1,543	6,829
Childcare subsidies	14,075,876	(596)	14,075,280	-	-	-	14,075,280	12,203,311
Client services	3,620,169	287,870	3,908,039	737	60,301	61,038	3,969,077	302,825
Computer equipment and software	69,794	28,216	98,010	49,260	6,049	55,309	153,319	99,622
Contract services	547,587	134,305	681,892	132,843	80	132,923	814,815	580,097
Contribution	-	-	-	2,400,000	-	2,400,000	2,400,000	-
Copier	33,092	21,619	54,711	4,540	436	4,976	59,687	55,875
Depreciation	122,656	22,746	145,402	19,113	1,003	20,116	165,518	169,033
Disposal services	5,292	7,103	12,395	1,058	90	1,148	13,543	14,857
Dues and subscriptions	6,099	2,100	8,199	2,518	450	2,968	11,167	12,126
Food	1,107	42,572	43,679	848	4,227	5,075	48,754	46,010
Grants to other agencies	6,025	-	6,025	-	-	-	6,025	309,594
Insurance	28,011	21,456	49,467	4,063	461	4,524	53,991	52,608
Internet services	58,387	45,605	103,992	4,804	482	5,286	109,278	145,152
Janitorial services	23,097	20,745	43,842	4,305	352	4,657	48,499	38,479
Legal expenses	-	-	-	17,413	-	17,413	17,413	1,413
Miscellaneous	30,842	75,679	106,521	25,651	8,135	33,786	140,307	74,500
Office equipment and supplies	28,381	5,237	33,618	3,938	822	4,760	38,378	39,721
Postage	13,184	363	13,547	3,086	1,423	4,509	18,056	19,736
Printing	40,904	6,206	47,110	-	682	682	47,792	73,298
Program supplies	76,043	63,977	140,020	1,392	667	2,059	142,079	323,047
Rent expense, including in-kind rent expenses of \$83,867 and \$177,017, respectively	115,494	85,067	200,561	21	574	595	201,156	285,535
Repairs and maintenance	13,630	22,346	35,976	5,655	375	6,030	42,006	60,008
Scholarships	-	115,895	115,895	-	-	-	115,895	111,009
Security	4,145	3,008	7,153	835	89	924	8,077	28,196
Technology contract services	47,297	17,087	64,384	11,494	2,265	13,759	78,143	68,614
Telephone	43,920	28,350	72,270	15,772	622	16,394	88,664	116,779
Training	40,471	4,552	45,023	1,336	390	1,726	46,749	56,561
Travel	72,636	58,083	130,719	191	72	263	130,982	210,061
Utilities	19,850	18,478	38,328	3,929	390	4,319	42,647	39,197
Volunteer expense	-	-	-	65	261	326	326	534
Worker compensation	18,490	13,998	32,488	2,673	241	2,914	35,402	36,467
Total expenses	<u>\$ 22,802,630</u>	<u>\$ 4,228,581</u>	<u>\$ 27,031,211</u>	<u>\$ 3,553,170</u>	<u>\$ 186,547</u>	<u>\$ 3,739,717</u>	<u>\$ 30,770,928</u>	<u>\$ 22,978,076</u>

The Children's Cabinet, Inc.  
Statement of Cash Flows  
Year Ended June 30, 2020  
(With Comparative Totals for June 30, 2019)

	2020	2019 (Memorandum Only)
Reconciliation of Change in Net Assets to Net		
Cash Flows from Operating Activities		
Change in net assets	\$ (2,731,727)	\$ 2,324,244
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	165,518	169,033
Net realized and unrealized gain on investments	29,944	(46,956)
Realized gain on sale of property and equipment	-	(2,876,792)
Changes in assets and liabilities		
Grants and contract receivable	(2,947,925)	(58,293)
Prepaid expenses	3,614	(2,847)
Security deposit	-	(8,500)
Accounts payable	2,765,966	646,866
Funds held on behalf of Kellogg Foundation	168,860	(191,460)
Accrued compensated absences	43,577	(9,999)
Accrued expenses	122,796	(71,644)
Conditional promises to give	9,016	(508)
Refundable advance	13,219	42,781
Deferred program income	(55,938)	(6,411)
Deferred lease income	(163,630)	452,367
Net Cash Flows from (used for) Operating Activities	(2,576,710)	361,881
Investing Activities		
Proceeds from sale of investments	595,055	180,205
Purchase of investments	(598,793)	(179,916)
Proceeds from sale of property and equipment	-	3,272,593
Purchase of property and equipment	-	(21,176)
Net Cash Flows from (used for) Investing Activities	(3,738)	3,251,706
Net Change in Cash and Cash Equivalents	(2,580,448)	3,613,587
Cash and Cash Equivalents, Beginning of Year	5,360,282	1,746,695
Cash and Cash Equivalents, End of Year	\$ 2,779,834	\$ 5,360,282



## **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)

### **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, 2019, 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.

