

**CHILDREN & FAMILIES FIRST DELAWARE INC.
(T/A CHILDREN & FAMILIES FIRST, INC.)
AND SUPPORTING ORGANIZATIONS**

**FINANCIAL STATEMENTS
AND
SINGLE AUDIT REPORT**

DECEMBER 31, 2019

CONTENTS

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	4
CONSOLIDATED STATEMENT OF ACTIVITIES	5
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES	6
CONSOLIDATED STATEMENT OF CASH FLOWS	8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9
SUPPLEMENTARY INFORMATION	
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION	28
CONSOLIDATING SCHEDULE OF ACTIVITIES	30
SINGLE AUDIT INFORMATION:	
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	32
COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	34
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	36
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	39
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	40

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Children & Families First Delaware Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Children & Families First Delaware Inc. (a nonprofit organization) and supporting organizations, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated 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 consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated 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 organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Children & Families First Delaware Inc. and supporting organizations as of December 31, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position and the consolidating schedule of activities on pages 28 and 30, respectively, are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 October 28, 2020, on our consideration of Children & Families First Delaware Inc.'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 Children & Families First Delaware Inc.'s internal control over financial reporting and compliance.

October 28, 2020

Gunnip & Company LLP

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and equivalents	\$ 513,584	\$ 378,940
Grants and accounts receivable	1,789,252	2,058,529
Prepaid expenses	<u>165,463</u>	<u>130,342</u>
Total current assets	2,468,299	2,567,811
OTHER ASSETS		
Investments	3,645,535	3,171,343
Beneficial interest in perpetual trusts	<u>4,519,867</u>	<u>3,970,568</u>
	8,165,402	7,141,911
PROPERTY AND EQUIPMENT		
Land and improvements	473,687	473,687
Building and improvements	5,561,911	5,561,911
Automobiles	652,890	573,817
Building equipment and furnishings	875,502	824,599
Office and MIS equipment	<u>471,053</u>	<u>471,053</u>
	8,035,043	7,905,067
Accumulated depreciation	<u>4,933,919</u>	<u>4,727,176</u>
Property and equipment, net	<u>3,101,124</u>	<u>3,177,891</u>
ASSETS HELD FOR SALE	<u>0</u>	<u>177,418</u>
	<u>\$ 13,734,825</u>	<u>\$ 13,065,031</u>

See accompanying notes to financial statements.

**CHILDREN & FAMILIES FIRST
DELAWARE INC.**

LIABILITIES

	2019	2018
CURRENT LIABILITIES		
Line of credit	\$ 1,430,025	\$ 1,696,152
Mortgage and notes payable	27,294	43,151
Accounts payable	121,505	76,935
Accrued expenses	161,161	129,889
Capital lease payable	72,697	47,329
Deferred revenue	196,260	306,804
	<u>2,008,942</u>	<u>2,300,260</u>
LONG TERM LIABILITIES		
Pension liability	601,039	688,819
Capital lease payable	194,449	146,587
Mortgage and notes payable	48,985	76,237
	<u>844,473</u>	<u>911,643</u>
Total Long Term Liabilities	<u>844,473</u>	<u>911,643</u>
Total Liabilities	2,853,415	3,211,903

NET ASSETS

NET ASSETS		
Without donor restrictions		
Unrestricted - general use	2,079,505	2,072,711
Unrestricted - endowment	2,349,751	1,916,656
	<u>4,429,256</u>	<u>3,989,367</u>
Total without donor restrictions	<u>4,429,256</u>	<u>3,989,367</u>
With donor restrictions	6,452,154	5,863,761
Total Net Assets	<u>10,881,410</u>	<u>9,853,128</u>
Total Liabilities and Net Assets	<u>\$ 13,734,825</u>	<u>\$ 13,065,031</u>

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

**CHILDREN & FAMILIES FIRST
DELAWARE INC.**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT:			
Public support:			
Received directly			
Contributions and bequests	\$ 288,688	\$ 909,119	\$ 1,197,807
Received indirectly			
Allocation by United Way of Delaware, Inc.	17,120	225,562	242,682
Fundraisers	157,576	0	157,576
Less: Direct expenses	(46,625)	0	(46,625)
Government Agencies	14,466,272	0	14,466,272
Other grants	566,328	0	566,328
Other revenues:			
Fees for services - referrals	136,503	0	136,503
Program service fees	30,020	0	30,020
Investment income	273,226	0	273,226
Rent income	28,137	0	28,137
Other	85,696	0	85,696
Net assets released from restrictions	<u>1,095,586</u>	<u>(1,095,586)</u>	<u>0</u>
TOTAL PUBLIC SUPPORT AND REVENUE	17,098,527	39,095	17,137,622
EXPENSES AND LOSSES:			
Program Services			
Positive Parenting	2,272,073	0	2,272,073
Supporting Teens	4,120,097	0	4,120,097
Healthy Babies	3,495,489	0	3,495,489
Family Resources	1,386,229	0	1,386,229
Early Childhood	2,352,327	0	2,352,327
Workplace Supports	500,178	0	500,178
Grief Counseling	360,186	0	360,186
Program Quality and Helpline	<u>49,043</u>	<u>0</u>	<u>49,043</u>
Total Program Services	14,535,622	0	14,535,622
Supporting Services			
Management and general	2,542,806	0	2,542,806
Fundraising costs	<u>293,776</u>	<u>0</u>	<u>293,776</u>
Total Supporting Service	2,836,582	0	2,836,582
TOTAL EXPENSES AND LOSSES	17,372,204	0	17,372,204
CHANGE IN NET ASSETS BEFORE NONOPERATING ACTIVITY	(273,677)	39,095	(234,582)
NONOPERATING ACTIVITY			
Periodic pension gain	93,123	0	93,123
Realized/unrealized loss on investments	421,442	0	421,442
Gain on sale of assets	199,001	0	199,001
Gain on beneficial interest in perpetual trusts	<u>0</u>	<u>549,298</u>	<u>549,298</u>
TOTAL NONOPERATING ACTIVITY	713,566	549,298	1,262,864
CHANGE IN NET ASSETS	439,889	588,393	1,028,282
NET ASSETS AT BEGINNING OF YEAR	3,989,367	5,863,761	9,853,128
NET ASSETS AT END OF YEAR	<u>\$ 4,429,256</u>	<u>\$ 6,452,154</u>	<u>\$ 10,881,410</u>

