

**North Florida Child
Development, Inc.**

FINANCIAL STATEMENTS

For the Years Ended October 31, 2019 and 2018



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North Florida Child Development, Inc.
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October 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
North Florida Child Development, Inc.
Wewahitchka, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of North Florida Child Development, Inc. (the "Agency") (a nonprofit organization), which comprise the statements of financial position as of October 31, 2019 and 2018 and the related statements of activities, functional expenses 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 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 Agency as of October 31, 2019 and 2018, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, management has adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, *Not-for-Profit Entities* (Topic 958); this new standard requires changes to be made in how net assets are classified based on donor restrictions and has added multiple new disclosures. Our opinion is not modified with respect to this matter.

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 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 October 29, 2020, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Agency's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

October 29, 2020

North Florida Child Development, Inc.
Statements of Financial Position

<i>October 31,</i>	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,919,565	\$ 381,022
Grants receivable	400,613	321,468
Insurance receivable	-	1,649,314
Other receivable	172	12,079
Prepaid expenses	64,281	30,640
<hr/>		
Total current assets	2,384,631	2,394,523
Property and equipment, net	3,305,484	3,359,643
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Total assets	\$ 5,690,115	\$ 5,754,166
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Liabilities and Net Assets		
Current liabilities:		
Current maturities on long-term debt	\$ 41,744	\$ 40,461
Accounts payable	202,795	148,650
Accrued expenses	234,301	415,591
Deferred Support	1,948	1,948
<hr/>		
Total current liabilities	480,788	606,650
<hr/>		
Long-term debt, net of current portion	1,340,191	1,381,935
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Net assets		
Without donor restrictions	3,869,136	3,765,581
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Total liabilities and net assets	\$ 5,690,115	\$ 5,754,166
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The accompanying notes are an integral part of these financial statements.

North Florida Child Development, Inc.
Statement of Activities

<i>For the year ended October 31, 2019</i>	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and revenues			
Grant revenues	\$ 4,181,620	\$ -	\$ 4,181,620
Fee for service	384,942	-	384,942
Other income	51,272	-	51,272
In-kind match	659,828	-	659,828
Total support and revenues	5,277,662	-	5,277,662
Expenses			
Program services			
Head Start	1,631,016	-	1,631,016
Early Head Start	2,082,542	-	2,082,542
Child Care Food Program	277,955	-	277,955
VPK Program	268,584	-	268,584
HIPYP Program	330,299	-	330,299
Support services			
Administration	583,711	-	583,711
Total expenses	5,174,107	-	5,174,107
Change in Net Assets	103,555	-	103,555
Net Assets, Beginning	3,765,581	-	3,765,581
Net Assets, Ending	\$ 3,869,136	\$ -	\$ 3,869,136

The accompanying notes are an integral part of these financial statements.

North Florida Child Development, Inc.
Statement of Activities

<i>For the year ended October 31, 2018</i>	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and revenues			
Grant revenues	\$ 4,084,125	\$ -	\$ 4,084,125
Gain on involuntary conversion	667,452	-	667,452
Fee for service	52,436	-	52,436
Other income	211,788	-	211,788
In-kind match	904,195	-	904,195
Total support and revenues	5,919,996	-	5,919,996
Expenses			
Program services			
Head Start	1,836,808	-	1,836,808
Early Head Start	2,333,275	-	2,333,275
Child Care Food Program	242,628	-	242,628
VPK Program	294,314	-	294,314
HIPPO Program	164,719	-	164,719
United Way	2,122	-	2,122
Support services			
Administration	425,422	-	425,422
Total expenses	5,299,288	-	5,299,288
Change in Net Assets	620,708	-	620,708
Net Assets, Beginning	3,144,873	-	3,144,873
Net Assets, Ending	\$ 3,765,581	\$ -	\$ 3,765,581

The accompanying notes are an integral part of these financial statements.

