SUNRISE CHILDREN'S FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

ELLSWORTH • STOUT
CPAs and Consultants

SUNRISE CHILDREN'S FOUNDATION
FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Table of Contents

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 statements of financial position as of June 30, 2016 and 2015, 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.

Auditor's 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 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, 2016 and 2015, 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.

Acuity Financial Center
7881 W. Charleston Blvd., Ste. 155 • Las Vegas, NV 89117
p 702•871•2727 f 702•876•0040
lvcpas.com
Members of the American Institute of Certified Public Accountants & Nevada Society of Certified Public Accountants

<u>Other Matters</u>

Our audits were 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 audits 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.

<u>Other Reporting Required by Government Auditing Standards</u>

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2016 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
October 11, 2016

SUNRISE CHILDREN'S FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS	**2016**	**2015**
Current Assets:		
Cash and cash equivalents	$ 838,519	$ 1,194,743
Cash and cash equivalents, restricted	11,399	5,787
Grants receivable	1,694,474	828,329
Pledges receivable	-	51,289
Other receivable	-	29,070
Inventory	11,711	14,738
Prepaid expenses	91,892	35,303
Total current assets	2,647,995	2,159,259
Property and Equipment, net	984,798	641,986
Other Assets:		
Refundable deposits	49,369	61,903
Total Assets	$ 3,682,162	$ 2,863,148

LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 299,839	$ 47,662
Accrued expenses	383,570	419,923
Deferred revenue	5,000	12,100
Current portion of deferred lease liability	2,759	590
Total current liabilities	691,168	480,275
Long-Term Liabilities:		
Deferred lease liability, net of current portion	15,159	5,094
	706,327	485,369
Net Assets:		
Unrestricted	1,841,675	1,635,024
Temporarily restricted	1,134,160	742,755
	2,975,835	2,377,779
Total Liabilities and Net Assets	$ 3,682,162	$ 2,863,148

See accompanying notes to the financial statements.

SUNRISE CHILDREN'S FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Unrestricted Net Assets		
Unrestricted revenue and other support:		
Grant income	$ 9,720,690	$ 7,146,321
Donations	100,787	221,487
Special events, net of expenses of $45,868 and $46,362, respectively	36,892	46,533
In-kind donations	299,239	130,041
Interest income	241	507
Other income	2,435	1,100
Net assets released from donor restrictions	323,716	224,573
	10,484,000	7,770,562
Expenses:		
Program services	9,727,381	7,002,161
Supporting Services:		
Management and general	514,803	417,489
Fundraising	32,603	54,454
	10,274,787	7,474,104
Other increase (decrease):		
Loss on sale of property and equipment	(2,561)	-
Increase in unrestricted net assets	206,652	296,458
Temporarily Restricted Net Assets		
Contributions	715,120	127,864
Net assets released from donor restrictions	(323,716)	(224,573)
Increase (decrease) in temporarily restricted net assets	391,404	(96,709)
Increase in Net Assets	598,056	199,749
Net Assets, Beginning of Year	2,377,779	2,178,030
Net Assets, End of Year	$ 2,975,835	$ 2,377,779

See accompanying notes to the financial statements.

SUNRISE CHILDREN'S FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Program	Management and General	Fundraising	Total
Advertising	$ 843	$ 3,078	$ -	$ 3,921
Automobile expenses	62,010	774	46	62,830
Bad debt	1,590	-	-	1,590
Bank charges	41	2,472	-	2,513
Depreciation	264,092	2,183	-	266,275
Dues and subscriptions	7,382	494	600	8,476
Education expenses	-	2,300	999	3,299
Fees and certifications	25,499	4,719	-	30,218
Fundraising	-	-	9,127	9,127
Insurance	544,548	73,321	16	617,885
Meals and entertainment	215	3,991	570	4,776
Miscellaneous	8,852	1,714	-	10,566
Occupancy	983,252	41,695	722	1,025,669
Office expenses	226,784	26,558	67	253,409
Professional fees	50,105	66,448	2,231	118,784
Program expenses	1,943,604	21,829	-	1,965,433
Repair and maintenance	207,544	1,128	2,562	211,234
Salaries, taxes and related expenses	5,269,074	256,508	13,562	5,539,144
Travel	48	-	2,085	2,133
Utilities	131,898	5,591	16	137,505
	$ 9,727,381	$ 514,803	$ 32,603	$ 10,274,787

See accompanying notes to the financial statements.

