SUNRISE CHILDREN'S FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

ELLSWORTH • STOUT

CPAs and Consultants

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FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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Independent Auditor's Report

To the Board of Directors of
Sunrise Children's Foundation

Report on the Audit of the Financial Statements

Opinion
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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sunrise Children's Foundation (the "Foundation") as of June 30, 2023 and 2022, 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.

Basis for Opinion
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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information
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 schedule of expenditures of federal awards 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 November 13, 2023 on our consideration of the 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 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 the Foundation's internal control over financial reporting and compliance.

Ellsworth & Stout, LLC

Las Vegas, Nevada
November 13, 2023

SUNRISE CHILDREN'S FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 6,025,624	$ 5,000,380
Grants receivable	1,654,535	1,614,011
Inventory	35,842	37,990
Prepaid expenses	92,364	112,515
Total current assets	7,808,365	6,764,896
Property and Equipment, net	899,471	820,699
Other Assets:		
ROU asset for operating leases, net	1,459,707	-
Refundable deposits	75,016	75,016
Total other assets	1,534,723	75,016
Total Assets	$ 10,242,559	$ 7,660,611
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 2,857	$ 161,064
Accrued expenses	467,999	559,072
Current operating lease liability	654,676	-
Total current liabilities	1,125,532	720,136
Long-Term Liabilities:		
Liability for operating leases, net	809,557	-
Total Liabilities	1,935,089	720,136
Net Assets:		
Without donor restrictions	7,226,985	5,919,224
With donor restrictions	1,080,485	1,021,251
	8,307,470	6,940,475
Total Liabilities and Net Assets	$ 10,242,559	$ 7,660,611

See accompanying notes to the financial statements.

SUNRISE CHILDREN'S FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Net Assets without Donor Restrictions		
Revenue and other support:		
Grant income	$ 11,299,404	$ 10,100,532
Contributions	23,998	35,235
Special events, net of expenses of $24,143 and $0, respectively	16,865	-
In-kind donations	607,734	639,765
Interest income	12,210	4,358
Other income	13,402	4,898
Net assets released from donor restrictions	248,944	475,120
	12,222,557	11,259,908
Expenses:		
Program services	10,157,966	9,757,216
Supporting Services:		
Management and general	739,844	743,989
Fundraising	16,986	3,842
	10,914,796	10,505,047
Other increase (decrease):		
Loss on disposal of property and equipment	-	(271,771)
Increase in net assets without donor restrictions	1,307,761	483,090
Net Assets with Donor Restrictions		
Grant income	308,178	198,373
Net assets released from donor restrictions	(248,944)	(475,120)
Increase (decrease) in net assets with donor restrictions	59,234	(276,747)
Increase in Net Assets	1,366,995	206,343
Net Assets, Beginning of Year	6,940,475	6,734,132
Net Assets, End of Year	$ 8,307,470	$ 6,940,475

See accompanying notes to the financial statements.

SUNRISE CHILDREN'S FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program	Management and General	Fundraising	Total
Advertising	$ -	$ 3,738	$ -	$ 3,738
Automobile expenses	38,753	791	-	39,544
Bank charges	-	806	8	814
Depreciation	135,379	-	-	135,379
Dues and subscriptions	78,529	17,238	-	95,767
Education expenses	151,755	-	1,533	153,288
Fees and certifications	63,945	14,999	-	78,944
Fundraising	-	-	1,724	1,724
Insurance	565,934	124,230	-	690,164
Meals and entertainment	2,043	775	4,228	7,046
Miscellaneous	19,461	3,493	1,996	24,950
Occupancy	1,519,336	63,306	-	1,582,642
Office expenses	244,472	12,867	-	257,339
Professional fees	133,805	-	-	133,805
Program expenses	1,423,290	-	-	1,423,290
Repairs and maintenance	94,244	20,688	-	114,932
Salaries and related expenses	5,496,224	470,435	7,497	5,974,156
Travel	53,726	2,239	-	55,965
Utilities	137,070	4,239	-	141,309
	$ 10,157,966	$ 739,844	$ 16,986	$ 10,914,796

See accompanying notes to the financial statements.

SUNRISE CHILDREN'S FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program	Management and General	Fundraising	Total
Advertising	$ -	$ 863	$ -	$ 863
Automobile expenses	30,014	567	-	30,581
Bad debt	4,000	-	-	4,000
Bank charges	-	486	-	486
Depreciation	176,424	-	-	176,424
Dues and subscriptions	50,169	9,482	-	59,651
Education expenses	33,522	1,679	1,977	37,178
Fees and certifications	69,786	13,790	-	83,576
Insurance	688,812	95,760	-	784,572
Meals and entertainment	21	325	-	346
Miscellaneous	8,209	3,964	178	12,351
Occupancy	1,616,623	57,829	1,025	1,675,477
Office expenses	170,699	27,848	281	198,828
Professional fees	57,581	23,847	2	81,430
Program expenses	1,185,615	-	-	1,185,615
Repairs and maintenance	114,223	18,151	9	132,383
Salaries and related expenses	5,410,058	486,710	336	5,897,104
Travel	9,148	-	-	9,148
Utilities	132,312	2,688	34	135,034
	$ 9,757,216	$ 743,989	$ 3,842	$ 10,505,047

See accompanying notes to the financial statements.