North Florida Child Development, Inc.
Statement of Functional Expenses
For the Year Ended October 31, 2019

	Head Start	Early Head Start	Child Care Food Program
Salaries	\$ 639,071	\$ 1,023,625	\$ 64,958
Payroll taxes and other fringe	149,408	194,014	17,253
Professional fees and contractual services	131,398	73,147	118,390
Program supplies and services	242,758	308,315	-
Food	22,610	27,605	75,488
Equipment purchase	15,443	17,077	-
Office supplies	7,839	7,620	-
Other supplies	14,088	19,838	-
Telephone	11,993	12,672	-
Rent and lease	10,727	67,979	-
Utilities	32,989	51,221	-
Repairs and maintenance	79,663	91,285	-
Travel	25,039	28,700	-
Dues, fees and licenses	2,118	1,830	1,866
Insurance	28,167	27,068	-
Miscellaneous	81,656	112,559	-
Printing, publications and advertising	364	437	-
Debt service	17,549	17,550	-
Total expenses before depreciation and amortization	1,512,880	2,082,542	277,955
Depreciation and amortization	118,136	-	-
Total expenses	\$ 1,631,016	\$ 2,082,542	\$ 277,955

The accompanying notes are an integral part of these financial statements.

VPK Program	HIPPY Program	Total Program Services	Administration	Total 2019
\$ 158,091	\$ 241,043	\$ 2,126,788	290,725	\$ 2,417,513
26,788	37,764	425,227	56,338	481,565
17,908	-	340,843	131,978	472,821
8,813	24,999	584,885	1,319	586,204
2,477	-	128,180	-	128,180
2,680	-	35,200	5,266	40,466
1,247	449	17,155	21,108	38,263
8,521	-	42,447	29	42,476
3,986	-	28,651	10,109	38,760
1,177	-	79,883	-	79,883
12,254	-	96,464	4,733	101,197
6,939	-	177,887	-	177,887
1,625	15,191	70,555	67	70,622
223	5,755	11,792	13,366	25,158
5,784	-	61,019	14,688	75,707
1,296	218	195,729	33,985	229,714
-	4,880	5,681	-	5,681
8,775	-	43,874	-	43,874
268,584	330,299	4,472,260	583,711	5,055,971
-	-	118,136	-	118,136
\$ 268,584	\$ 330,299	\$ 4,590,396	\$ 583,711	\$ 5,174,107

North Florida Child Development, Inc.
Statement of Functional Expenses
For the Year Ended October 31, 2018

	Head Start	Early Head Start	Child Care Food Program
Salaries	\$ 628,882	\$ 1,048,622	\$ 56,702
Payroll taxes and other fringe	146,883	192,025	15,060
Professional fees and contractual services	196,370	225,656	103,343
Program supplies and services	106,872	156,947	-
Food	108,116	86,650	65,894
Equipment purchase	4,370	3,537	-
Office supplies	31,413	31,458	-
Other supplies	8,203	11,736	-
Telephone	19,374	21,428	-
Rent and lease	89,593	123,407	-
Utilities	38,207	49,458	-
Repairs and maintenance	44,827	67,047	-
Travel	11,496	11,209	-
Dues, fees and licenses	3,160	51,401	1,629
Insurance	27,847	27,032	-
Miscellaneous	218,543	207,606	-
Printing, publications and advertising	3,138	3,017	-
Debt service	15,039	15,039	-
Total expenses before depreciation and amortization	1,702,333	2,333,275	242,628
Depreciation and amortization	134,475	-	-
Total expenses	\$ 1,836,808	\$ 2,333,275	\$ 242,628

The accompanying notes are an integral part of these financial statements.

VPK Program	HIPPY Program	United Way	Total Program Services	Administration	Total 2018
\$ 189,082	\$ 129,796	\$ -	\$ 2,053,084	\$ 241,270	\$ 2,294,354
37,293	19,401	-	410,662	46,576	457,238
4,085	-	-	529,454	38,488	567,942
2,515	3,624	-	269,958	-	269,958
9,280	-	-	269,940	-	269,940
248	-	-	8,155	1,461	9,616
1,306	45	-	64,222	8,032	72,254
1,840	-	-	21,779	74	21,853
2,472	-	-	43,274	11,288	54,562
-	-	-	213,000	-	213,000
10,118	-	-	97,783	3,206	100,989
9,740	-	-	121,614	6,823	128,437
35	7,385	-	30,125	6,792	36,917
247	4,468	-	60,905	4,765	65,670
5,615	-	-	60,494	22,735	83,229
8,318	-	2,122	436,589	32,632	469,221
-	-	-	6,155	1,280	7,435
7,520	-	-	37,598	-	37,598
289,714	164,719	2,122	4,734,791	425,422	5,160,213
4,600	-	-	139,075	-	139,075
\$ 294,314	\$ 164,719	\$ 2,122	\$ 4,873,866	\$ 425,422	\$ 5,299,288