SUNRISE CHILDREN'S FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Program	Management and General	Fundraising	Total
Advertising	$ 1,088	$ 2,974	$ 15	$ 4,077
Automobile expenses	52,406	353	682	53,441
Bank charges	31	1,213	17	1,261
Depreciation	99,099	-	-	99,099
Dues and subscriptions	10,156	1,896	-	12,052
Education expenses	1,568	2,790	850	5,208
Fees and certifications	14,385	95	-	14,480
Fundraising	-	33	27,929	27,962
Insurance	507,108	65,682	29	572,819
Meals and entertainment	461	2,554	828	3,843
Miscellaneous	5,488	3,727	239	9,454
Occupancy	772,913	67,125	2,276	842,314
Office expenses	118,610	19,722	2,878	141,210
Professional fees	819	46,007	-	46,826
Program expenses	614,367	5,014	31	619,412
Repair and maintenance	180,059	9,216	21	189,296
Salaries, taxes and related expenses	4,535,437	184,195	16,809	4,736,441
Travel	189	360	1,850	2,399
Utilities	87,977	4,533	-	92,510
	$ 7,002,161	$ 417,489	$ 54,454	$ 7,474,104

See accompanying notes to the financial statements.

SUNRISE CHILDREN'S FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities		
Increase in Net Assets	$ 598,056	$ 199,749
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Deferred lease	12,234	(7,109)
Bad debt	1,590	-
Depreciation	266,275	99,099
Loss on sale of property and equipment	2,561	-
Changes in operating assets and liabilities:		
(Increase) decrease in grants receivable	(867,735)	(165,125)
(Increase) decrease in pledges receivable	51,289	(47,689)
(Increase) decrease in other receivable	29,070	(29,070)
(Increase) decrease in inventory	3,027	10,957
(Increase) decrease in prepaid expenses	(56,589)	14,476
(Increase) decrease in refundable deposits	12,534	(19,480)
Increase (decrease) in accounts payable	252,177	(9,823)
Increase (decrease) in accrued expenses	(36,353)	47,847
Increase (decrease) in deferred revenue	(7,100)	1,500
Net cash provided by operating activities	261,036	95,332
Cash Flows from Investing Activities		
Purchase of property and equipment	(611,648)	(78,630)
Net Change in Cash and Cash Equivalents	(350,612)	16,702
Cash and Cash Equivalents, Beginning of Year	1,200,530	1,183,828
Cash and Cash Equivalents, End of Year	$ 849,918	$ 1,200,530
Cash and Cash Equivalents, Unrestricted	$ 838,519	$ 1,194,743
Cash and Cash Equivalents, Temporarily Restricted	11,399	5,787
	$ 849,918	$ 1,200,530

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 five 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.

Maternal and Infant Early Childhood Home Visiting (MIECHV) – targets at-risk communities through two evidence-based home visiting programs that support healthy child development and ensures the safety of young children from birth to five years of age as well as family members.

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 Accounting Standards Codification (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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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, 2016 and 2015, no allowance for doubtful accounts was deemed necessary.

Inventory

Inventories, which consists of 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.

Property and Equipment

The Foundation capitalizes all significant expenditures for property and equipment at cost. The threshold for capitalization is $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 for the years ended June 30:

	2016	2015
Equipment and supplies	$ 135,523	$ 3,312
Free use of facilities	127,548	107,934
Professional services	36,168	18,795
	$ 299,239	$ 130,041

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Materials and Services (Continued)

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.

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). Therefore, no provision for income taxes is made in the accompanying financial statements.

As defined by ASC Topic 740, Income Taxes, no provision or liability for materially uncertain tax positions was deemed necessary by management. Therefore, no provision or liability for uncertain tax positions has been included in these financial statements.

The Foundation is no longer subject to potential U.S. federal income tax examinations by tax authorities for fiscal years before June 30, 2013.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2016 and 2015 was $3,921 and $4,077, respectively.

Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation. Net assets were unchanged due to these reclassifications.

NOTE 3 – PROPERTY AND EQUIPMENT

As of June 30, 2016 and 2015, property and equipment consisted of the following:

	2016	2015
Computer equipment	$ 324,783	$ 176,436
Furniture and fixtures	24,119	24,119
Leasehold improvements	1,097,868	801,139
Playground equipment	125,071	116,823
Program service equipment	27,773	10,293
Vehicles	465,543	335,463
	2,065,157	1,464,273
Less: accumulated depreciation	(1,080,359)	(822,287)
	$ 984,798	$ 641,986

Depreciation expense for the years ended June 30, 2016 and 2015 was $266,275 and $99,099, respectively.