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES

**CHILDREN & FAMILIES FIRST
DELAWARE INC.**

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT:			
Public support:			
Received directly			
Contributions and bequests	\$ 253,796	\$ 788,719	\$ 1,042,515
Received indirectly			
Allocation by United Way of Delaware, Inc.	24,532	230,562	255,094
Fundraisers	170,667	0	170,667
Less: Direct expenses	(55,188)	0	(55,188)
Government Agencies	13,144,422	0	13,144,422
Other grants	594,235	0	594,235
Other revenues:			
Fees for services - referrals	157,635	0	157,635
Program service fees	43,110	0	43,110
Investment income	261,635	0	261,635
Rent income	28,985	0	28,985
Other	16,075	0	16,075
Net assets released from restrictions	<u>1,296,662</u>	<u>(1,296,662)</u>	<u>0</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	15,936,566	(277,381)	15,659,185
EXPENSES AND LOSSES:			
Program Services			
Positive Parenting	2,472,374	0	2,472,374
Supporting Teens	3,454,567	0	3,454,567
Healthy Babies	2,853,750	0	2,853,750
Family Resources	1,552,916	0	1,552,916
Early Childhood	2,450,616	0	2,450,616
Older Adults	4,689	0	4,689
Workplace Supports	516,481	0	516,481
Grief Counseling	326,822	0	326,822
Program Quality and Helpline	<u>76,243</u>	<u>0</u>	<u>76,243</u>
Total Program Services	13,708,458	0	13,708,458
Supporting Services			
Management and general	2,408,718	0	2,408,718
Fundraising costs	<u>340,447</u>	<u>0</u>	<u>340,447</u>
Total Supporting Service	2,749,165	0	2,749,165
TOTAL EXPENSES AND LOSSES	16,457,623	0	16,457,623
CHANGE IN NET ASSETS BEFORE NONOPERATING ACTIVITY	(521,057)	(277,381)	(798,438)
NONOPERATING ACTIVITY			
Periodic pension loss	185,408	0	185,408
Realized/unrealized gain on investments	(378,182)	0	(378,182)
Gain on sale of assets	4,000	0	4,000
Gain on beneficial interest in perpetual trusts	<u>0</u>	<u>(474,756)</u>	<u>(474,756)</u>
TOTAL NONOPERATING ACTIVITY	(188,774)	(474,756)	(663,530)
CHANGES IN NET ASSETS	(709,831)	(752,137)	(1,461,968)
NET ASSETS, BEGINNING OF YEAR	4,699,198	6,615,898	11,315,096
NET ASSETS, END OF YEAR	\$ 3,989,367	\$ 5,863,761	\$ 9,853,128

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

CHILDREN & FAMILIES FIRST
DELAWARE INC.

FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services							Total Program Services	
	Positive Parenting	Supporting Teens	Healthy Babies	Family Resources	Early Childhood	Workplace Supports	Grief Counseling		Program Quality & Helpline
EXPENSES									
Salaries	\$ 1,027,647	\$ 2,654,846	\$ 1,879,009	\$ 811,160	\$ 702,685	\$ 30,410	\$ 252,608	\$ 61,952	\$ 7,420,317
Employee benefits expense	208,428	457,149	331,224	111,348	126,462	5,764	33,502	11,041	1,284,918
Payroll taxes	89,618	234,886	165,922	71,147	63,307	2,581	22,791	5,351	655,603
Total Salaries and Related Expenses	1,325,693	3,346,881	2,376,155	993,655	892,454	38,755	308,901	78,344	9,360,838
Professional fees	186,165	89,840	543,772	205,853	7,946	545	4,410	1,584	1,040,115
Supplies	66,936	87,547	51,582	92,174	10,829	37	8,765	147	318,017
Telephone	23,653	63,937	42,874	18,021	11,436	5,552	4,858	1,733	172,064
Postage	1,313	4,061	2,213	1,160	348	88	333	140	9,656
Rent	2,645	9,108	11,596	1,933	2,602	87	1,154	253	29,378
Utilities	4,536	40,817	19,882	3,311	4,461	149	1,978	434	75,568
Maintenance of facilities	12,693	105,511	55,641	9,267	12,484	417	5,535	1,214	202,762
Offsite storage and document destruction	868	2,481	3,049	508	684	23	303	67	7,983
Multi-peril insurance	17,272	12,532	7,600	4,160	3,251	172	258	502	45,747
Service contracts	0	3,168	0	0	0	0	0	0	3,168
Purchased equipment	1,962	20,691	14,847	2,459	2,679	378	2,562	208	45,786
Interest expense	960	3,306	4,209	701	944	32	419	92	10,663
Printing and publications	11,415	10,645	13,679	2,045	3,758	421	1,183	2,983	46,129
Travel	61,875	154,773	118,335	9,627	38,507	390	6,114	297	389,918
Conferences and training	3,000	66,579	75,839	17,669	8,284	0	3,237	0	174,608
Special assistance	521,449	9,456	62,895	7,610	1,329,459	451,698	0	0	2,382,567
Professional dues	135	597	699	0	375	0	28	0	1,834
Miscellaneous	9,880	20,683	4,715	1,743	1,693	333	(1,730)	(40,829)	(3,512)
Recruitment expense	0	0	0	0	0	0	0	0	0
Bad debt expense	0	0	0	0	0	0	0	0	0
Bank fees	125	354	437	99	957	460	1,376	9	3,817
Special event expense	0	0	0	0	0	0	2,000	0	2,000
Taxes	0	0	0	0	0	0	0	0	0
Depreciation	19,498	67,130	85,470	14,234	19,176	641	8,502	1,865	216,516
TOTAL EXPENSES	\$ 2,272,073	\$ 4,120,097	\$ 3,495,489	\$ 1,386,229	\$ 2,352,327	\$ 500,178	\$ 360,186	\$ 49,043	\$ 14,535,622

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (cont'd)

CHILDREN & FAMILIES FIRST
DELAWARE INC.

FOR THE YEAR ENDED DECEMBER 31, 2019

	Supporting Services			Total
	Management & General	Fundraising Costs	Supporting Services	
EXPENSES				
Salaries	\$ 1,155,537	\$ 187,265	\$ 1,342,802	\$ 8,763,119
Employee benefits expense	239,113	26,151	265,264	1,550,182
Payroll taxes	94,951	16,388	111,339	766,942
Total Salaries and Related Expenses	1,489,601	229,804	1,719,405	11,080,243
Professional fees	146,672	18,276	164,948	1,205,063
Supplies	32,968	5,542	38,510	356,527
Telephone	33,873	3,261	37,134	209,198
Postage	2,863	425	3,288	12,944
Rent	5,664	516	6,180	35,558
Utilities	9,710	887	10,597	86,165
Maintenance of facilities	30,408	2,481	32,889	235,651
Offsite storage and document destruction	18,778	136	18,914	26,897
Multi-peril insurance	50,448	963	51,411	97,158
Service contracts	1,533	0	1,533	4,701
Purchased equipment	75,422	4,242	79,664	125,450
Interest expense	86,285	188	86,473	97,136
Printing and publications	36,443	17,473	53,916	100,045
Travel	79,823	2,121	81,944	471,862
Conferences and training	38,941	353	39,294	213,902
Special assistance	6,430	0	6,430	2,388,997
Professional dues	31,570	1,225	32,795	34,629
Miscellaneous	4,247	2,052	6,299	2,787
Bad debt expense	271,318	0	271,318	271,318
Bank fees	39,936	19	39,955	43,772
Special event expense	0	0	0	2,000
Taxes	6,699	0	6,699	6,699
Depreciation	43,174	3,812	46,986	263,502
TOTAL EXPENSES	\$ 2,542,806	\$ 293,776	\$ 2,836,582	\$ 17,372,204

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

CHILDREN & FAMILIES FIRST
DELAWARE INC.

FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services										Total Program Services	
	Positive Parenting	Supporting Teens	Healthy Babies	Family Resources	Early Childhood	Older Adults	Workplace Supports	Grief Counseling	Program Quality & Helpline			
EXPENSES												
Salaries	\$ 1,029,190	\$ 2,121,083	\$ 1,648,946	\$ 804,362	\$ 676,694	\$ 3,070	\$ 38,154	\$ 218,468	\$ 77,376	\$ 6,617,343		
Employee benefits expense	213,495	398,390	309,099	126,427	128,972	704	6,182	28,189	18,064	1,229,522		
Payroll taxes	94,029	194,114	149,343	73,683	61,672	212	3,378	20,473	6,852	603,756		
Total Salaries and Related Expenses	1,336,714	2,713,587	2,107,388	1,004,472	867,338	3,986	47,714	267,130	102,292	8,450,621		
Professional fees	183,782	114,861	266,224	363,520	7,336	86	1,490	7,665	1,310	946,274		
Supplies	84,861	105,022	35,193	59,609	6,140	5	69	5,249	469	296,617		
Telephone	26,420	61,661	37,447	20,437	11,975	65	6,497	6,391	1,392	172,285		
Postage	1,619	3,990	2,266	1,545	886	9	136	625	106	11,182		
Rent	4,840	7,267	6,335	1,951	3,542	24	261	449	306	24,975		
Utilities	14,909	50,718	19,515	6,001	10,914	70	806	1,383	943	105,259		
Maintenance of facilities	28,652	92,797	37,504	11,532	20,974	135	1,548	2,657	1,813	197,612		
Offsite storage and document destruction	110	0	0	0	8	0	0	0	0	118		
Multi-peril insurance	8,183	12,412	7,293	4,615	3,610	40	280	278	326	37,037		
Service contracts	4,686	13,136	8,647	1,886	3,430	22	253	435	296	32,791		
Purchased equipment	1,715	19,004	35,481	6,258	1,166	9	95	710	147	64,585		
Interest expense	3,449	5,181	4,515	1,388	2,525	16	186	320	218	17,798		
Printing and publications	9,146	4,165	12,680	2,989	1,042	(16)	299	3,536	2,367	36,208		
Travel	77,390	131,830	108,666	12,562	36,543	0	368	3,683	480	371,522		
Conferences and training	4,483	18,424	62,924	25,425	6,871	0	0	2,602	0	120,729		
Special assistance	619,050	7,629	30,891	3,926	1,426,813	0	453,049	7,400	0	2,548,758		
Professional dues	2,000	118	1,750	2,500	150	0	0	55	0	6,573		
Miscellaneous	9,456	16,324	2,416	1,816	1,273	(1)	380	121	(39,441)	(7,656)		
Recruitment expense	0	0	0	0	0	0	0	0	0	0		
Bad debt expense	0	0	0	0	0	0	0	0	0	0		
Bank fees	380	554	479	147	1,091	2	318	1,934	23	4,928		
Special event expense	0	0	0	0	0	0	0	9,513	0	9,513		
Taxes	0	0	0	0	0	0	0	0	0	0		
Depreciation	50,529	75,887	66,136	20,337	36,989	237	2,732	4,686	3,196	260,729		
TOTAL EXPENSES	\$ 2,472,374	\$ 3,454,567	\$ 2,853,750	\$ 1,552,916	\$ 2,450,616	\$ 4,689	\$ 516,481	\$ 326,822	\$ 76,243	\$ 13,708,458		

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (cont'd)

CHILDREN & FAMILIES FIRST
DELAWARE INC.

FOR THE YEAR ENDED DECEMBER 31, 2018

	Supporting Services			Total
	Management & General	Fundraising Costs	Supporting Services	
EXPENSES				
Salaries	\$ 1,118,061	\$ 214,143	\$ 1,332,204	\$ 7,949,547
Employee benefits expense	248,240	21,315	269,555	1,499,077
Payroll taxes	99,280	20,186	119,466	723,222
Total Salaries and Related Expenses	1,465,581	255,644	1,721,225	10,171,846
Professional fees	86,375	26,588	112,963	1,059,237
Supplies	22,763	261	23,024	319,641
Telephone	(4,899)	4,258	(641)	171,644
Postage	2,977	617	3,594	14,776
Rent	5,184	1,155	6,339	31,314
Utilities	16,456	3,556	20,012	125,271
Maintenance of facilities	83,923	6,834	90,757	288,369
Offsite storage and document destruction	20,199	0	20,199	20,317
Multi-peril insurance	49,048	1,107	50,155	87,192
Service contracts	5,398	1,118	6,516	39,307
Purchased equipment	26,781	580	27,361	91,946
Interest expense	85,739	823	86,562	104,360
Printing and publications	26,956	18,180	45,136	81,344
Travel	75,982	3,718	79,700	451,222
Conferences and training	33,520	871	34,391	155,120
Special assistance	(12,213)	0	(12,213)	2,536,545
Professional dues	45,214	1,365	46,579	53,152
Miscellaneous	32,726	1,632	34,358	26,702
Recruitment expense	0	0	0	0
Bad debt expense	248,452	0	248,452	248,452
Bank fees	36,509	87	36,596	41,524
Special event expense	0	0	0	9,513
Taxes	1,918	0	1,918	1,918
Depreciation	54,129	12,053	66,182	326,911
TOTAL EXPENSES	\$ 2,408,718	\$ 340,447	\$ 2,749,165	\$ 16,457,623

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

**CHILDREN & FAMILIES FIRST
DELAWARE INC.**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants and public support	\$ 16,754,448	\$ 15,637,772
Cash received from other revenue	539,728	507,440
Cash paid to employees and vendors	<u>(17,048,785)</u>	<u>(16,431,177)</u>
Net cash (used by) from operating activities	<u>245,391</u>	<u>(285,965)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(186,737)	(973)
Proceeds from sale of fixed assets	376,419	4,000
Sales of investments	573,474	995,985
Purchases of investments	<u>(637,898)</u>	<u>(643,277)</u>
Net cash from investing activities	<u>125,258</u>	<u>355,735</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	11,327,339	9,996,709
Payments on line of credit	(11,593,466)	(10,089,681)
Repayment of debt	(43,108)	(66,367)
Payments on capital lease obligations	<u>73,230</u>	<u>(90,704)</u>
Net cash used by financing activities	<u>(236,005)</u>	<u>(250,043)</u>
NET CHANGE IN CASH	134,644	(180,273)
CASH		
Beginning of year	<u>378,940</u>	<u>559,213</u>
End of year	<u><u>\$ 513,584</u></u>	<u><u>\$ 378,940</u></u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid	<u><u>\$ 97,134</u></u>	<u><u>\$ 104,360</u></u>
Taxes paid	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Assets acquired through capital leases	<u><u>\$ 135,833</u></u>	<u><u>\$ 41,873</u></u>

See accompanying notes to financial statements.