North Florida Child Development, Inc.
Statements of Cash Flows

<i>Years ended October 31,</i>	2019	2018
Operating Activities		
Net change in net assets	\$ 103,555	\$ 620,708
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	118,136	139,075
Gain on involuntary conversion	-	(667,452)
(Increase) decrease in operating assets		
Grants receivable	(79,145)	58,046
Insurance receivable	1,649,314	-
Other receivable	11,907	(12,079)
Prepaid expenses	(33,641)	(30,640)
Increase (decrease) in operating liabilities		
Accounts payable	54,145	45,369
Accrued expenses	(181,290)	74,572
Deferred support	-	1,948
Net cash provided by operating activities	1,642,981	229,547
Investing Activities		
Purchases of property and equipment	(63,977)	-
Financing Activities		
Principal payments on long-term debt	(40,461)	(39,218)
Net increase in cash and cash equivalents	1,538,543	190,329
Cash and Cash Equivalents, beginning	381,022	190,693
Cash and Cash Equivalents, ending	\$ 1,919,565	\$ 381,022

Cash paid for interest totaled \$43,874 and \$45,117 for the years ended October 31, 2019 and 2018, respectively.

The accompanying notes are an integral part of these financial statements.

North Florida Child Development, Inc. Notes to Financial Statements

Note 1: DESCRIPTION OF THE ORGANIZATION

North Florida Child Development, Inc. (the Agency) is a non-profit organization engaged in the administration of federal and state grants intended to reduce the effects of poverty on the economically disadvantaged. The Agency is organized on a non-stock basis and began operations on June 1, 2000.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Agency considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Grants Receivable

Grants receivable consists of pending reimbursement of program expenses incurred, billed and unbilled, prior to October 31, 2019 and 2018 pursuant to terms of federal and state grant awards. The amounts are due from federal and state government agencies and are considered to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be charged to operations in the period in which the determination is made.

Insurance Receivable

Insurance receivable at October 31, 2018 consists of proceeds from the Agency's property and casualty coverage related to claims related to damages incurred during Hurricane Michael that were collected during 2019.

North Florida Child Development, Inc.
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. Estimated useful lives used in computing depreciation are as follows:

Land	Not depreciated
Building and improvements	10 – 40 Years
Furniture and equipment	5 –7 Years
Automobile	5 Years

Although grantor agencies may hold a reversionary interest in these assets, title rests with the Agency. The historical cost and book value of assets in which the grantor holds reversionary interest was \$3,618,748 and \$2,517,965, respectively, at October 31, 2019. For October 31, 2018, the historical cost and book value were \$3,669,257 and \$2,567,526, respectively. The only restriction on these assets is that they must be used to benefit the program which purchased the asset.

Net Assets

The Agency reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Agency, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

North Florida Child Development, Inc. Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Program service fees and payments under cost-reimbursable contracts are recognized as revenue when persuasive evidence of an arrangement exists, delivery of products or services has occurred, the sales price is fixed or determinable and collectability is reasonably assured.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School. Volunteers also provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Economic Dependency-Grants

All grants received are renewable on an annual basis and the Agency is dependent on these grants for continued activity. The Agency receives a substantial portion of its grant revenues from a single awarding Agency, the Department of Health and Human Services (HHS). During the fiscal years ended October 31, 2019 and 2018, support earned from grants awarded by HHS totaled 94% and 94%, respectively of grant revenues.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to payroll, payroll taxes, and employee benefits are allocated based on actual percentages of time spent in each functional area. Costs that benefit more than one program that can be isolated to a single center will be allocated to those programs based on the ratio of each program's enrollment at that center to the total of that center's enrollment. Costs that benefit more than one program at multiple centers will be allocated based on the ratio of each program's enrollment at each center to total enrollment for all applicable centers.

North Florida Child Development, Inc.
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs for fiscal years 2019 and 2018 were not considered material to the financial statements.

Income Taxes

The Agency is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activity. Therefore, the Agency has made no provisions for income taxes in the accompanying financial statements.

The Agency has adopted the provisions of FASB Topic 740, *Income Taxes*. This topic requires, among other things, the Agency to assess uncertain tax positions and the likelihood that such positions will be upheld by applicable taxing authorities. For the purposes of taxation, management has determined that the Agency's tax status is not in jeopardy at October 31, 2019. The Agency believes that it has appropriate support for the income tax positions taken and to be taken on its tax returns and that its accruals for tax liabilities are adequate for all open tax years (after 2014 for federal) based on an assessment of many factors including experience and interpretations of tax laws applied to the facts of each matter.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 29, 2020. See Note 14 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

New Accounting Pronouncement

In 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The Agency adopted the provisions of this new standard during the year ended October 31, 2019. The Agency has adjusted the presentation of its financial statements accordingly. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and related to functional allocation of expenses.

