

SUNRISE CHILDREN'S FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

**SUNRISE CHILDREN’S FOUNDATION
FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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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 statements of financial position as of June 30, 2020 and 2019, 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 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, 2020 and 2019, 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.



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Other Matters

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 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 January 12, 2021 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 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 the effectiveness of the Sunrise Children's Foundation's 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
January 12, 2021

**SUNRISE CHILDREN'S FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,472,107	\$ 3,919,589
Grants receivable	1,276,615	981,595
Inventory	4,877	10,337
Prepaid expenses	61,565	52,078
Total current assets	<u>5,815,164</u>	<u>4,963,599</u>
Property and Equipment, net	1,357,023	1,565,864
Other Assets:		
Refundable deposits	75,016	75,016
Total Assets	<u>\$ 7,247,203</u>	<u>\$ 6,604,479</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 34,674	\$ 43,729
Accrued expenses	466,743	351,124
Total current liabilities	<u>501,417</u>	<u>394,853</u>
Net Assets:		
Without donor restrictions	5,286,553	4,516,725
With donor restrictions	1,459,233	1,692,901
	<u>6,745,786</u>	<u>6,209,626</u>
Total Liabilities and Net Assets	<u>\$ 7,247,203</u>	<u>\$ 6,604,479</u>

See accompanying notes to the financial statements.

SUNRISE CHILDREN'S FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Net Assets without Donor Restrictions		
Revenue and other support:		
Grant income	\$ 12,153,186	\$ 12,216,640
Contributions	36,113	26,522
Special events, net of expenses of \$13,767 and \$49,613, respectively	52,373	43,228
In-kind donations	528,150	762,060
Interest income	5,859	4,580
Other income	9,057	15,258
Net assets released from donor restrictions	289,317	393,204
	<u>13,074,055</u>	<u>13,461,492</u>
Expenses:		
Program services	11,432,900	12,161,454
Supporting Services:		
Management and general	829,960	775,284
Fundraising	41,367	40,265
	<u>12,304,227</u>	<u>12,977,003</u>
Other increase (decrease):		
Loss on disposal of property and equipment	-	(11,071)
Increase in net assets without donor restrictions	769,828	473,418
	<u>769,828</u>	<u>473,418</u>
Net Assets with Donor Restrictions		
Contributions	55,649	19,214
Net assets released from donor restrictions	(289,317)	(393,204)
Decrease in net assets with donor restrictions	(233,668)	(373,990)
	<u>(233,668)</u>	<u>(373,990)</u>
Increase in Net Assets	536,160	99,428
Net Assets, Beginning of Year	6,209,626	6,110,198
Net Assets, End of Year	<u>\$ 6,745,786</u>	<u>\$ 6,209,626</u>

See accompanying notes to the financial statements.

SUNRISE CHILDREN'S FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program	Management and General	Fundraising	Total
Advertising	\$ 310	\$ 2,142	\$ -	\$ 2,452
Automobile expenses	52,411	1,199	37	53,647
Bank charges	-	1,895	-	1,895
Depreciation	260,321	3,473	-	263,794
Dues and subscriptions	27,814	16,864	-	44,678
Education expenses	44,726	4,031	656	49,413
Fees and certifications	66,585	27,352	102	94,039
Fundraising	-	150	12,258	12,408
Insurance	628,334	145,218	-	773,552
Meals and entertainment	5,145	7,275	9,247	21,667
Miscellaneous	13,965	8,825	3,119	25,909
Occupancy	1,519,243	56,294	950	1,576,487
Office expenses	232,570	30,599	1,571	264,740
Professional fees	50,946	19,540	252	70,738
Program expenses	1,505,716	-	-	1,505,716
Repair and maintenance	171,936	15,767	18	187,721
Salaries, taxes and related expenses	6,695,468	477,051	13,147	7,185,666
Travel	28,175	3,777	-	31,952
Utilities	129,235	8,508	10	137,753
	<u>\$ 11,432,900</u>	<u>\$ 829,960</u>	<u>\$ 41,367</u>	<u>\$ 12,304,227</u>

See accompanying notes to the financial statements.

SUNRISE CHILDREN'S FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program	Management and General	Fundraising	Total
Advertising	\$ 1,774	\$ 22,643	\$ 741	\$ 25,158
Automobile expenses	70,132	987	59	71,178
Bank charges	-	2,028	-	2,028
Depreciation	317,949	3,473	-	321,422
Dues and subscriptions	9,914	10,084	-	19,998
Education expenses	24,673	1,014	166	25,853
Fees and certifications	72,801	15,847	25	88,673
Fundraising	-	-	933	933
Insurance	707,894	90,180	62	798,136
Meals and entertainment	3,430	10,686	12,614	26,730
Miscellaneous	14,054	11,034	-	25,088
Occupancy	1,748,186	38,477	1,018	1,787,681
Office expenses	294,591	27,065	2,412	324,068
Professional fees	55,395	35,940	946	92,281
Program expenses	1,994,312	-	-	1,994,312
Repair and maintenance	148,009	11,509	-	159,518
Salaries, taxes and related expenses	6,429,564	476,464	21,289	6,927,317
Travel	117,050	11,686	-	128,736
Utilities	151,726	6,167	-	157,893
	<u>\$ 12,161,454</u>	<u>\$ 775,284</u>	<u>\$ 40,265</u>	<u>\$ 12,977,003</u>

See accompanying notes to the financial statements.