Note 1 Summary of Organization activities and significant accounting policies

Organization activities

Since 1884, Children & Families First Delaware Inc. has served Delawareans in need, with a mission to help families develop solutions to meet challenges and embrace opportunities. Its vision is communities where children are nurtured and safe, individuals are valued, and families are strong. Its programs cover the lifespan, including support to pregnant women and babies, foster care and adoption, advocacy for quality early care and education, and services for elders.

Principals of consolidation

The consolidated financial statements include the accounts of Children & Families First Delaware Inc. and its affiliated supporting organizations, B2W2 Inc., Children & Families First Endowments Inc. ("CFFE") and Supporting K.I.D.D.S, Inc. All significant inter-organization transactions and balances have been eliminated in consolidation.

B2W2 Inc.'s sole purpose is to act exclusively for the benefit of, to perform the functions of, or to carry out the purposes of Children & Families First Delaware Inc., an organization described in Section 509(a)(2) of the Internal Revenue Code of 1986, as amended. In conformity with the foregoing, the activities of B2W2 Inc. are to provide facilities, vehicles and equipment to Children & Families First Delaware Inc. to be used in furtherance of its tax-exempt purpose.

CFFE's sole purpose is to act exclusively for the benefit of, to perform the functions of, or to carry out the purposes of Children & Families First Delaware Inc., an organization described in Section 509(a)(2) of the Internal Revenue Code of 1986, as amended. The activities of CFFE are to hold and manage the endowment assets of Children & Families First Delaware Inc. Additionally, CFFE engages in a variety of fund raising activities which may include foundation, corporate and individual solicitations and special events. Proceeds from activities of the corporation are either reinvested in the endowment for future use by Children & Families First Delaware Inc. or distributed to Children & Families First Delaware Inc. to be used in furtherance of its tax-exempt purpose.

Supporting K.I.D.D.S., Inc.'s sole purpose is to support and educate bereaved children, their families, and the larger communities in which they live. Supporting K.I.D.D.S., Inc. offers an evolving menu of programs and services, both at the center and in collaboration with community groups. These include support groups, educational seminars, and consultations with professionals who work with children, a state-of-the-art lending library, information packets about children and grief, and referrals to related services. Supporting K.I.D.D.S., Inc was merged into the Organization effective February 1, 2018.

Note 1 Summary of Organization activities and significant accounting policies (cont'd)

Financial statement presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles. ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of operations

The Organization's measure of operations includes all revenue and expenses that are an integral part of its programs and supporting activities, net assets released from donor restrictions to support operating expenditures, and transfers from Board-designated and other non-operating funds to support current operating activities. The measure of operations includes support for operating activities from net assets with or without donor restrictions designated for long-term investment according to the Organization's spending policy. The measure of operations excludes support for non-operating and restricted operating activities.

Use of estimates in the preparation of financial statements

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Note 1 Summary of Organization activities and significant accounting policies (cont'd)

Grants and accounts receivable

The Organization recognizes pledges as support in the period in which the unconditional promise to give is received.

The Organization estimates an allowance for doubtful accounts based on historical collection rates and an analysis of the collectability of individual receivables. The allowance for doubtful accounts for pledges, grants and accounts receivable was \$ 0 at December 31, 2019 and 2018.

Investments

Investments are recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment gain or loss in the statements of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on mark-to-market value and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Fair value measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization group's assets at fair value in three levels, based on the markets in which the assets are liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 - inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 – unobservable inputs that cannot be corroborated by observable market data

Note 1 Summary of Organization activities and significant accounting policies (cont'd)

Contributions

Contributions received are recorded as net assets with donor restrictions or without donor restriction support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of allocation</u>
Depreciation	Rentable square feet

Reclassifications

Certain reclassifications have been made to the 2018 financial statement presentation to correspond to the current year's format. Total net assets and change in net assets are unchanged due to these reclassifications.

Adoption of new accounting standards

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contract with Customers (Topic 606)*. The pronouncement was issued to clarify the principles for recognizing revenue and to develop a common revenue standard and disclosure requirements for U.S. GAAP. This standard established a new contract and control-based revenue recognition model, changed the basis for deciding when revenue is recognized over time or at a point in time, and expanded disclosure about revenue. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Note 1 Summary of Organization activities and significant accounting policies (cont'd)

Adoption of new accounting standards (cont'd)

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying consolidated financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

Revenue and revenue recognition

Revenue is measured and recognized based on the type of consideration received. Revenue from fundraisers is measured by the amount of money received for or during the event, less expenses incurred for the fundraising activity. Revenue from government agencies and other grants is measured by the consideration specified in the respective contract with the respective granting agency. The Organization recognizes this revenue on a cost reimbursement basis as the Organization satisfies service obligations. The Organization submits approved expenditures to the granting agency and recognizes the revenue upon submission. The Organization also has revenues for program services that have a duration of one year or less. The Organization has elected the practical expedient and has not disclosed the value of unsatisfied performance obligations nor the expected timing for completion related to these revenues. All amounts paid in advance are deferred to the period in which the underlying service takes place. Due to the nature and timing of the service and/or transfer of services, substantially all deferred revenue at December 31 of each year is recognized in the following year.

Donated services

Donated services are not recognized as revenues unless the services received create or enhance the value of a nonfinancial asset; or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. No such amounts were received during 2019 or 2018. However, a number of volunteers have contributed their time to the Organization.

Income taxes

Children & Families First Delaware Inc. and Supporting K.I.D.D.S., Inc. are exempt from federal income tax under Internal Revenue Code Section 501(c)(3). Due to the merger with Children & Families First Delaware, Inc., Supporting K.I.D.D.S., Inc., filed a final tax return February 1, 2018. No further tax filings are required for Supporting K.I.D.D.S., Inc.

B2W2 Inc. and CFFE are exempt from federal income tax under Internal Revenue Code Section 509(a)(2). However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income.

Note 1 Summary of Organization activities and significant accounting policies (cont'd)

Income taxes (cont'd)

Generally accepted accounting principles prescribe rules for the recognition, measurement, classification and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the Organization's tax returns. Management has determined that the Organization does not have any uncertain tax positions or associated unrecognized benefits that materially impact the consolidated financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties and interest as a result of such challenge. The Organization's federal exempt organization business income tax returns (Form 990) for 2016, 2017, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

Availability and liquidity

The following represents the Organization's financial assets at December 31, 2019 and 2018:

Financial assets at year end:	2019	2018
Cash	\$ 513,584	\$ 378,940
Grant and accounts receivable	1,789,252	2,058,529
Investments	<u>3,645,535</u>	<u>3,171,343</u>
Total financial assets	5,948,371	5,608,812
Less amounts not available to be used within one year:		
Net assets with donor restrictions	1,932,287	1,893,193
Quasi endowment established by the Board	<u>2,349,751</u>	<u>1,916,656</u>
	<u>4,282,038</u>	<u>3,809,849</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,666,333</u>	<u>\$ 1,798,963</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments. The Organization has a line of credit available to meet cash flow needs.

Note 2 Contracts and grants from governmental agencies

Children & Families First Delaware Inc., in the normal course of business, receives grants and enters into contracts for the performance of specific activities within certain budgetary constraints. Such projects are subject to various stipulations as to operating compliance and financial reporting. For substantially all of these programs, the expenditures are subject to review, audit and final approval by the contracting agency.

