SUNRISE CHILDREN'S FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2014

ELLSWORTH • STOUT

CPAs and Consultants

SUNRISE CHILDREN'S FOUNDATION
FINANCIAL STATEMENTS
JUNE 30, 2014

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Independent Auditor's Report

To the Board of Directors
Sunrise Children's Foundation

Report on the Financial Statements
We have audited the accompanying financial statements of Sunrise Children's Foundation (a nonprofit organization) which comprise the statement of financial position as of June 30, 2014 and the related statement 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.

Auditor's 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 Sunrise Children's Foundation as of June 30, 2014, and the changes in its 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
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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 basic financial statements taken as a whole.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014 on our consideration of Sunrise Children's Foundation'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 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 Sunrise Children's Foundation's internal control over financial reporting and compliance.

Ellsworth & Stout, LLC

Las Vegas, Nevada
December 9, 2014

SUNRISE CHILDREN'S FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS

Current Assets:		
Cash	$	1,183,828
Grants receivable		663,204
Pledges receivable		3,600
Inventory		25,695
Prepaid expenses		49,779
Total current assets		1,926,106
Property and Equipment, net		662,455
Other Assets:		
Refundable deposits		42,423
Total Assets	$	2,630,984

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	$	57,485
Accrued expenses		372,076
Deferred revenue		10,600
Current portion of deferred lease liability		11,613
Total current liabilities		451,774
Long-Term Liabilities:		
Deferred lease liability, net of current portion		1,180
		452,954
Net Assets:		
Unrestricted		1,338,566
Temporarily restricted		839,464
		2,178,030
Total Liabilities and Net Assets	$	2,630,984

See accompanying notes to the financial statements.

SUNRISE CHILDREN'S FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

Unrestricted Net Assets	
Unrestricted revenue and other support:	
Grant income	$ 6,150,098
Donations	86,119
Special events, net of expenses of $51,320	70,754
In-kind donations	184,125
Interest income	517
Other income	3,456
Net assets released from donor restrictions	126,034
	6,621,103
Expenses:	
Program services	6,269,690
Supporting Services:	
Management and general	364,189
Fundraising	60,736
	6,694,615
Other increase (decreases):	
Gain on sale of vehicles	6,500
Loss on inventory valuation	(62,000)
	(55,500)
Decrease in unrestricted net assets	(129,012)
Temporarily Restricted Net Assets	
Contributions	154,910
Net assets released from donor restrictions	(126,034)
Increase in temporarily restricted net assets	28,876
Decrease in Net Assets	(100,136)
Net Assets, Beginning of Year, as previously reported	2,398,070
Prior Period Adjustment (Note 9)	(119,904)
Net Assets, Beginning of Year, as restated	2,278,166
Net Assets, End of Year	$ 2,178,030

See accompanying notes to the financial statements.

SUNRISE CHILDREN'S FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014

	Program	Management and General	Fundraising	Total
Advertising	$ 7,534	$ 2,789	$ 4,343	$ 14,666
Automobile expenses	52,515	64	627	53,206
Bad debt expense	-	9	700	709
Bank charges	30	1,488		1,518
Depreciation	112,325	1,146	-	113,471
Dues and subscriptions	1,410	198	300	1,908
Education expenses	1,547	1,705	995	4,247
Fees and certifications	14,646	173	-	14,819
Fundraising	-	-	13,125	13,125
Insurance	455,071	37,647	33	492,751
Meals and entertainment	2,359	2,233	2,496	7,088
Miscellaneous	3,899	6,030	375	10,304
Occupancy	712,197	49,898	1,873	763,968
Office expenses	107,173	11,751	4,696	123,620
Professional fees	63,151	34,334	90	97,575
Program expenses	519,520	1,473	-	520,993
Repair and maintenance	48,908	928	-	49,836
Salaries, taxes and related expenses	4,086,222	208,145	29,464	4,323,831
Travel	460	-	1,619	2,079
Utilities	80,723	4,178	-	84,901
	$ 6,269,690	$ 364,189	$ 60,736	$ 6,694,615

See accompanying notes to the financial statements.