North Florida Child Development, Inc.
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards

The Financial Accounting Standards Board (FASB) issued two Accounting Standard Updates that will affect the Agency's revenue recognition. The first, Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This Update requires entities to make new judgements and estimates and provide expanded disclosures about revenue. The second, Accounting Standards Update No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. The Agency plans to adopt both at the same time, because adopting one Update without the other would leave the accounting for some ongoing grants and contracts unresolved. Topic 606 is effective for fiscal year ending October 31, 2021 and Topic 958 is effective for the Agency's coming fiscal year. The Agency is currently evaluating the impact of the adoption of the new standards on the financial statements.

Note 3: FINANCIAL ASSET AVAILABILITY

The Agency maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as the Agency's expenditures come due. The Agency's liquidity goal is generally to maintain current financial assets at a minimum of 90 days of operating expenses, exclusive of certain grant expenses which are funded immediately upon disbursement. Financial assets available for general expenditures, that is without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

<i>October 31,</i>	2019
Cash and cash equivalents	\$ 1,919,565
Grants receivable	400,613
Other receivables	172
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,320,350

Financial assets at year-end as noted in the above schedule exclude property and equipment and prepaid expenses.

North Florida Child Development, Inc.
Notes to Financial Statements

Note 4: GRANTS RECEIVABLE

Grants receivable consisted of amounts due from grantors, as follows:

<i>October 31,</i>	2019	2018
Department of Health and Human Services	\$ 252,378	\$ 185,306
Child and Adult Food Care Program	59,099	63,036
HIPPY	58,266	54,335
Early Learning Coalition Funds Receivable	18,791	18,791
Other	12,079	-
	\$ 400,613	\$ 321,468

Note 5: PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

<i>October 31,</i>	2019	2018
Buildings	\$ 2,912,303	\$ 2,878,811
Equipment	213,412	213,412
Vehicles	516,033	600,034
Total depreciable property and equipment	3,641,748	3,692,257
Less: accumulated depreciation	(1,117,264)	(1,113,614)
Depreciable property and equipment, net	2,524,484	2,578,643
Land	781,000	781,000
Total property and equipment, net	\$ 3,305,484	\$ 3,359,643

Depreciation expense for the fiscal years 2019 and 2018 was \$118,136 and \$139,075, respectively.

Note 6: LONG-TERM DEBT

Long-term debt consists of a mortgage note payable to the United States Department of Agriculture Rural Development Farm Service Agency with an initial principal balance of \$1,626,500. The note bears interest at 3.125% and is payable in monthly installments of \$7,028 through August 2042. The note is secured by a mortgage on the Agency's South Gulf Center and all personal property, equipment, fixtures, revenue, receivables and other assets connected with the operation of that facility. Interest charged to operations totaled \$43,874 and \$45,117 for the years ended October 31, 2019 and 2018, respectively.

North Florida Child Development, Inc.
Notes to Financial Statements

Note 6: LONG-TERM DEBT (Continued)

<i>October 31,</i>	2019	2018
Total long-term debt	\$ 1,381,935	\$ 1,422,396
Less: current maturities	41,744	40,461
Long-term debt, net of current portion.	\$ 1,340,191	\$ 1,381,935

Principal maturities of long-term debt are as follows:

For the Year Ending		
October 31,		
2020	\$	41,744
2021		43,067
2022		44,433
2023		45,841
2024		47,295
Thereafter		1,159,555
Total	\$	1,381,935

Note 7: COMPENSATED ABSENCES

The Board of Directors of the Agency elected to accrue annual leave absences as of October 31, 2019 and 2018 in the amount of \$68,370 and \$57,831, respectively, included in accrued expenses. Sick leave balances do not vest with employees upon termination and, therefore, were not accrued.

Note 8: DONATED SERVICES AND FACILITIES

Donated facilities and professional services are recorded as support and expenses in the period received. Donated facilities are recorded at the fair rental value of space used. Donated professional services are valued based on the fair market value of the service donated. Donated nonprofessional services have not been recognized in the statements of activities because the criteria for recognition under FASB ACS 958 has not been satisfied. The value of donated non-professional services is based on time sheets maintained on the volunteers, using reasonable rates.