Note 3 Property and equipment and depreciation

Property and equipment are stated at cost, if purchased. Donated facilities and equipment are recorded at their fair values at the date of receipt. When such assets are sold or otherwise disposed of, the cost and accumulated depreciation are removed from their respective accounts and any gains or losses on such dispositions are recognized in the statement of activities. Children & Families First Delaware Inc.'s policy is to capitalize items with a cost equal to or greater than \$ 5,000. Expenditures for maintenance, repairs, minor renewals and betterments which do not improve or extend the useful life of the respective asset are expensed.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The following is a schedule of the estimated useful lives:

Land improvements	10 – 40 years
Buildings and improvements	10 – 40 years
Building equipment and furnishings	5 – 20 years
Office equipment	3 – 10 years
MIS implementation	5 years
Automobiles	5 years

Note 4 Investments

The following is a fair value summary of investments measured on a recurring basis at December 31, 2019 and 2018:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Investments – the fair value of Level 1 debt and equity securities is determined by reference to quoted market prices. The fair value of Level 2 equity securities is determined by using a market approach and reflects the fair value of a mutual fund's underlying securities divided by the number of shares that are outstanding within the fund.

Beneficial interest in perpetual trust – the fair value is estimated based on the fair value of the underlying assets in the trust.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
(cont'd)**

CHILDREN & FAMILIES FIRST DELAWARE, INC.

Note 4 Investments (cont'd)

Fair value of assets and liabilities measured on a recurring basis are as follows:

<u>December 31, 2019</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 163,187	\$ 163,187	\$ 0	\$ 0
Equity securities	1,854,426	1,854,426	0	0
Fixed income	1,310,557	1,310,557	0	0
Alternate investments	317,365	317,365	0	0
Beneficial interest in perpetual trust	4,519,867	0	0	4,519,867
	<u>\$ 8,165,402</u>	<u>\$ 3,645,535</u>	<u>\$ 0</u>	<u>\$ 4,519,867</u>
<u>December 31, 2018</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 113,711	\$ 113,711	\$ 0	\$ 0
Equity securities	1,673,770	1,673,770	0	0
Fixed income	1,117,317	1,117,317	0	0
Alternate investments	266,545	266,545	0	0
Beneficial interest in perpetual trust	3,970,568	0	0	3,970,568
	<u>\$ 7,141,911</u>	<u>\$ 3,171,343</u>	<u>\$ 0</u>	<u>\$ 3,970,568</u>

Beneficial interest in perpetual trust

January 1, 2019	\$ 3,970,568	January 1, 2018	\$ 4,445,325
Gain on investment	<u>549,299</u>	Loss on investment	<u>(474,757)</u>
December 31, 2019	<u>\$ 4,519,867</u>	December 31, 2018	<u>\$ 3,970,568</u>

Note 5 Endowment funds

The Organization's endowment consists of contributions from donors for the creation of a permanent endowment for general purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The assets are invested in the general investment portfolio of the agency, and all other accumulations are classified as net assets without donor restrictions, absent of explicit donor stipulations to the contrary. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 5 Endowment funds (cont'd)

The board of directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the historic dollar value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as a permanent endowment (a) to the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in with donor restricted net assets is classified as without donor restriction net assets to be utilized by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization and (7) the Organization's investment policies.

All investment income in 2019 and 2018, net of investment management fees, was appropriately transferred into the without donor restrictions endowment fund based on the lack of donor restriction on use.

Return objectives and risk parameters

The Children & Families First Endowment Inc. Board of Directors and Children & Families First Delaware Inc. Finance Committee, with the assistance of the Organization investment advisor, operated in accordance with an investment policy statement that is intended to provide a predictable stream of income and investment returns. Under the policy guidelines, as approved by the Board of Directors, the endowment assets are invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing investment objectives, the Board of Directors, with the assistance of the Finance Committee, has taken into account the time horizon available for investment, the nature of the Organization's cash flow requirements, and other factors that affect the Board of Director's and Finance Committee's risk tolerance.

Strategy employed for achieving objectives

The Children & Families First Endowment Inc. Board of Directors and Children & Families First Delaware Inc. Finance Committee have adopted an investment objective of long-term growth for the invested assets. The investment guidelines emphasize long-term capital appreciation as a primary source of return, recognize that the assets are exposed to risk and may be subject to fluctuation in market value from year-to-year, expect to earn returns sufficient to grow the purchasing power of assets over the long-term, diversify the invested assets in order to reduce the risk of wide swings in market value from year to year or of incurring large losses that may result from concentrated positions, and achieve investment results over the long-term that compare favorably with other professionally managed portfolios and appropriate market indexes.

Note 5 Endowment funds (cont'd)

Strategy employed for achieving objectives (cont'd)

In addition, the Organization is a beneficiary of the Brown Trust, the Harlan Trust and the Alice Warner Foundation Trust, which are held and administered by outside fiscal agents. Under the terms of the trusts, the Organization has the irrevocable right to receive net investment income earned on the assets of the trusts in perpetuity, but will never receive the assets of these trusts. The Organization receives monthly income from these trusts. These distributions can be used in any way that is consistent with the Organization's exempt purpose. Distributions received during 2019 and 2018 totaled \$ 1,341 and \$ 168,286, respectively, and are included in net assets without donor restrictions.

Management estimates the fair value of its beneficial interest to approximate the fair value of the underlying assets of the trusts. As of December 31, 2019 and 2018, the estimated fair value of the trust assets was:

December 31,	2019		2018	
	<u>Amount</u>	<u>% owned</u>	<u>Amount</u>	<u>% owned</u>
Bertha Harlan Trust	\$ 58,808	33	\$ 50,287	33
Alice Warner Trust	172,342	14	149,594	14
H. Fletcher Brown Trust	<u>4,288,717</u>	100	<u>3,770,687</u>	100
Total fair value of beneficial interest	<u>\$ 4,519,867</u>		<u>\$ 3,970,568</u>	

Endowment net asset composition by type of fund as of December 31, 2019 are as follows:

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, Beginning of year	\$ 1,916,656	\$ 4,594,392	\$ 6,511,048
Contributions			
Investment income	111,140	0	111,140
Net appreciation (depreciation)	391,874	549,298	941,172
Amount appropriated for expense	(18,355)	0	(18,355)
Transfers	<u>(51,564)</u>	<u>0</u>	<u>(51,564)</u>
Endowment net assets, End of year	<u>\$ 2,349,751</u>	<u>\$ 5,143,690</u>	<u>\$ 7,493,441</u>

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
(cont'd)

CHILDREN & FAMILIES FIRST DELAWARE, INC.