**SUNRISE CHILDREN'S FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 536,160	\$ 99,428
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Deferred lease	-	(18,002)
Depreciation	263,794	321,422
Loss on disposal of property and equipment	-	11,071
Changes in operating assets and liabilities:		
(Increase) decrease in grants receivable	(295,020)	365,081
(Increase) decrease in inventory	5,460	(672)
(Increase) decrease in prepaid expenses	(9,487)	45,828
Increase (decrease) in accounts payable	(9,055)	(48,711)
Increase (decrease) in accrued expenses	115,619	58,339
Net cash provided by operating activities	<u>607,471</u>	<u>833,784</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	<u>(54,953)</u>	<u>(5,250)</u>
Net Change in Cash and Cash Equivalents	552,518	828,534
Cash and Cash Equivalents, Beginning of Year	<u>3,919,589</u>	<u>3,091,055</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,472,107</u>	<u>\$ 3,919,589</u>

See accompanying notes to the financial statements.

SUNRISE CHILDREN'S FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Sunrise Children's Foundation (the 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.

Nature of the Organization

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.

Basis of Presentation

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. The Foundation presents a classified statement of financial position with additional qualitative information about availability of resources and liquidity in Note 2.

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 Standard Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958 (as amended by Accounting Standards Update (ASU) 2016-14), the Foundation is required to report information regarding its financial position and changes in financial position according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The classification of net assets is based on the existence or absence of donor-imposed restrictions. Net assets are released by donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors.

SUNRISE CHILDREN'S FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2020 and 2019, no allowance for doubtful accounts was deemed necessary.

Inventory

Inventory, which consists of program supplies held in storage and not yet placed in service, is 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 \$5,000. 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.

Revenue Recognition

Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire (that is, when a stipulated time restriction ends or the purpose of a restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

SUNRISE CHILDREN'S FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 for 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 if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased if not provided by donation.

The Foundation recognized the following in-kind donations in the following years:

	<u>2020</u>	<u>2019</u>
Equipment and supplies	\$ 8,084	\$ 49,153
Free use of facilities	484,281	673,747
Professional services	<u>35,785</u>	<u>39,160</u>
	<u>\$ 528,150</u>	<u>\$ 762,060</u>

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.

Allocation Methodology

The statement of functional expenses presents expenditures by both their nature and their function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated using a time study that is performed by management on the basis of estimates of time and effort, except for the expenses labeled bank charges, fundraising, and program expenses that are direct expenses.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2020 and 2019 was \$2,452 and \$25,158, respectively.

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, 2017.

SUNRISE CHILDREN'S FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

In August 2015, the original effective dates of ASU 2014-09 were deferred by one year through the issuance of ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. For most nonprofit organizations, ASU 2014-09 (as revised) is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. Early application is allowed, but no earlier than annual reporting periods beginning after December 15, 2016, including interim reporting periods within that period. The Foundation has implemented this new standard at the beginning of the fiscal year and management has determined that the effects of implementation did not materially impact the recognition of revenues.

In February 2016, the FASB issued ASU 2016-02 (Topic 842) pertaining to leases. This pronouncement is effective for non-public companies for fiscal years beginning after December 15, 2021, with early adoption permitted. Management has not yet evaluated the effects of this standard on the Foundation's financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY

As of June 30, 2020 and 2019, the Foundation has \$5,741,625 and \$4,891,962, respectively, of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$4,465,010 and \$3,910,367 and grants receivable of \$1,276,615 and \$981,595. Contractual or donor imposed restrictions are not available for general expenditure. As part of the Foundation's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 3 – PROPERTY AND EQUIPMENT

As of June 30, 2020 and 2019, property and equipment consisted of the following:

	2020	2019
Computer equipment	\$ 224,405	\$ 224,405
Furniture and fixtures	52,751	52,751
Leasehold improvements	1,913,434	1,889,801
Playground equipment	269,944	238,624
Program service equipment	6,544	6,544
Vehicles	210,044	210,044
	<u>2,677,122</u>	<u>2,622,169</u>
Less: accumulated depreciation	<u>(1,320,099)</u>	<u>(1,056,305)</u>
	<u>\$ 1,357,023</u>	<u>\$ 1,565,864</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$263,794 and \$321,422, respectively.

SUNRISE CHILDREN'S FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2020 AND 2019

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 February 2025, with monthly rent ranging from \$755 to \$21,119 per month. Payments related to optional lease extensions are not included in future minimum lease payments until terms have been agreed to.