### **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, 2020.

### **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 received cost-reimbursable grants of \$125,000 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred, with an advance payment of \$125,000 recognized in the statement of financial position as a refundable advance.

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, and contribution income for the excess received when the event takes place.

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, 2020, contributions approximating \$9,016, have not been recognized in the accompanying statement of activities because the condition(s) on which they depend has not yet been met.

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605) as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers* (Topic 606), as amended, as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting.

Analysis of various provisions of this standard resulted in no significant change in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with these standards.

### **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 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.

At June 30, 2020 and 2019, the Organization has net assets with donor restrictions which are restricted for specific purposes totaling \$422,814 and \$417,196, 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 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.

### **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.

### **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 December 22, 2020, 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.

In August 2018, the FASB issued ASU 2018-13 "Changes to the Disclosure Requirements for Fair Value Measurement" which is intended to simplify the disclosure requirements included in Accounting Standards Codification (ASC) 820 for investments measured at fair value. The standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. An entity is also permitted to early adopt any removed or modified disclosures upon issuance of the ASU and delay adoption of the additional disclosures until their effective date.

### 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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,668,529	\$ 4,888,358
Investments	717,258	743,464
Grants and contract receivable	<u>5,999,712</u>	<u>3,051,787</u>
	<u>\$ 9,385,499</u>	<u>\$ 8,683,609</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 years ended June 30, 2020 or 2019.

**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>2020</u>	<u>2019</u>
Equity securities		
Domestic		
Stocks	\$ 552,201	\$ 583,201
Mutual Funds	<u>165,057</u>	<u>160,263</u>
	<u>\$ 717,258</u>	<u>\$ 743,464</u>

**Note 5 - Property and Equipment, Net**

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

	2020	2019
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	230,245	230,245
	4,232,441	4,232,441
Less accumulated depreciation	(2,574,983)	(2,409,465)
	1,657,458	1,822,976
Fixed assets not being depreciated		
Land	259,274	259,274
	\$ 1,916,732	\$ 2,082,250

**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 \$165,294 and \$38,522, respectively, for the years ended June 30, 2020 and 2019, is included in other income on the statement of activities and \$320,441 and \$484,071, respectively, is included in deferred revenue on the statement of financial position.

Years Ending June 30,	Amount
2021	\$ 163,630
2022	156,811
	\$ 320,441



**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 \$65.52 to \$8,303 per month with terms of 12 to 63 months maturing between August 2020 and July 2025. Future minimum lease payments are as follows:

Years Ending June 30,	Amount
2021	\$ 137,751
2022	25,992
2023	12,513
2024	12,513
2025	12,513
Thereafter	1,108
	\$ 202,390

Lease expense for the years ended June 30, 2020 and 2019 totals \$177,955 and \$47,768, respectively.

**Note 8 - Net Assets with Donor Restrictions**

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

	2020	2019
Subject to Expenditure for Specified Purpose		
Administration	\$ 8,656	\$ 11,331
Supporting early education and development	355,682	237,652
Family and youth interventions	9,318	152,874
Fundraising	49,158	15,339
	\$ 422,814	\$ 417,196

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 years ended June 30:

	2020	2019
Satisfaction of purpose restrictions		
Administration	\$ 2,675	\$ 10,252
Supporting early education and development	1,850	1,649
Family and youth interventions	29,000	7,462
Fundraising	229,770	494,013
	\$ 263,295	\$ 513,376

**Note 9 - Revenue from Contracts with Customers**

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

	2020	2019
Deferred program income, beginning of year	\$ 69,063	\$ 75,474
Revenue recognized that was included in deferred xxx at the beginning of year	(69,063)	(75,474)
Increase in deferred revenue due to cash received during the period	13,125	69,063
Deferred program income, end of year	\$ 13,125	\$ 69,063

**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, 2020, The Children’s Cabinet Foundation contributed \$102,780 for general operations. In addition, the Organization contributed \$2,400,000 to the Children’s Cabinet Foundation. A Board member was reimbursed \$26,000 for advertising expense paid on behalf of The Children’s Cabinet.

**Note 11 - 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 \$83,867 is included under Supporting Early Education and Development and Family and Youth Interventions Program Services on the statement of functional expenses.

**Note 12 - 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, 2020, \$1,500,000 had been received and \$1,029,980 had been expended leaving \$470,020 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 \$32,990 and \$35,691 related to services performed for administration of the above expenditures during the years ended June 30, 2020 and 2019, respectively.

