

**SUNRISE CHILDREN'S FOUNDATION**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

**SUNRISE CHILDREN'S FOUNDATION  
FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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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, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



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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 December 19, 2019 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 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 19, 2019

**SUNRISE CHILDREN'S FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 3,919,589	\$ 3,091,055
Grants receivable	981,595	1,346,676
Inventory	10,337	9,665
Prepaid expenses	52,078	97,906
Total current assets	<u>4,963,599</u>	<u>4,545,302</u>
<b>Property and Equipment, net</b>	1,565,864	1,893,107
<b>Other Assets:</b>		
Refundable deposits	<u>75,016</u>	<u>75,016</u>
<b>Total Assets</b>	<u><u>\$ 6,604,479</u></u>	<u><u>\$ 6,513,425</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 43,729	\$ 92,440
Accrued expenses	351,124	292,785
Current portion of deferred lease liability	-	7,450
Total current liabilities	<u>394,853</u>	<u>392,675</u>
<b>Long-Term Liabilities:</b>		
Deferred lease liability, net of current portion	-	10,552
	<u>394,853</u>	<u>403,227</u>
<b>Net Assets:</b>		
Without donor restrictions	4,516,725	4,043,307
With donor restrictions	1,692,901	2,066,891
	<u>6,209,626</u>	<u>6,110,198</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 6,604,479</u></u>	<u><u>\$ 6,513,425</u></u>

*See accompanying notes to the financial statements.*

**SUNRISE CHILDREN'S FOUNDATION**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Net Assets without Donor Restrictions</b>		
Revenue and other support:		
Grant income	\$ 12,216,640	\$ 12,877,650
Contributions	26,522	27,951
Special events, net of expenses of \$49,613 and \$52,028, respectively	43,228	39,598
In-kind donations	762,060	630,100
Interest income	4,580	1,179
Other income	15,258	2,011
Net assets released from donor restrictions	393,204	347,179
	<u>13,461,492</u>	<u>13,925,668</u>
Expenses:		
Program services	12,161,454	12,155,012
Supporting Services:		
Management and general	775,284	646,914
Fundraising	40,265	67,380
	<u>12,977,003</u>	<u>12,869,306</u>
Other increase (decrease):		
Loss on disposal of property and equipment	(11,071)	-
Increase in net assets without donor restrictions	473,418	1,056,362
	<u>473,418</u>	<u>1,056,362</u>
<b>Net Assets with Donor Restrictions</b>		
Contributions	19,214	466,685
Net assets released from donor restrictions	(393,204)	(347,179)
Increase (decrease) in net assets with donor restrictions	(373,990)	119,506
	<u>(373,990)</u>	<u>119,506</u>
<b>Increase in Net Assets</b>	99,428	1,175,868
<b>Net Assets, Beginning of Year</b>	6,110,198	4,934,330
<b>Net Assets, End of Year</b>	<u>\$ 6,209,626</u>	<u>\$ 6,110,198</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**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2018**

	Program	Management and General	Fundraising	Total
Advertising	\$ 17,431	\$ 6,646	\$ 775	\$ 24,852
Automobile expenses	57,700	173	-	57,873
Bank charges	-	2,050	30	2,080
Depreciation	291,120	-	-	291,120
Dues and subscriptions	27,964	6,000	-	33,964
Education expenses	37,170	2,438	150	39,758
Fees and certifications	510,617	45,387	132	556,136
Fundraising	-	-	2,369	2,369
Insurance	678,694	121,547	176	800,417
Meals and entertainment	7,274	6,362	7,094	20,730
Miscellaneous	9,849	7,588	1,229	18,666
Occupancy	1,589,772	32,773	24,843	1,647,388
Office expenses	247,648	32,907	2,946	283,501
Professional fees	32,518	43,233	-	75,751
Program expenses	2,303,352	-	-	2,303,352
Repair and maintenance	212,525	7,772	1,275	221,572
Salaries, taxes and related expenses	5,880,917	318,707	26,361	6,225,985
Travel	102,915	8,574	-	111,489
Utilities	147,546	4,757	-	152,303
	<u>\$ 12,155,012</u>	<u>\$ 646,914</u>	<u>\$ 67,380</u>	<u>\$ 12,869,306</u>

*See accompanying notes to the financial statements.*

**SUNRISE CHILDREN'S FOUNDATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 99,428	\$ 1,175,868
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Deferred lease	(18,002)	2,299
Depreciation	321,422	291,120
Loss on disposal of property and equipment	11,071	-
Changes in operating assets and liabilities:		
(Increase) decrease in grants receivable	365,081	(162,609)
(Increase) decrease in inventory	(672)	(663)
(Increase) decrease in prepaid expenses	45,828	(20,104)
(Increase) decrease in refundable deposits	-	(22,317)
Increase (decrease) in accounts payable	(48,711)	(47,778)
Increase (decrease) in accrued expenses	58,339	(44,035)
Net cash provided by operating activities	<u>833,784</u>	<u>1,171,781</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	<u>(5,250)</u>	<u>(421,917)</u>
<b>Net Change in Cash and Cash Equivalents</b>	828,534	749,864
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>3,091,055</u>	<u>2,341,191</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 3,919,589</u></u>	<u><u>\$ 3,091,055</u></u>

*See accompanying notes to the financial statements.*

**SUNRISE CHILDREN'S FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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**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, 2019 AND 2018**

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**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, 2019 and 2018, 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, 2019 AND 2018**

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**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:

	2019	2018
Equipment and supplies	\$ 49,153	\$ 67,624
Free use of facilities	673,747	538,504
Professional services	39,160	23,972
	<u>\$ 762,060</u>	<u>\$ 630,100</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, 2019 and 2018 was \$25,158 and \$24,852, 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, 2016.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**New Accounting Pronouncements**

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): *Classification of Certain Cash Receipts and Cash Payments*. This ASU provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. The ASU requires a retrospective application; however, if it is impracticable to apply the guidance retrospectively for some of the issues, the guidance for those issues would be applied prospectively as of the earliest date practicable. The ASU is effective for non-public companies for annual reporting periods beginning after December 15, 2018, with early adoption permitted. Management is currently evaluating the impact the adoption of this guidance will have on its statement of cash flows.