NOTE 4 – LEASE AGREEMENTS

The Foundation has multiple non-cancelable operating leases for EHS, WIC and administrative locations ranging from one to eight years in length and expiring at various times through April 2021, with monthly rent ranging from $755 to $16,813 per month.

Future minimum lease payments are due as follows as of June 30, 2016:

2017	$ 627,307
2018	564,426
2019	436,015
2020	321,032
2021	25,000
	$ 1,973,780

Total rent expense for the years ended June 30, 2016 and 2015 was $767,896 and $645,318, respectively, and is included in the caption "Occupancy" on the accompanying Statements of Activities.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

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

For the year ended June 30, 2016, approximately 82% of the Foundation's revenue was derived from two federal grants for the EHS and WIC programs. The current level of the Foundation's operations and program services could be impacted or segments discontinued if funding for these programs was not renewed.

NOTE 7 – RETIREMENT PLAN

The Foundation has a defined contribution plan (the Plan) available to all employees who meet eligibility requirements. Employees become a participant in the Plan on the first day of the month following the completion of the eligibility requirements. Through payroll deduction, plan participants contribute elective deferrals up to the maximum amount allowed by law and the Plan. The Foundation can make matching and nonelective contributions to the Plan although they are not required to do so.

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

The Foundation has received restricted funds in support of various programs. If the Foundation ceases to operate the federally supported programs the assets purchased with monies from grantors would be given to the succeeding organization.

Temporarily restricted net assets are available for the following programs:

	2016	2015
Early Head Start	$ 949,754	$ 596,570
Women, Infants and Children	165,314	129,468
MIECHV	8,596	2,880
Home Instruction Program for Preschool Youngsters	5,496	1,737
Other	5,000	12,100
	$ 1,134,160	$ 742,755

Temporarily restricted net assets consist of the following assets:

	2016	2015
Cash	$ 11,399	$ 5,787
Pledges receivable	-	8,100
Inventory	11,711	14,738
Prepaid expenses	91,892	33,109
Property and equipment	976,775	631,618
Deposits	42,383	49,403
	$ 1,134,160	$ 742,755

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 11, 2016, 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 statements of financial position as of June 30, 2016 and 2015, 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 11, 2016.

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
October 11, 2016

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

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 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 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, 2016.

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 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 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.

Acuity Financial Center
7881 W. Charleston Blvd., Ste. 155 • Las Vegas, NV 89117
p 702•871•2727 f 702•876•0040
lvcpas.com

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 purposes.

Ellsworth & Stout, LLC

Las Vegas, Nevada
October 11, 2016

SUNRISE CHILDREN'S FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
U.S. Dept. of Health and Human Services			
Early Head Start	93.600		$ 7,141,482
Passed through the Nevada State Health Division:			
Maternal, Infant and Early Childhood Home Visiting Program (MIECHV)	93.505		292,094
U.S. Department of Agriculture			
Passed through the Nevada Department of Health and Human Services:			
Women, Infants and Children (WIC) Program	10.557		2,215,012
Passed through the Nevada Department of Agriculture:			
Child and Adult Care Food Program (CACFP)	10.558		166,311
Total Expenditures of Federal Awards			$ 9,814,899

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Sunrise Children's Foundation under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Sunrise Children's Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Sunrise Children's Foundation.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

As of December 1, 2015, Sunrise Children's Foundation has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified			
Internal control over financial reporting:				
Material weaknesses identified?		yes	x	no
Significant deficiencies identified?		yes	x	none reported
Noncompliance material to financial statements noted?		yes	x	no

Federal Awards

Internal control over major federal programs:				
Material weaknesses identified?		yes	x	no
Significant deficiencies identified?		yes	x	none reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?		yes	x	no

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster:
93.600	Early Head Start

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

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

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified			
Internal control over financial reporting:				
Material weaknesses identified?		yes	x	no
Significant deficiencies identified?		yes	x	none reported
Noncompliance material to financial statements noted?		yes	x	no

Federal Awards

Internal control over major federal programs:				
Material weaknesses identified?		yes	x	no
Significant deficiencies identified?		yes	x	none reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?		yes	x	no

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster:
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 – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.