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CHILD FIRST, INC.
FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

CHILD FIRST, INC.

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Independent Auditors' Report

To the Board of Directors
Child First, Inc.
Shelton, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of Child First, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 audits 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 auditors' 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 auditors consider internal control relevant to the Organization'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 Organization'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 Organization as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 2, 2015 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Organization's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
November 2, 2015

CHILD FIRST, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 1,053,165	\$ 1,631,451
Grants receivable	683,592	138,538
Accounts receivable	61,590	74,000
Other assets	14,457	27,699
Property and equipment, net	<u>577,749</u>	<u>47,748</u>
Total Assets	<u>\$ 2,390,553</u>	<u>\$ 1,919,436</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 161,729	\$ 54,181
Subcontractor liabilities	542,010	460,734
Due to funding source	4,421	-
Deferred revenue	<u>136,525</u>	<u>-</u>
Total liabilities	<u>844,685</u>	<u>514,915</u>
Net Assets		
Unrestricted net assets	1,545,868	1,354,521
Temporarily restricted net assets	<u>-</u>	<u>50,000</u>
Total net assets	<u>1,545,868</u>	<u>1,404,521</u>
Total Liabilities and Net Assets	<u>\$ 2,390,553</u>	<u>\$ 1,919,436</u>

The accompanying notes are an integral part of the financial statements

CHILD FIRST, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Changes in Unrestricted Net Assets		
Support and revenue:		
Grants and contracts	\$ 4,532,845	\$ 4,908,962
Program income	305,182	349,958
Contributions	5,781	6,044
Other income	17,640	1,026
	<u>4,861,448</u>	<u>5,265,990</u>
Net assets released from restrictions	50,000	-
Total unrestricted support and revenue	<u>4,911,448</u>	<u>5,265,990</u>
Expenses		
Subrecipient payments	3,149,823	3,146,193
Salaries and benefits	833,045	596,882
Professional and contracted services	226,755	217,918
Travel and meetings	114,250	73,013
Insurance	105,167	78,977
Training	75,080	116,131
Occupancy	73,887	48,159
Information technology and computer	71,216	75,815
Communication and marketing	34,014	150,687
Depreciation	16,178	7,754
Materials, supplies and other consumables	14,787	17,643
Other	5,899	12,455
Total expenses	<u>4,720,101</u>	<u>4,541,627</u>
Increase in unrestricted net assets	191,347	724,363
Changes in Temporarily Restricted Net Assets		
Net assets released from restrictions	<u>(50,000)</u>	<u>50,000</u>
Change in Net Assets	141,347	774,363
Net Assets - Beginning of Year	<u>1,404,521</u>	<u>630,158</u>
Net Assets - End of Year	<u>\$ 1,545,868</u>	<u>\$ 1,404,521</u>

The accompanying notes are an integral part of the financial statements

CHILD FIRST, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 141,347	\$ 774,363
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	16,178	7,754
(Increase) decrease in operating assets:		
Grants receivable	(545,054)	53,704
Accounts receivable	12,410	33,498
Other assets	13,242	(20,190)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	107,548	(10,134)
Subcontractor liabilities	81,276	93,715
Due to Child Health and Development Institute of Connecticut	-	(25,913)
Due to funding source	4,421	-
Deferred revenue	136,525	(179,639)
Net cash provided by (used in) operating activities	<u>(32,107)</u>	<u>727,158</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(546,179)	(35,845)
Net cash used in investing activities	<u>(546,179)</u>	<u>(35,845)</u>
Net Increase (Decrease) in Cash	(578,286)	691,313
Cash - Beginning of Year	<u>1,631,451</u>	<u>940,138</u>
Cash - End of Year	<u>\$ 1,053,165</u>	<u>\$ 1,631,451</u>

The accompanying notes are an integral part of the financial statements

CHILD FIRST, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Child First, Inc. (the Organization) is incorporated in the State of Connecticut as a not-for-profit organization with the primary mission to provide an innovative, evidence-based, early childhood intervention program that heals and protects young children and families from the effects of trauma and adversity. The Child First model has been proven to decrease the incidence of serious emotional disturbance, developmental and learning problems, and abuse and neglect among the most vulnerable young children and families.

In 1995, early childhood service providers in Bridgeport began to collaborate to address the challenges of vulnerable young children and families not receiving critically needed services, which led to the creation of the Child First model by 2001. For the period of 2001-2005, a randomized controlled trial (RCT) was conducted with funding from federal and philanthropic grants. In 2009, due to the strong outcomes demonstrated by the RCT, substantial funding was received to start replication of the Child First model in five new locations in Connecticut. A Child First CT Coordination Office (the Program) was established with the support of the Child Health and Development Institute of Connecticut (CHDI), which served as the fiduciary and implementation partner for the Child First model. From 2009 through 2012, the Program operated through CHDI and successfully implemented the model through local agencies in a total of ten different geographic areas throughout Connecticut. On September 27, 2012, a new stand-alone organization, Child First, Inc., was incorporated in order to continue to expand this successful childhood intervention program nationally. On February 15, 2013, the Organization commenced operations.