SUNRISE CHILDREN'S FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash Flows from Operating Activities		
Increase in net assets	$ 1,366,995	$ 206,343
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Bad debt	-	4,000
Depreciation	135,379	176,424
Loss on disposal of property and equipment	-	271,771
Lease accretion	4,526	-
Changes in operating assets and liabilities:		
(Increase) decrease in grants receivable	(40,524)	(628,425)
(Increase) decrease in inventory	2,148	(22,968)
(Increase) decrease in prepaid expenses	20,151	(47,038)
Increase (decrease) in accounts payable	(158,207)	146,977
Increase (decrease) in accrued expenses	(91,073)	84,260
Net cash provided by operating activities	1,239,395	191,344
Cash Flows from Investing Activities		
Purchase of property and equipment	(214,151)	(70,603)
Net cash used in investing activities	(214,151)	(70,603)
Net Change in Cash and Cash Equivalents	1,025,244	120,741
Cash and Cash Equivalents, Beginning of Year	5,000,380	4,879,639
Cash and Cash Equivalents, End of Year	$ 6,025,624	$ 5,000,380

See accompanying notes to the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of 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 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.

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.

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.

Accounts and Grants Receivable

Accounts receivable consist primarily of patient receivables that represent amounts due but not received at the closing date of the fiscal year from individuals, Medicaid, and private insurance companies for services provided. Receivables are stated at net realizable value. Management closely monitors outstanding balances and determines whether certain accounts should be written off during the year.

Grants receivable are recorded at the amount the Foundation expects to collect on the balances outstanding. Management closely monitors outstanding balances and determines whether certain accounts should be written off during the year. As of June 30, 2023 and 2022, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, restricted net assets are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

Contributions may be considered conditional or unconditional. A conditional contribution exists if both a) one or more barriers exist and b) the right of return to the contributor for assets transferred (or a right of release of the promisor from its obligation) depends on overcoming the stated barriers before a recipient is entitled to the assets transferred or promised. In cases of ambiguous donor stipulations or stipulations that are not clearly unconditional, contributions are presumed to be conditional. Conditional contributions are recognized when conditions have been substantially met or waived by the donor. Unconditional contributions are recognized when received or when the right to receive is obtained through documentation.

Revenue Recognition (Continued)

Grant revenue may be considered a contribution, entirely an exchange transaction, or a combination of the two. If a grant is considered a contribution, it is recognized as described in the above paragraph. If a grant is considered an exchange transaction, it falls under the guidance of Topic 606 and additional steps are taken to ensure correct recording of revenue. The performance obligation is satisfied when the services outlined in the grant contract are rendered. For the years ended June 30, 2023 and 2022, all exchange grant revenue was recognized at a point-in-time, when services were performed.

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 fair 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 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 Foundation recognized the following in-kind donations during the years ended June 30:

	2023	2022
Donated use of facilities	$ 514,380	$ 591,302
Equipment and supplies	23,478	32,499
Professional services	69,876	15,964
	$ 607,734	$ 639,765

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Expenses are allocated using a time study, which is performed by management based on their estimates of time and effort, except for expenses that are considered direct expenses.

Advertising

Advertising costs are expensed as incurred.

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 income tax examinations by tax authorities for years for which the statute of limitations has expired.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. The FASB also subsequently issued additional ASU's, which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-of-use ("ROU") assets and lease liabilities for finance and operating leases on the statements of financial position.

The Foundation elected to adopt Topic 842 effective July 1, 2022 using transition method B. The adoption had a material impact on the Foundation's statement of financial position but did not have a material impact on the statement of activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

The Foundation has elected to apply the portfolio approach to account for ROU assets and liabilities, where applicable.

The Foundation has elected the practical expedient that does not require the Foundation to separate lease and non-lease components for its leases.

The Foundation has elected to use the risk-free rate as the discount rate for its operating and financing leases.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Foundation has elected the short-term lease recognition exemption for all applicable classes of underlying assets. Short-term disclosures include only those leases with a term greater than one month and 12 months or less, and expense is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less that do not include an option to purchase the underlying asset that the Foundation is reasonably certain to exercise, are not recorded on the statement of financial position.

The Foundation has elected to use the package of transition practical expedients.

The Foundation leases building space. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

ROU assets represent the Foundation's right to use an underlying asset for the lease term, and lease liabilities represent the Foundation's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term using the applicable rate. Operating lease ROU assets also includes any lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Foundation's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise the option. For the year ended June 30, 2023, lease commencements resulted in an increase in operating lease ROU assets of $2,006,197 and an increase in operating lease liabilities of $2,006,197.

None of the Foundation's leases contain provisions for variable rent payments, material residual value agreements, or ratios that must be maintained.