SUNRISE CHILDREN'S FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

Cash Flows from Operating Activities		
Decrease in Net Assets	$	(100,136)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Amortization of deferred lease liability		(15,888)
Bad debt		709
Depreciation		113,471
Gain on sale of vehicles		(6,500)
In-kind inventory		1,505
Loss on inventory valuation		62,000
Changes in operating assets and liabilities:		
(Increase) decrease in grants receivable		(133,162)
(Increase) decrease in pledges receivable		(1,100)
(Increase) decrease in inventory		5,584
(Increase) decrease in prepaid expenses		(22,603)
Increase (decrease) in accounts payable		(2,225)
Increase (decrease) in accrued expenses		71,410
Increase (decrease) in deferred revenue		(11,499)
Net cash used in operating activities		(38,434)
Cash Flows from Investing Activities		
Proceeds from sale of vehicles		6,500
Purchase of property and equipment		(25,846)
Net cash used in investing activities		(19,346)
Net Decrease in Cash		(57,780)
Cash, Beginning of Year		1,241,608
Cash, End of Year	$	1,183,828

See accompanying notes to the financial statements.

NOTE 1 – NATURE OF ORGANIZATION

Sunrise Children's Foundation (the Foundation) is a nonprofit organization, serving residents of Clark County, Nevada. The Foundation is dedicated to helping children fulfill their potential of safe, healthy and educated lives. The majority of revenue is obtained through government grants, fees and reimbursements. The activities of the Foundation are described below:

Early Head Start (EHS) – recognizes the importance of the development that occurs in the first three years of life and actively works in partnership with families and community to promote the healthy growth and development of children from low-income families.

Women, Infants and Children (WIC) – is a federally funded program operated by the Nevada State Health Division. The Foundation currently operates four WIC clinics throughout Clark County. The clinics provide a supplemental nutrition program for women, infants and children.

Home Instruction Program for Preschool Youngsters (HIPPY) – is a parent involvement, school readiness program that helps parents prepare their preschool age children for success in school and beyond.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Sunrise Children's Foundation is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The accompanying financial statements have been presented in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations, principally ASC 958, *Not-for-Profit Entities*. Under ASC 958, the Foundation is required to report information regarding its financial position and changes in financial position according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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 judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Foundation considers all highly liquid investments available for current use within an original maturity of three months or less to be cash equivalents.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Receivable

Grant revenues are recorded as they are earned, according to the provisions of the grant. Normally, grant revenues are earned and received as the grant period progresses. The provisions of the grant determine the timing of revenue recognition. The Foundation does not anticipate any collection losses with respect to the receivable balance. As of June 30, 2014, no allowance for doubtful accounts was deemed necessary.

Inventory

Inventories, which consists of books and program supplies held in storage and not yet placed in service, are valued at the lower of cost or market value. Donated items are recorded at estimated fair value at the date of donation. As a result of recent changes in the Foundation's program materials, carrying amounts for those inventories have been reduced by $62,000. Management believes that no additional loss will be incurred upon disposition of the excess quantities. While it is reasonably possible that the estimate could change materially in the near term, no estimate has been made of the potential additional loss that is possible beyond the near term.

Property and Equipment

The Foundation adopted an updated Capitalization Policy in the beginning of the fiscal year. The policy no longer uses "unit" costs for classroom or clinic assets. The Foundation now capitalizes all significant expenditures for property and equipment at cost. The threshold for capitalization was increased from $1,000 to $2,500. Property and equipment that are contributed to the Foundation are recorded at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range between five to fifteen years. Due to grant restrictions, the Foundation may be required to obtain prior approval before disposing of any material fixed assets that have been purchased with grant funds.

Contributed Materials and Services

Generally, donated materials, if significant in amount, are recorded at their fair market value, provided the Foundation has a clearly measurable and objective basis or determining the value. In the case of materials where such values cannot reasonably be determined, the donation is not recorded. Donated professional services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses, capitalized in property and equipment, or an increase in inventory.