The Child First Network now includes 14 affiliate agencies in Connecticut serving 15 areas covering most of the state. Replication has begun in Florida and North Carolina, which adds six additional affiliate agencies to the network. Funding for Child First operations at an affiliate agency comes primarily from public sources (federal, state and county funds) and generally goes directly to the affiliate agency. Consequently, that funding is not reflected in the financial statements of Child First, Inc.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the accounts of the Organization are reported in the following net asset categories:

Unrestricted Net Assets

Unrestricted net assets represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure.

Permanently Restricted Net Assets

Permanently restricted net assets represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit the Organization to expend the income earned thereon. The Organization did not have any permanently restricted net assets as of June 30, 2015 and 2014.

CHILD FIRST, INC.

NOTES TO FINANCIAL STATEMENTS

Use of Estimates

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

Cash

Cash represents cash deposits at banks and cash on hand. The Organization maintains cash balances at financial institutions, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts Receivable

The Organization has accounts receivable related to grants, contracts and third-party reimbursements. Based upon the types of outstanding receivables, grants, contracts and third-party reimbursements are considered fully collectible and an allowance for doubtful accounts is not considered necessary.

Property and Equipment

Property and equipment acquisitions and improvements thereon that exceed \$1,000 are capitalized at cost if purchased or fair value if donated and are depreciated on a straight-line basis over their estimated useful lives. Repairs and maintenance are charged to expense as incurred.

Grants and Contracts

Other than certain awards to fund capital expenditures, governmental grants and contracts are generally considered to be exchange transactions rather than contributions. Revenue from cost-reimbursement grants and contracts is recognized to the extent of costs incurred. Revenue from performance-based grants and contracts is recognized to the extent of performance achieved. Grant and contract receipts in excess of revenue recognized are presented as deferred revenue.

Contributions

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization reports nongovernmental contributions and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented with unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Subcontractor Liabilities

Subcontractor liabilities consist of funds received through federal and state grants that are obligated to certain subcontractors based on the grant terms. The Organization disburses these funds to the specified parties on a quarterly basis in accordance with the grant terms.

CHILD FIRST, INC.

NOTES TO FINANCIAL STATEMENTS

Income Tax Status

The Organization is exempt from federal income taxes under provisions of Internal Revenue Code Section 501(c)(3).

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through November 2, 2015, which represents the date the financial statements were available to be issued.

NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2015 and 2014, is as follows:

	<u>2015</u>	<u>2014</u>
Computer equipment	\$ 30,226	\$ 19,119
Furniture and fixtures	54,150	36,383
Technology	38,540	-
IT development in progress	478,765	-
	<u>601,681</u>	<u>55,502</u>
Less accumulated depreciation	<u>(23,932)</u>	<u>(7,754)</u>
Net Property and Equipment	<u>\$ 577,749</u>	<u>\$ 47,748</u>

Depreciation expense was \$16,178 and \$7,754 for the years ended June 30, 2015 and 2014, respectively.

IT development in progress as of June 30, 2015 relates to costs incurred to internally develop and customize financial software, including implementation and training. It is anticipated that the project will be completed by December 2015.

NOTE 4 - REVENUE CONCENTRATIONS

The Organization receives a significant portion of its revenue from federal and state grants. As with all government funding, these grants are subject to reduction or termination in future years. Any significant reduction in these grants could have an adverse effect on the Organization's program services.

CHILD FIRST, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - FUNCTIONAL EXPENSES

Expenses are charged directly to program services, development and fundraising, and management and general based on specific identification to the extent practicable. Expenses related to more than one function have been allocated using reasonable ratios determined by management. Management and general expenses include those expenses that are not directly identifiable with a specific function, but provide for the overall support and direction of the Organization. Expenses by function consisted of the following for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Program	\$ 4,320,179	\$ 4,312,372
Management and general	320,397	191,307
Development and fundraising	<u>79,525</u>	<u>37,948</u>
Total	<u>\$ 4,720,101</u>	<u>\$ 4,541,627</u>

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets in the amount of \$50,000 as of June 30, 2014 was restricted for the purpose of development of the data system. This amount was released during the year ended June 30, 2015 due to the satisfaction of the restriction.

NOTE 7 - EMPLOYEE BENEFIT PLAN

The Organization maintains a retirement plan that is classified as a Simple IRA for all regular full-time employees. The Organization makes a contribution on the employees' behalf to the plan, which may or may not be matched by the employees' personal contribution. Organization contributions totaled \$14,044 and \$5,135 for the years ended June 30, 2015 and 2014, respectively.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Organization participates in federal- and state-assisted grant programs. The use of grants in programs is subject to future review by the grantors. Such reviews may result in the Organization having liabilities to the grantors.