North Florida Child Development, Inc.
Notes to Financial Statements

Note 8: DONATED SERVICES AND FACILITIES (Continued)

<i>For the years ended October 31,</i>	Head Start	
	2019	2018
Facilities	\$ 42,000	\$ 213,000
Professional services and other	617,828	691,195
Donated reflected in statement of activities	659,828	904,195
Non-professional services	73,384	55,978
	\$ 659,828	\$ 960,173

Note 9: DEFERRED SUPPORT

Deferred support consists of grant monies received but not yet earned. At year-end, deferred support consists of the following:

<i>October 31,</i>	2019	2018
HIPPY	\$ 1,948	\$ 1,948

Note 10: CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash with a financial institution in excess of the FDIC limit of \$250,000 by \$1,669,565 and \$131,022 at October 31, 2019 and 2018, respectively.

Note 11: RETIREMENT PLAN

The Agency has a defined contribution 401(k) and profit sharing plan covering substantially all of its employees. Employees can contribute up to one hundred percent (100%) of their eligible compensation, subject to limits imposed by federal law. The Agency matches employee contributions up to 4% of compensation. Matching contributions totaled \$33,432 and \$31,468, respectively, for the years ended October 31, 2019 and 2018. The Agency may also make discretionary profit sharing contributions, upon approval by the Board of Directors. No such contributions were made for the years ended October 31, 2019 and 2018.

Note 12: NEPOTISM

During the years ended October 31, 2019 and 2018, the Executive Director's daughter was employed with the Agency. The Agency has a nepotism policy in place and, after advertising the position, the Board of Directors approved the employment.

North Florida Child Development, Inc.
Notes to Financial Statements

Note 13: CONTINGENT LIABILITIES

Various legal claims may arise from time to time in the normal course of operations, which in the opinion of management, will not have a material effect on the Agency's financial statements.

Note 14: SUBSEQUENT EVENTS

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Agency. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

**North Florida Child Development, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended October 31, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Pass-Through Grantor's No.	Funds Provided to Subrecipients	Program Expenditures
U. S. Department of Health and Human Services				
Direct program:				
Head Start -Grant No. 04CH01040304	93.600	N/A	\$ -	\$ 3,573,581
Passed through The University of South Florida Board of Trustees				
Temporary Assistance for Needy Families*	93.558	5830-1539-11-F	-	87,803
Temporary Assistance for Needy Families*	93.558	5830-1539-01-F	-	245,613
Subtotal TANF Cluster/ CFDA 93.558			-	333,416
Total U. S. Department of Health and Human Services			-	3,906,997
U. S. Department of Agriculture				
Passed through State of Florida Department of Health				
Child and Adult Care Food Program	10.558	S-1352	-	274,626
Total expenditures of federal awards			\$ -	\$ 4,181,623

*TANF Cluster

See independent auditors' report and accompanying notes to Schedule of Expenditures of Federal Awards.

North Florida Child Development, Inc. Notes to Schedule of Expenditures of Federal Awards

Note 1: BASIS OF ACCOUNTING

The Schedule of Expenditures of Financial Awards (“SEFA”) was prepared on the modified accrual basis of accounting. The modified accrual basis differs from the full accrual basis of accounting in that the expenditures for property and equipment are expensed when incurred, rather than being capitalized and depreciated over their useful lives, and expenditures for the principal portion of debt service are expensed when incurred, rather than being applied to reduce the outstanding principal portion of debt, which conforms to the basis of reporting to grantors for reimbursement under the terms of the Agency’s federal grants.

Note 2: INDIRECT COST

The Agency has not elected to use the 10% de Minimis indirect cost rate for the year ended October 31, 2019.

Note 3: BASIS OF PRESENTATION

The accompanying SEFA summarizes the federal expenditures of the Agency under programs of the federal government for the year ended October 31, 2019. The amounts reported as federal expenditures were obtained from the Agency’s general ledger. Because the schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets and cash flows of the Agency.

For purposes of the schedule, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass through entities. The Agency has obtained Catalog of Federal Domestic Assistance (CFDA) numbers to ensure that all programs have been identified in the schedule. CFDA numbers have been appropriately listed by applicable programs. Federal programs with different CFDA numbers that are closely related because they share common compliance requirements are defined as a cluster by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). One cluster is separately identified in the schedule for the year ending October 31, 2019 as follows:

TANF Cluster - This cluster includes awards that provide time-limited assistance to needy families with children so that the children can be cared for in their own homes or in the homes of relatives; end dependence of needy parents on government benefits by promoting job preparation, work and marriage; prevent and reduce out-of-wedlock pregnancies, including establishing prevention and reduction goals; and encourage the formation and maintenance of two-parent families. This program replaced the Aid to Families with Dependent Children (AFDC), Job Opportunities and Basic Skills Training (JOBS) and Emergency Assistance (EA) programs.