In February 2016, the FASB issued ASU 2016-02, (Topic 842): *Leases*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). This ASU requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. Lessors should account for leases, in according with this ASU, using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. The ASU requires a modified retrospective approach with optional practical expedients and other special transition provisions. The ASU is effective for non-public companies for annual reporting periods beginning after December 15, 2020, with early adoption permitted. The adoption of this guidance is not expected to have a material impact on the Foundation's financial statements.

In May 2014, the FASB issued ASU 2014-09 (Topic 606) pertaining to revenue from contracts with customers, including a number of subsequent updating pronouncements. This pronouncement is effective for non-public companies for annual periods beginning after December 15, 2018, with early adoption permitted for periods beginning after December 15, 2016. Although a final determination of the potential impact of this new accounting pronouncement has not yet been completed, it appears that the substance of the new accounting principle, which is to change current revenue recognition guidance to a single, principle-based model that requires an entity to recognize revenue in a manner that depicts the transfer of goods or services to its customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, is consistent with the position of the Foundation's existing revenue recognition practices. Management is still evaluating the effects of this standard on the Foundation's financial statements.

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

As of June 30, 2019 and 2018, the Foundation has \$4,891,962 and \$4,411,279, 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 \$3,910,367 and \$3,064,603 and grants receivable of \$981,595 and \$1,346,676. 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.

**SUNRISE CHILDREN'S FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2019 AND 2018**

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**NOTE 3 – PROPERTY AND EQUIPMENT**

As of June 30, 2019 and 2018, property and equipment consisted of the following:

	<u>2019</u>	<u>2018</u>
Computer equipment	\$ 224,405	\$ 224,405
Furniture and fixtures	52,752	52,752
Leasehold improvements	1,889,801	1,893,816
Playground equipment	238,623	257,635
Program service equipment	6,544	6,544
Vehicles	<u>210,044</u>	<u>210,044</u>
	2,622,169	2,645,196
Less: accumulated depreciation	<u>(1,056,305)</u>	<u>(752,089)</u>
	<u>\$ 1,565,864</u>	<u>\$ 1,893,107</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$321,422 and \$291,120, 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 July 2023, 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:

2020	\$ 593,887
2021	249,491
2022	158,784
2023	68,334
2024	3,013
Thereafter	<u>-</u>
	<u>\$ 1,073,509</u>

Total rent expense for the years ended June 30, 2019 and 2018 was \$1,446,988 and \$1,329,820, 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.

**SUNRISE CHILDREN'S FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2019 AND 2018**

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**NOTE 6 – CONCENTRATIONS**

For the years ended June 30, 2019 and 2018, approximately 77% and 82%, 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.

**NOTE 8 – NET ASSETS**

**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>2019</u>	<u>2018</u>
Early Head Start	\$ 1,365,634	\$ 1,688,547
Women, Infants and Children	315,386	340,536
MIECHV	11,881	37,808
	<u>\$ 1,692,901</u>	<u>\$ 2,066,891</u>

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

	<u>2019</u>	<u>2018</u>
Cash	\$ 9,222	\$ 26,452
Inventory	10,337	9,665
Prepaid expenses	39,448	69,637
Property and equipment	1,565,863	1,893,106
Deposits	68,031	68,031
	<u>\$ 1,692,901</u>	<u>\$ 2,066,891</u>

**Net Assets without Donor Restrictions**

As of June 30, 2019 and 2018, there were no governing board designations.

**SUNRISE CHILDREN'S FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2019 AND 2018**

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**NOTE 9 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 19, 2019, 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, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2019.

**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 19, 2019



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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 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, 2019. 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, 2019.

**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.



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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  
December 19, 2019

**SUNRISE CHILDREN’S FOUNDATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH ENTITY IDENTIFYING NUMBER	PASSED THROUGH TO SUBRECIPIENTS	FEDERAL EXPENDITURES
<b>U.S. Department of Health and Human Services</b>				
Early Head Start	93.600		\$ -	\$ 7,862,682
Passed through the Nevada Department of Health and Human Services:				
Maternal, Infant and Early Childhood Home Visiting Program (MIECHV)	93.870	HD#16196 HD#16736	-	333,604
Passed through the Nevada Department of Health and Human Services:				
Maternal, Infant and Early Childhood Home Visiting Program (MIECHV)	93.994	HD#16737	-	31,669
<b>U.S. Department of Agriculture</b>				
Passed through the Nevada Department of Health and Human Services:				
Special Supplemental Nutrition Program for Women, Infants and Children (WIC) Program	10.557	HD#16161 HD#16666 HD#16168 HD#16672	-	2,271,646
Passed through the Nevada Department of Agriculture:				
Child and Adult Care Food Program (CACFP)	10.558	C1334	-	240,894
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 10,740,495</u>

**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, 2018. 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

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**

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

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**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 FINDINGS AND QUESTIONED COSTS - CONTINUED  
YEAR ENDED JUNE 30, 2019**

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**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, 2018**

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**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	Women, Infants and Children (WIC)

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, 2017**

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**Section II – Financial Statement Findings**

None reported.

**Section III – Federal Award Findings and Questioned Costs**

None reported.