The Foundation received the following in-kind contributions in the current year:

Free use of facilities	$	102,857
Professional services		58,402
Supplies		22,866
	$	184,125

In addition, unpaid volunteers have donated their time to the Foundation's programs. The value of such services has not been reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition as contributed services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires by a stipulated time restriction lapsing or by the purpose of the restriction having been accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same period received are reported as unrestricted support.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on management's estimates.

Income Taxes

In October 1994, the Foundation received notification from the Internal Revenue Service that the Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as a public charity under Sections 509(a)(1) and 170(b)(1)(A)(vi). As such, the Foundation is exempt from Federal income tax. Therefore, no provision for income taxes is made in the accompanying financial statements.

The Foundation is no longer subject to U.S. federal income tax examinations by tax authorities for fiscal years before June 30, 2011.

Advertising

Advertising costs are expensed as incurred.

NOTE 3 – PROPERTY AND EQUIPMENT

As of June 30, 2014, property and equipment consisted of the following:

Computer equipment	$ 170,841
Furniture and fixtures	24,119
Leasehold improvements	734,402
Playground equipment	116,823
Program service equipment	3,995
Vehicles	335,463
	1,385,643
Less: accumulated depreciation	(723,188)
	$ 662,455

Depreciation expense for the year ended June 30, 2014 was $113,471.

NOTE 4 – LEASE AGREEMENTS

The Foundation has several non-cancelable operating leases for office space for their EHS, WIC and administrative locations. The monthly rent ranges from $900 to $17,016 per month. Rent expense under these agreements was $479,728 for the year ended June 30, 2014.

At June 30, 2014, future minimum rental payments due are as follows:

2015	$	484,925
2016	$	117,933
2017	$	86,869
2018	$	45,917
2019	$	45,917
Therafter	$	7,653

Subsequent to year end the Foundation entered into a non-cancelable operating lease agreement to expand the space at one of the WIC locations. The increase in rent was included in the above schedule.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

In November 2007, the Foundation signed a lease to rent space for several programs. In March 2010, the first amendment to the lease agreement was signed. This resulted in the Foundation paying $77,764 in leasehold improvements and obtaining the equivalent of 5.5 months worth of abated rent, which is recognized as a deferred lease liability on the Statement of Financial Position in accordance with FASB ASC 840-20-25-6 *Lease Incentives* and FASB ASC 840-20-25-1 *Operating Leases*, respectively.

In April 2012, the Foundation signed a lease to rent space for a WIC Clinic. The Foundation will receive one month of abated rent of $3,000 in January 2015. This is recognized as a deferred lease liability on the Statement of Financial Position in accordance with FASB ASC 840-20-25-1 *Operating Leases*.

In accordance with the GAAP literature, lease incentives are recognized as a reduction of rent expense on the straight line basis over the term of the lease, which ends in May 2015 and June 30, 2017, respectively.

The Foundation is at times involved in some disputes that relate to routine matters incidental to its business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Foundation's financial position, results of operations or cash flows.

NOTE 6 – CONCENTRATIONS

Approximately 79% of the Foundation's revenue is derived from two federal grants for the EHS and WIC programs. The current level of the Foundation's operations and program services may be impacted or segments discontinued if the funding was not renewed.

The Foundation has concentrated its credit risk for cash by maintaining deposits in financial institutions, which at times may exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

NOTE 7 – RETIREMENT PLAN

The Foundation has a defined contribution plan (the Plan) that was established in July 2010 and is available to all employees who normally work more than 20 hours per week. Eligible employees become a participant in the Plan on his/her first day of employment. Through payroll deduction, plan participants contribute elective deferrals up to the maximum amount allowed by law and the Plan. Currently, the Foundation is not matching employee contributions.

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets have been purchased with monies from grantors and are only to be used for their related program. If the Foundation ceases to operate the program the assets would be given to the succeeding organization. Temporarily restricted net assets are made up of program related fixed assets and inventory.