NOTE 2 – LIQUIDITY AND AVAILABILITY

As of June 30, 2023, the Foundation has $7,652,723 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 $5,998,188 and grants receivable of $1,654,535.

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

Property and equipment consisted of the following as of June 30:

	2023	2022
Computer equipment	$ 226,105	$ 224,405
Furniture and fixtures	52,751	52,751
Leasehold improvements	1,661,353	1,509,098
Playground equipment	434,539	374,342
Program service equipment	6,544	6,544
Vehicles	210,044	210,044
	2,591,336	2,377,184
Less: accumulated depreciation	(1,691,865)	(1,556,485)
	$ 899,471	$ 820,699

Depreciation expense for the years ended June 30, 2023 and 2022 was $135,379 and $176,424, respectively.

NOTE 4 – LEASING ACTIVITIES

As of June 30, 2023, the following summarizes the line items in the statement of financial position which include amounts for operating and finance leases:

ROU asset for operating leases	$ 1,459,707
Current operating lease liability	$ 654,676
Long-term liability for operating leases	809,557
	$ 1,464,233

As of June 30, 2023, the following summarizes the weighted average remaining lease term and discount rate:

Weighted Average Remaining Lease Term	2.69 years
Weighted Average Discount Rate	3.26%

NOTE 4 – LEASING ACTIVITIES (Continued)

As of June 30, 2023, the maturities of lease liabilities were as follows:

2024	$ 690,985
2025	478,486
2026	209,112
2027	113,760
2028	37,751
Total lease payments	1,530,094
Less interest	(65,861)
Present value of lease liabilities	$ 1,464,233

For the year ended June 30, 2023, the following summarizes the line items in the statement of activities which include the components of lease expense:

Lease Costs (included in occupancy expense):	
Operating lease cost	$ 582,033
Short-term lease cost	155,143
Total lease costs	$ 737,176

NOTE 5 – CONCENTRATIONS

For the years ended June 30, 2023 and 2022, approximately 77% and 84%, 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 6 – 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 7 – 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.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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

	2023	2022
Subject to expenditure for specified purpose and/or passage of time:		
Early Head Start	$ 834,039	$ 786,619
Women, Infants and Children	231,207	227,282
MIECHV	14,977	7,350
HIPPY	262	-
	$ 1,080,485	$ 1,021,251

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

	2023	2022
Cash	$ 27,436	$ 14,058
Inventory	35,842	37,990
Prepaid expenses	52,252	80,473
Property and equipment	896,924	820,699
Refundable deposits	68,031	68,031
	$ 1,080,485	$ 1,021,251

NOTE 8 – 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 9 – SUBSEQUENT EVENTS

Management of the Foundation has evaluated subsequent events through November 13, 2023, which is the date the financial statements were available to be issued. No additional events were identified that would require disclosure.

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, 2023 and 2022, 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 November 13, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Sunrise Children's Foundation's (the "Foundation") internal control over financial reporting (internal control) as a basis for designing 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 audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Ellsworth & Stout, LLC

Las Vegas, Nevada
November 13, 2023

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

Opinion on Each Major Federal Program
We have audited Sunrise Children's Foundation's (a nonprofit organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Sunrise Children's Foundation's (the "Foundation") major federal programs for the year ended June 30, 2023. 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.

In our opinion, the Foundation complied, in all material respects, with the types of 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, 2023.

Basis for Opinion on Each Major Federal Program
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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance
Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Foundation's federal programs.

Auditor's Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of each major federal program as a whole.

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In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Ellsworth & Stout, LLC

Las Vegas, Nevada
November 13, 2023

SUNRISE CHILDREN'S FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	FEDERAL ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PROVIDED TO SUB-RECIPIENTS	TOTAL FEDERAL EXPENDITURES
U.S. Department of Agriculture				
Passed through the State of Nevada Depart. of HHS Division of Public and Behavioral Health:				
Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	10.557	SG 25320 SG 25934	$ -	$ 1,843,137
Special Supplemental Nutrition Program for Women, Infants and Children (WIC) (Breastfeeding)	10.557	SG 25305	-	20,726
Total ALN 10.557			-	1,863,863
Passed through the Nevada Department of Agriculture:				
Child and Adult Care Food Program (CACFP)	10.558	7NV300AG3	-	136,698
U.S. Department of Health and Human Services				
Early Head Start	93.600		-	7,173,365
COVID-19 Early Head Start	93.600		-	395,365
Total Head Start Cluster			-	7,568,730
Passed through the State of Nevada Depart. of HHS Division of Public and Behavioral Health:				
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	SG 25342 SG 25372 SG 25830 SG 25665	-	363,774
Maternal and Child Health Services Block Grant	93.994	SG 25210 SG 25738	-	117,273
Total Expenditures of Federal Awards			$ -	$ 10,050,338

See accompanying notes to the schedule of expenditures of federal awards.

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, 2023. 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

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?	____	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 2 CFR 200.516(a)?	____	yes	x	no

Identification of major federal programs:

ALN	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.