Note 5 Endowment funds (cont'd)

Strategy employed for achieving objectives (cont'd)

Endowment net asset composition by type of fund as of December 31, 2018 are as follows:

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, Beginning of year	\$ 2,275,569	\$ 5,069,148	\$ 7,344,717
Investment income	70,690	0	70,690
Net depreciation	(361,587)	(474,756)	(836,343)
Amount appropriated for expense	(16,669)	0	(16,669)
Transfers	<u>(51,347)</u>	<u>0</u>	<u>(51,347)</u>
Endowment net assets, End of year	<u>\$ 1,916,656</u>	<u>\$ 4,594,392</u>	<u>\$ 6,511,048</u>

Note 6 Mortgage notes payable

Debt obligations consisted of the following at December 31:

	2019	2018
Variable rate mortgage at PNC Bank. The interest rate at December 31, 2019 and 2018 was 4.07%. Monthly payments vary. Mortgage is collateralized by the Organization's building in Seaford, Delaware. Paid off in May 2019.	\$ 0	\$ 16,372
Variable rate mortgage at PNC Bank. The interest rate at December 31, 2019 and 2018 was 4.20%. Monthly payments vary; mortgage is due March 2021. Mortgage is collateralized by the Organization's building in Seaford, Delaware.	11,036	19,859
Fixed rate mortgage at M&T Bank. The interest rate at December 31, 2019 and 2018 was 3.49%. Monthly principal and interest payments are \$ 1,704; mortgage is due May 2023. Mortgage is collateralized by the Organization's building in Hockessin, Delaware.	<u>65,243</u>	<u>83,157</u>
	76,279	119,388
Less current portion	<u>(27,294)</u>	<u>(43,151)</u>
	<u>\$ 48,985</u>	<u>\$ 76,237</u>

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
(cont'd)**

CHILDREN & FAMILIES FIRST DELAWARE, INC.

Note 6 Mortgage notes payable (cont'd)

The following are maturities of the principal portion of mortgage notes payable for the next five years, thereafter and in the aggregate:

2020	\$ 27,294
2021	21,339
2022	19,804
2023	7,842
2024	0
Thereafter	<u>0</u>
	<u>\$ 76,279</u>

Interest expense totaled \$ 97,135 and \$ 104,360 for the years ended December 31, 2019 and 2018, respectively.

Note 7 Line of credit

The Organization has available a \$ 2,000,000 secured demand line of credit with PNC Bank at December 31, 2019. Interest is at the prime rate, 3.25% and 5.50% at December 31, 2019 and 2018, respectively. There were outstanding advances against the line of credit of \$ 1,430,025 and \$ 1,696,152 at December 31, 2019 and 2018, respectively. Advances and repayments on the line of credit were \$ 11,327,339 and \$ 11,593,466, respectively, for the year ended December 31, 2019 (\$ 9,996,709 and \$ 10,089,681, respectively, for the year ended December 31, 2018). The line of credit is secured by a lien on all business assets.

Note 8 Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Program expenses	<u>\$ 6,452,154</u>	<u>\$ 5,863,761</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by donors in the amount of \$ 1,095,586 and \$ 1,296,662 for the years ended December 31, 2019 and 2018, respectively.

Note 9 Pension plan

Children & Families First Delaware Inc. has a non-contributory defined benefit pension plan which provides benefits for all eligible employees through Wilmington Trust Company. Benefits are based upon compensation and length of service. The Organization's funding policy is to contribute the minimum amount required by the Employee Retirement Income Security Act of 1974. On May 17, 2004, the Organization signed an amendment to freeze the accrued benefits under the plan. The plan was frozen effective June 30, 2004. This action does not affect benefits accrued through June 30, 2004.

Plan assets are allocated between equities fixed income alternative investments, and cash and cash equivalents.

In accordance with the FASB ASC section regarding employers' accounting for defined benefit pension and other post-retirement plans, entities are required to recognize a net liability or asset and an offsetting adjustment to changes in net assets without restrictions to report the funded status of defined benefit, pension and other post-retirement benefit plans. The section also requires prospective application. Additionally, entities are required to measure plan assets and obligations at their year-end statement of financial position date.

The Organization recognized the net gain or loss due to this application, plus the net cost benefit which created a gain/(loss) in the amount of \$ 93,123 and \$ 185,408 in 2019 and 2018, respectively. Following is a summary of plan information provided by the consulting actuary:

	2019	2018
Change in projected benefit obligation		
Projected benefit obligation, beginning of year	\$ 2,867,014	\$ 3,292,797
Interest cost	117,048	112,328
Benefits paid	(313,876)	(233,362)
Actuarial gain (loss)	<u>337,480</u>	<u>(304,749)</u>
Projected benefit obligation, end of year	<u>3,007,666</u>	<u>2,867,014</u>
Change in plan assets:		
Fair value of plan assets, beginning of year	2,178,195	2,418,570
Employer contributions	175,996	147,393
Benefits paid	(313,876)	(233,362)
Administrative expenses	0	0
Actual return on plan assets	<u>366,312</u>	<u>(154,406)</u>
Fair value of plan assets, end of year	<u>2,406,627</u>	<u>2,178,195</u>
Funded status – benefit obligation in excess of plan assets (liability on statement of financial position)	<u>\$ 601,039</u>	<u>\$ 688,819</u>
Accumulated benefit obligation	<u>\$ 3,007,666</u>	<u>\$ 2,867,014</u>

Note 9 Pension plan (cont'd)

	2019	2018
Components of net periodic benefit cost and other amounts recognized in net assets without donor restrictions:		
Interest cost	\$ 92,543	\$ 117,048
Return on plan assets	(168,949)	(152,357)
Amortization of net loss	<u>124,516</u>	<u>161,244</u>
Total net periodic pension (gain) loss	<u>\$ 48,110</u>	<u>\$ 125,935</u>
Amounts previously recognized in net assets without donor restrictions not yet recognized as periodic pension cost at December 31	<u>\$ 1,296,895</u>	<u>\$ 1,415,406</u>
Benefits paid	<u>\$ 313,876</u>	<u>\$ 233,362</u>
Weighted-average assumptions for year:		
Discount rate	4.20 %	3.50 %
Rate of compensation increases	0.00 %	0.00 %
Expected long-term rate of return on plan assets	7.00 %	7.00 %
Weighted-average assumptions at end of year:		
Discount rate	3.16 %	4.20 %
Rate of compensation increases	0.00 %	0.00 %
Expected long-term rate of return on plan assets	7.00 %	7.00 %
Measurement date	12/31	12/31

The estimated transition obligation, actuarial loss and prior service cost that will be amortized from changes in net assets without donor restrictions into the net periodic benefit cost over the next fiscal year are \$ 0, \$ 124,516, and \$ 0, respectively.

The Organization's expected long-term return on plan assets assumption is based on a periodic review of the plan's assets over a long-term horizon. Expectations of returns for each asset class are used in the review and are based on reviews of historical data and economic/financial market theory. The expected long-term rate of return on plan assets was selected from within a reasonable range of rates determined by (a) historical real returns for the asset classes covered by the investment policy and (b) projections of inflation over the long-term period during which benefits are payable to plan participants.

At December 31, 2019, plan assets were invested in cash and cash equivalents, alternative investments fixed income and stocks and comprised of approximately 7% cash and cash equivalents (Level 1), 58% equities (Level 1), and 27% fixed income and 8% alternative investments (Level 1). The Organization's target allocation was 55% equity securities, 32% fixed income securities and 12% alternative investments, and 1% cash and cash equivalents. There were holdings in three individual investments that were in excess of five percent of plan assets as of December 31, 2019.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
(cont'd)**

CHILDREN & FAMILIES FIRST DELAWARE, INC.