Temporarily restricted net assets are available for the following programs:

Early Head Start	$	713,418
Women, Infants and Children		110,549
Other		7,903
MIECHV		4,367
Home Instruction Program for Preschool Youngsters		3,227
	$	839,464

NOTE 9 – PRIOR PERIOD ADJUSTMENT

Management adopted an updated Capitalization Policy in the beginning of the fiscal year. The policy no longer uses "unit" costs for classroom or clinic assets. The Foundation now capitalizes all significant expenditures for property and equipment at cost. The threshold for capitalization was increased from $1,000 to $2,500. Management feels this change is more in line with industry standards. Since the policy changes materially affect the financials a prior period adjustment was recorded. Net assets as of June 30, 2014 were decreased by $119,904 due to the overstatement of fixed assets that would have been expensed under the new policy.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 9, 2014, which is the date the financial statements were available to be issued.

COMPLIANCE SECTION

INDEPENDENT AUDITOR'S 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 Directors of
Sunrise Children's Foundation

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 Sunrise Children's Foundation (a nonprofit organization) which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sunrise Children's Foundation'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 Sunrise Children's Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 Sunrise Children's Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ellsworth & Stout, LLC

Las Vegas, Nevada
December 9, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors of
Sunrise Children's Foundation

Report on Compliance for Each Major Federal Program

We have audited Sunrise Children's Foundation's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Sunrise Children's Foundation's major federal programs for the year ended June 30, 2014. Sunrise Children's Foundation'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sunrise Children's Foundation'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 OMB Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Sunrise Children's Foundation'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 Sunrise Children's Foundation's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Sunrise Children's Foundation complied, in all material respects, with the 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, 2014.

Report on Internal Control Over Compliance

Management of Sunrise Children's Foundation 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 Sunrise Children's Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Sunrise Children's Foundation'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. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purposes.

Ellsworth & Stout, LLC

Las Vegas, Nevada
December 9, 2014

SUNRISE CHILDREN'S FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
U.S. Dept. of Health and Human Services			
Early Head Start	93.600		$ 3,570,848
Passed through the Las Vegas Urban League:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDP)	93.596		384,289
Passed through the Nevada State Health Division:			
Maternal, Infant and Early Childhood Home Visiting Program (MIECHV)	93.505		260,800
U.S. Department of Agriculture			
Passed through the State of Nevada Department of Education:			
Child and Adult Care Food Program (CACFP)	10.558		130,234
Fresh Fruit and Vegetable Program	10.582		3,006
Passed through the Nevada Department of Health and Human Services:			
Women, Infants and Children (WIC) Program	10.557		1,858,757
Total Expenditures of Federal Awards			$ 6,207,934

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Sunrise Children's Foundation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditors' Results:

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weaknesses identified?		yes	x	no
Significant deficiencies identified?		yes	x	none reported
Noncompliance material to financial statements?		yes	x	no

Federal Awards

Internal control over major programs:				
Material weaknesses identified?		yes	x	no
Significant deficiencies identified?		yes	x	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?		yes	x	no

Identification of major programs:

CFDA Number	Name of Federal Program:
93.600	Early Head Start
10.557	Women, Infants and Children (WIC) Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee?	x	yes		no

Section II – Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States:

None reported.

Section III – Findings and questioned costs for federal awards, including audit findings as defined in Circular A-133 Section .510(a):

None reported.

SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditors' Results:

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weaknesses identified?		yes	x	no
Significant deficiencies identified?		yes	x	none reported
Noncompliance material to financial statements?		yes	x	no

Federal Awards

Internal control over major programs:				
Material weaknesses identified?		yes	x	no
Significant deficiencies identified?		yes	x	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?		yes	x	no

Identification of major programs:

CFDA Number	Name of Federal Program:
93.600	Early Head Start
10.557	Women, Infants and Children (WIC) Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee?	x	yes		no

Section II – Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States:

None reported.

Section III – Findings and questioned costs for federal awards, including audit findings as defined in Circular A-133 Section .510(a):

None reported.