Future minimum lease payments are as follows for the years ending June 30:

2021	\$ 666,591
2022	566,954
2023	384,526
2024	306,660
2025	<u>160,388</u>
	<u>\$ 2,085,119</u>

Total rent expense for the years ended June 30, 2020 and 2019 was \$1,381,210 and \$1,446,988, respectively, and is included in the caption "Occupancy" on the accompanying statements of functional expenses.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

The Foundation is at times involved in 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 years ended June 30, 2020 and 2019, approximately 79% and 77%, respectively, 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. It is always considered reasonably possible that benefactors, grantors or contributors might be lost in the near term.

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.

SUNRISE CHILDREN'S FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2020 AND 2019

NOTE 8 – NET ASSETS

Net Assets without Donor Restrictions

As of June 30, 2020 and 2019, there were no governing board designations.

Net Assets with Donor Restrictions

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

Net assets with donor restrictions were available for the following purposes as of June 30:

	<u>2020</u>	<u>2019</u>
Early Head Start	\$ 1,172,724	\$ 1,365,634
Women, Infants and Children	277,125	315,386
MIECHV	9,384	11,881
	<u>\$ 1,459,233</u>	<u>\$ 1,692,901</u>

Net assets with donor restrictions consisted of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Cash	\$ 7,097	\$ 9,222
Inventory	4,877	10,337
Prepaid expenses	22,205	39,448
Property and equipment	1,357,023	1,565,863
Deposits	68,031	68,031
	<u>\$ 1,459,233</u>	<u>\$ 1,692,901</u>

NOTE 9 - CONTINGENCIES

In March 2020, the World Health Organization officially characterized a novel strain of the coronavirus (COVID-19) as a global pandemic. Management is currently responding to the existing effects and planning for the potential future effects that the COVID-19 pandemic may have on the Foundation's operations, including the overall health of the economy and consumer spending. At the current time, management is unable to quantify the potential effects of this pandemic on the Foundation's future financial statements.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 12, 2021, 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) (the Foundation) which comprise the statements of financial position as of June 30, 2020 and 2019, 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 January 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 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 the 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
January 12, 2021



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**INDEPENDENT AUDITOR'S 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 (the Foundation) 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 Foundation's major federal programs for the year ended June 30, 2020. The 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 the 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 the 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 the Foundation's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the 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, 2020.

Report on Internal Control over Compliance

Management of the 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 the 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 the 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.



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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
January 12, 2021

**SUNRISE CHILDREN'S FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH ENTITY IDENTIFYING NUMBER	PASSED THROUGH TO SUBRECIPIENTS	FEDERAL EXPENDITURES
U.S. Department of Health and Human Services				
Early Head Start	93.600		\$ -	\$ 7,821,711
Passed through the Nevada Department of Health and Human Services Division of Public & Behavioral Health:				
Maternal, Infant and Early Childhood Home Visiting Program (MIECHV)	93.870	HD#16736 HD#17280	-	143,597
Maternal and Child Health Services Block Grant to the States	93.994	HD#16737 HD#17464	-	256,325
U.S. Department of Agriculture				
Passed through the Nevada Department of Health and Human Services:				
Special Supplemental Nutrition Program for Women, Infants and Children (WIC) Program	10.557	HD#16666 HD#17303	-	2,224,678
Special Supplemental Nutrition Program for Women, Infants and Children (WIC) Program (Breast Feeding)	10.557	HD#16672 HD#17287	-	144,807
Passed through the Nevada Department of Agriculture:				
Child & Adult Care Food Program (CACFP)	10.558	C1334	-	148,576
Total Expenditures of Federal Awards			\$ -	\$ 10,739,694

**SUNRISE CHILDREN'S FOUNDATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Sunrise Children's Foundation (the Foundation) under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Foundation.

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

The Foundation has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

**SUNRISE CHILDREN'S FOUNDATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2020**

Section I - Summary of Auditor's 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?	<u> </u> yes	<u> x </u> no
Significant deficiencies identified?	<u> </u> yes	<u> x </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> x </u> no

Federal Awards

Internal control over major federal programs:

Material weaknesses identified?	<u> </u> yes	<u> x </u> no
Significant deficiencies identified?	<u> </u> yes	<u> x </u> 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 2 CFR 200.516(a)? yes x no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster:</u>
10.557	Special Supplemental Nutrition Program for Women, Infants and Children (WIC) Program

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

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

**SUNRISE CHILDREN'S FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

**SCHEDULE OF PRIOR FINDINGS AND
QUESTIONED COSTS**

**SUNRISE CHILDREN'S FOUNDATION
 SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2019**

Section I - Summary of Auditor's 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?	<u> </u> yes	<u> x </u> no
Significant deficiencies identified?	<u> </u> yes	<u> x </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> x </u> no

Federal Awards

Internal control over major federal programs:

Material weaknesses identified?	<u> </u> yes	<u> x </u> no
Significant deficiencies identified?	<u> </u> yes	<u> x </u> 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 2 CFR 200.516(a)? yes x no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster:</u>
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

**SUNRISE CHILDREN'S FOUNDATION
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.