Note 9 Pension plan (cont'd)

At December 31, 2018, plan assets were invested in cash and cash equivalents, mutual funds and stocks and comprised of approximately 3% cash and cash equivalents (Level 1), 59% equities (Level 1), 28% fixed income and 10% alternative investments. (Level 1). The Organization's target allocation was 55% equity securities, 32% fixed income securities and 12% alternative investments, and 1% cash and cash equivalents. There were holdings in one individual investment that was in excess of five percent of plan assets as of December 31, 2018.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The table below presents the balances of pension assets measured at fair value on a recurring basis, as of December 31, 2019 and 2018:

<u>December 31, 2019</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 162,540	\$ 162,540	\$ 0	\$ 0
Equities	1,387,327	1,387,327	0	0
Fixed income	643,392	643,392	0	0
Alternative investments	213,368	213,368		
TOTAL	\$ 2,406,627	\$ 2,406,627	\$ 0	\$ 0
<u>December 31, 2018</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 65,352	\$ 65,352	\$ 0	\$ 0
Equities	1,278,021	1,278,021	0	0
Fixed Income	619,168	619,168	0	0
Alternative investments	215,654	215,654		
TOTAL	\$ 2,178,195	\$ 2,178,195	\$ 0	\$ 0

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 9 Pension plan (cont'd)

The Organization's investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target allocations (shown above) by major asset categories. The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plan's actuarial assumptions and achieve asset returns that are competitive with the like institutions employing similar investment strategies. The endowment committee meets annually to review the investment policy statement, and quarterly to review investment returns and actual asset allocations in relation to policy allocation limits. The policy is established and administered in a manner so as to comply at all times with applicable government regulations.

The Organization expects to contribute a minimum of \$ 122,888 to the pension plan in 2019. No plan assets are expected to be returned to the Organization during 2019.

The benefits expected to be paid for the next five years are as follows:

2020	\$ 146,000
2021	151,000
2022	151,000
2023	156,000
2024	<u>159,000</u>
 Total	 <u>\$ 763,000</u>

Note 10 Defined contribution plan

The Organization has a defined contribution plan covering all full-time employees. Employees who have one month of credited service and are at least 21 years of age are eligible to participate. Each year, participants may contribute up to amounts allowed under Internal Revenue Code Section 415, as defined in the plan. The Organization's matching contribution is based on a discretionary percentage, determined by the Organization, of each tier of a participant's elective deferrals or flat dollar amount allocated on a uniform basis to all participants, as determined by the Organization. Contributions are subject to certain limitations. Employer contributions to the plan for the years ended December 31, 2019 and 2018 were \$ 92,837 and \$ 94,316, respectively.

Note 11 Operating leases

The Organization leases vehicles and office equipment under various operating leases that expire through May 2020. Total lease payments amounted to \$ 43,191 and \$ 39,308 for the years ended December 31, 2019 and 2018, respectively.

The following is a schedule of minimum future rental payments under non-cancelable operating leasing arrangements having remaining terms in excess of one year as of December 31, 2019:

2020	\$ 17,496
2021	0
2022	0
2023	0
2024	0
Total	<u>\$ 17,496</u>

Note 12 Operating lease as lessor

The Organization leases out office space in Georgetown, Delaware under an operating lease. The old lease expired on August 31, 2018. The new lease is for two years commencing on September 1, 2018 and expired August 31, 2020 with an exercised option for a one year renewal. For the years ended December 31, 2019 and 2018, the Organization received income from this lease of \$ 28,137 and \$ 28,985, respectively.

Note 13 Capital leases

The Organization has entered into lease agreements as a lessee for financing the acquisition of vehicles, computer equipment, and telephone system. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

The assets acquired through the capital leases are as follows:

Vehicles – Enterprise, Inc.	\$ 488,776
Equipment – Cisco, Inc.	23,992
Equipment – STC, Inc.	309,181
Less: Accumulated amortization	<u>(505,495)</u>
Total	<u>\$ 316,454</u>

Note 13 Capital leases (cont'd)

Annual amortization is included in depreciation expense.

The future minimum lease obligations and the net present value of these minimum lease payments for the remaining term as of December 31, 2019 were as follows:

2020	\$	90,063
2021		90,063
2022		71,940
2023		37,663
2024		<u>12,190</u>
		301,919
Amount representing interest		<u>(34,773)</u>
Total	\$	<u>267,146</u>

Note 14 Advertising expenses

The Organization expenses the production costs of advertising when incurred. Advertising expense totaled \$ 47,946 and \$ 40,115 during the years ended December 31, 2019 and 2018, respectively.

Note 15 Concentration of credit risk

The financial instrument which potentially subjects the Organization to significant concentrations of credit risk is cash.

The Organization's cash is maintained in bank deposit accounts with financial institutions that at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant risk.

Note 16 Subsequent events

The date to which events occurring after December 31, 2019, the date of the most recent consolidated statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosures is October 28, 2020, which is the date on which the financial statements were available to be issued.

Subsequent to year-end the World Health Organization declared COVID-19 to be a pandemic. The virus has spread through the world and governments have taken various actions to try to slow the transmission. The impact of these restrictions, and the potential effect to the Organization, cannot be reasonably estimated at this time.

Note 17 Children & Families First Fund

The Children & Families First Fund ("CFF Fund") is an agreement between Children & Families First Delaware, Inc. ("The Organization") and the Delaware Community Foundation ("DCF") to establish a nonprofit endowment fund. The funds are administered and invested in the DCF, a commingled investment fund for the benefit of the Organization.

The funds are distributed to the Organization in accordance with the terms of the agreement. There were no distributions received by the Organization for the years ended December 31, 2019 and 2018.

As of December 31, 2019 and 2018, DCF held the following balances designated for DCF:

<u>2019</u>	<u>2018</u>
\$ 20,862	\$ 17,891

The above assets are excluded from the financial statements since the DCF holds variance power over the use of such assets.

SUPPLEMENTARY INFORMATION

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

CHILDREN & FAMILIES FIRST
DELAWARE INC.