During 2020, the world-wide coronavirus pandemic impacted national and global economies. The Organization is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the current and future full impact to the Organization is not known.



**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, 2020, 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 December 31, 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) 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  
December 31, 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, 2020. 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, 2020.

### **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  
December 31, 2020

The Children's Cabinet, Inc.  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020

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	90CY700203C3	4/1/20-9/29/20	93.623	\$ 39,852
	90CY7002-02-00	9/30/18-9/29/19	93.623	55,826
	90CY7002-03-01	9/30/19-9/29/20	93.623	<u>130,749</u>
				226,427
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				
	2019G996005	7/1/19-6/30/20	93.596	4,015,047
Child Care and Development Block Grant	2019G996005	7/1/19-6/30/20	93.575	14,684,193
Child Care and Development Block Grant - Cares Subsidy	2019G996005	7/1/19-6/30/20	93.575	<u>3,129,596</u>
Subtotal CCDF Cluster				21,828,836
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	2020G996005	10/1/19-9/30/20	93.558	77,281
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	7/1/19-6/30/20	93.556	59,895
	93556-19-015	7/1/19-6/30/20	93.556	<u>23,527</u>
				83,422
Chafee Education and Training Vouchers Program (ETV)	93599-19-001	10/1/19-11/30/19	93.599	22,000
	93599-18-001	10/1/2018-9/30/19	93.599	112,102
	93599-19-002	10/1/19-9/30/20	93.599	<u>251,562</u>
				385,664
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	SOC-3646-FY19-03	10/1/18-9/30/19	93.104	11,449
Stephanie Tubbs Jones Child Welfare Services Program	99SWC-NV-18-808-1	10/24/18-9/30/19	93.645	330,510
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	12/1/19-9/30/20	93.959	45,458
Maternal and Child Health Services Block Grant to the States	HD 16897	1/1/19-12/31/19	93.994	21,788
	HD 17556	1/1/20-12/31/20	93.994	16,794
	HD 17465	12/1/19-6/30/20	93.994	<u>59,529</u>
				98,111



The Children's Cabinet, Inc.  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020

Federal Grantor/Program Title/Pass Through Grantor	Identifying Number	Grant Period	CFDA Number	Expenditures
Maternal, Infant and Early Childhood Home	16190	10/1/17-9/30/18	93.870	\$ 63,499
Visiting Grant Program	16731	10/1/18-6/30/19	93.870	45,413
	16191	10/1/17-9/30/18	93.870	<u>285,938</u>
				394,850
Passed through State of Nevada, Department of Education, Office for a Safe and Respectful Learning Environment Substance Abuse and Mental Health Services - Projects of	HD 16378	9/30/18-9/29/19	93.243	20,575
Regional and National Significance (PRNS)	HD 16815	9/30/19-9/29/20	93.243	38,618
Federal Gov't HHS - Administration for Children & Families	N/A	4/30/20-4/29/223	93.243	<u>8,340</u>
				67,533
Passed through State of Nevada, Department of Health and Human Services, Office of Community Partnership and Grants - Title XX Social Services Block Grant	201NVSOSR	7/1/19-6/30/20	93.667	<u>202,435</u>
Total U.S. Department of Health and Human Services				<u>23,751,976</u>
<u>U.S. Department of Agriculture</u>				
Passed through State Administrative Matching Grants SNAP Education Supplemental Nutritional Assistance Program	AWD-01-00002337	10/1/19-9/30/20	10.561	<u>22,534</u>
<u>U.S. Department of Labor, Office of Employment Training Administration</u>				
Direct Programs YouthBuild	YB-32992-18-60A-32	2/1/19-5/31/22	17.274	423,720
	YB-30109-17-60A-32	10/17/16-2/16/20	17.274	<u>169,717</u>
Total U.S. Department of Labor				<u>593,437</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	16575-18-006	7/1/19-6/30/20	16.575	202,399
	16575-17-012	7/1/18-9/30/19	16.575	<u>15,864</u>
				218,263
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	10/1/18-9/30/21	16.582	293,377
Passed through Many Mentoring+ Juvenile Mentoring Program Juvenile Mentoring Program	2017-JU-FX-0004	3/1/18-3/31/20	16.726	<u>31,583</u>
Total U.S. Department of Justice				<u>543,223</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	589600-021	10/1/18-2/29/20	97.024	<u>28,525</u>
Total Federal Expenditures				<u>\$ 24,939,695</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, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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.

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	93.575/93.596
Maternal, Infant, and Early Childhood Home Visiting Grant Program	93.870
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.