North Florida Child Development, Inc. Notes to Schedule of Expenditures of Federal Awards

Note 4: FEDERAL PASS-THROUGH FUNDS

The Agency is also the sub-recipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as “pass-through” are considered direct.

Note 5: RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS

The amounts reflected in the financial reports submitted to the awarding federal and/or pass-through agencies and the SEFA may differ. Some of the factors that may account for any difference include the following:

- The Agency’s fiscal year end may differ from the program’s year end.
- Accruals recognized in the SEFA, because of year end procedures, may not be reported in the program financial reports until the next reporting period.
- Fixed asset purchases and the result of depreciation charges may be recognized as fixed assets in the Agency’s financial statements and as expenditures in the program financial reports and the SEFA.

Note 6: CONTINGENCIES

Grant monies received and disbursed by the Agency are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Agency does not believe that such disallowance, if any, would have a material effect on the financial position of the Agency. As of October 31, 2019, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

Note 7: NONCASH ASSISTANCE

The Agency did not receive any federal noncash assistance for the fiscal year ended October 31, 2019.

Note 8: SUBRECIPIENTS

The Agency did not provide federal funds to subrecipients for the fiscal year ended October 31, 2019.

North Florida Child Development, Inc.
Notes to Schedule of Expenditures of Federal Awards

Note 9: LOANS AND LOAN GUARANTEES

The Agency did not have any loans or loan guarantee programs required to be reported on the SEFA for the fiscal year ended October 31, 2019.

Note 10: FEDERALLY FUNDED INSURANCE

The Agency did not have any federally funded insurance required to be reported on the SEFA for the fiscal year ended October 31, 2019.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AUDITS OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
North Florida Child Development, Inc.
Wewahitchka, Florida

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 North Florida Child Development, Inc. (the "Agency") which comprise the statements of financial position as of October 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

October 29, 2020

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
North Florida Child Development, Inc.
Wewahitchka, Florida

Report on Compliance for Each Major Federal Program

We have audited North Florida Child Development, Inc. (the "Agency'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 Agency's major federal programs for the year ended October 31, 2019. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency'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 Agency'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 Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, North Florida Child Development, 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 major federal program for the year ended October 31, 2019.

Report on Internal Control over Compliance

Management of North Florida Child Development, 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 of compliance, we considered the Agency's internal control over compliance with the types of 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 Agency'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program 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. 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

October 29, 2020

**North Florida Child Development, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended October 31, 2019**

Section I - Summary of Auditors' Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|--|------------|
| 1. Type of auditors' report issued on compliance for major programs | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? | No |
| 4. Identification of major programs | |

CFDA Number	Federal Program
93.600	Head Start

- | | |
|--|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs | \$750,000 |
| 6. Auditee qualified as low-risk under 2CFR 200.520 | No |

Section II – Financial Statement Findings

No such findings noted.

**North Florida Child Development, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended October 31, 2019**

Section III – Federal Award Findings and Questioned Costs

No such findings noted.

Section IV – Other Issues

Summary Schedule of Prior Audit Findings

See attached.

**North Florida Child Development, Inc.
Summary Schedule of Prior Year Audit Findings
For the Year Ended October 31, 2019**

FINDINGS – FINANCIAL STATEMENTS

2017-001 – Financial Statement Preparation

Condition: Annual financial statements required certain accrual basis audit adjustments to be presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP)

Status: Corrected

Item 2018-001 – Credit Card Payments

Condition: During the audit, it was noted that certain credit card statements were approved and paid without adequate support for all charges.

Status: Corrected

FINDINGS – FEDERAL AWARDS

**Item 2018-002 – Reporting
Head Start and Early Head Start CFDA #93.600
Grant No. 04CH010403-03
U.S. Department of Health and Human Services**

Condition: The grantee failed to file SF-429 – *Real Property Status Report* and SF-429-A *General Reporting*.

Status: Corrected

**Item 2018-003 – Allowable Cost
Head Start and Early Head Start CFDA #93.600
Grant No. 04CH010403-03
U.S. Department of Health and Human Services**

Condition: During the audit, it was noted that certain credit card statements were approved and paid without adequate support for all charges.

Status: Corrected