DECEMBER 31, 2019

	Children & Families First Delaware Inc.	Children & Families First Endowment Inc.	B2W2 Inc.	Elimination Entries	Consolidated Balances
CURRENT ASSETS					
Cash and equivalents	\$ 270,155	\$ 0	\$ 243,429	\$ 0	\$ 513,584
Accounts receivable	37,370	7,389	1,446,987	(1,489,285)	2,461
Grants receivable	2,432,182	0	0	(645,391)	1,786,791
Prepaid expenses	165,463	0	0		165,463
Total Current Assets	2,905,170	7,389	1,690,416	(2,134,676)	2,468,299
OTHER ASSETS					
Investments	326,392	3,097,737	221,406		3,645,535
Beneficial interest in perpetual trusts	4,519,867	0	0		4,519,867
	4,846,259	3,097,737	221,406	0	8,165,402
PROPERTY AND EQUIPMENT					
Land and improvements	0	0	473,687		473,687
Building and improvements	0	0	5,561,911		5,561,911
Automobiles	220,963	0	431,927		652,890
Building equipment and furnishings	119,626	0	755,876		875,502
Office and MIS equipment	309,371	0	161,682		471,053
	649,960	0	7,385,083	0	8,035,043
Accumulated depreciation	619,206	0	4,314,713		4,933,919
Property and equipment, net	30,754	0	3,070,370	0	3,101,124
ASSET HELD FOR SALE	0	0	0	0	0
	<u>\$ 7,782,183</u>	<u>\$ 3,105,126</u>	<u>\$ 4,982,192</u>	<u>\$ (2,134,676)</u>	<u>\$ 13,734,825</u>
CURRENT LIABILITIES					
Line of credit	\$ 1,430,025	\$ 0	\$ 0	\$ 0	\$ 1,430,025
Mortgage and notes payable	0	0	27,294		27,294
Accounts payable	1,350,283	131,552	774,346	(2,134,676)	121,505
Accrued expenses	161,161	0	0		161,161
Capital lease payable	0	0	72,697		72,697
Deferred revenue	196,260	0	0		196,260
Total Current Liabilities	3,137,729	131,552	874,337	(2,134,676)	2,008,942
LONG TERM LIABILITIES					
Pension liability	601,039	0	0		601,039
Capital lease payable	0	0	194,449		194,449
Mortgage and notes payable	0	0	48,985		48,985
Total Long Term Liabilities	601,039	0	243,434	0	844,473
Total Liabilities	3,738,768	131,552	1,117,771	(2,134,676)	2,853,415
NET ASSETS					
Without donor restrictions					
Without donor restrictions - general use	(1,784,916)	0	3,864,421		2,079,505
Without donor restrictions - endowment	0	2,349,751	0		2,349,751
Total without donor restrictions	(1,784,916)	2,349,751	3,864,421	0	4,429,256
With donor restrictions	5,828,331	623,823	0		6,452,154
Total Net Assets	4,043,415	2,973,574	3,864,421	0	10,881,410
Total Liabilities and Net Assets	<u>\$ 7,782,183</u>	<u>\$ 3,105,126</u>	<u>\$ 4,982,192</u>	<u>\$ (2,134,676)</u>	<u>\$ 13,734,825</u>

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION

CHILDREN & FAMILIES FIRST
DELAWARE INC.

DECEMBER 31, 2018

	Children & Families First Delaware Inc.	Children & Families First Endowment Inc.	B2W2 Inc.	Supporting K.I.D.D.S. Inc.	Elimination Entries	Consolidated Balances
CURRENT ASSETS						
Cash and equivalents	\$ 373,289	\$ 0	\$ 5,651	\$ 0	\$ 0	\$ 378,940
Accounts receivable	16,919	7,389	1,134,648	0	(1,132,558)	26,398
Grants receivable	2,572,306	0	0	0	(540,175)	2,032,131
Prepaid expenses	130,342	0	0	0	0	130,342
Total Current Assets	3,092,856	7,389	1,140,299	0	(1,672,733)	2,567,811
OTHER ASSETS						
Investments	298,982	2,664,423	207,938	0	0	3,171,343
Beneficial interest in perpetual trusts	3,970,568	0	0	0	0	3,970,568
	4,269,550	2,664,423	207,938	0	0	7,141,911
PROPERTY AND EQUIPMENT						
Land and improvements	0	0	473,687	0	0	473,687
Building and improvements	0	0	5,561,911	0	0	5,561,911
Automobiles	220,963	0	352,854	0	0	573,817
Building equipment and furnishings	87,439	0	737,160	0	0	824,599
Office and MIS equipment	309,371	0	161,682	0	0	471,053
	617,773	0	7,287,294	0	0	7,905,067
Accumulated depreciation	617,773	0	4,109,403	0	0	4,727,176
Property and equipment, net	0	0	3,177,891	0	0	3,177,891
ASSET HELD FOR SALE						
	0	0	177,418	0	0	177,418
	<u>\$ 7,362,406</u>	<u>\$ 2,671,812</u>	<u>\$ 4,703,546</u>	<u>\$ 0</u>	<u>\$ (1,672,733)</u>	<u>\$ 13,065,031</u>
CURRENT LIABILITIES						
Line of credit	\$ 1,696,152	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,696,152
Mortgage and notes payable	0	0	43,151	0	0	43,151
Accounts payable	1,064,721	131,333	553,614	0	(1,672,733)	76,935
Accrued expenses	130,411	0	(522)	0	0	129,889
Capital lease payable	0	0	47,329	0	0	47,329
Deferred revenue	306,804	0	0	0	0	306,804
Total Current Liabilities	3,198,088	131,333	643,572	0	(1,672,733)	2,300,260
LONG TERM LIABILITIES						
Pension liability	688,819	0	0	0	0	688,819
Capital lease payable	0	0	146,587	0	0	146,587
Mortgage and notes payable	0	0	76,237	0	0	76,237
Total Long Term Liabilities	688,819	0	222,824	0	0	911,643
Total Liabilities	3,886,907	131,333	866,396	0	(1,672,733)	3,211,903
NET ASSETS						
Without donor restrictions						
Without donor restrictions - general use	(1,764,439)	0	3,837,150	0	0	2,072,711
Without donor restrictions - endowment	0	1,916,656	0	0	0	1,916,656
Total without donor restrictions	(1,764,439)	1,916,656	3,837,150	0	0	3,989,367
With donor restrictions	5,239,938	623,823	0	0	0	5,863,761
Total Net Assets	3,475,499	2,540,479	3,837,150	0	0	9,853,128
Total Liabilities and Net Assets	<u>\$ 7,362,406</u>	<u>\$ 2,671,812</u>	<u>\$ 4,703,546</u>	<u>\$ 0</u>	<u>\$ (1,672,733)</u>	<u>\$ 13,065,031</u>

CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

CHILDREN & FAMILIES FIRST
DELAWARE INC.

	Children & Families First Delaware Inc.		Children & Families First Endowment Inc.		B2W2 Without Donor Restrictions	Elimination Entries	Consolidated Balances
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions			
PUBLIC SUPPORT AND REVENUE							
Public support:							
Received directly	\$ 288,688	\$ 909,119	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,197,807
Contributions and bequests	17,120	225,562	0	0	0	0	242,682
Received indirectly	157,576	0	0	0	0	0	157,576
Fundraisers	(46,625)	0	0	0	0	0	(46,625)
Less: Direct expenses	14,468,272	0	0	0	0	0	14,468,272
Governmental agencies	566,328	0	0	0	0	0	566,328
Other grants	136,503	0	0	0	0	0	136,503
Other revenue:	231,171	0	0	0	0	(201,151)	30,020
Fees for services - referrals	179,573	0	87,075	0	6,578	0	273,226
Programs service fees	0	0	0	0	572,311	(544,174)	28,137
Investment income	0	0	0	0	83,567	(83,567)	85,696
Rent income	85,696	0	0	0	0	0	85,696
Other							
Total Public Support and Revenue	16,082,302	1,134,681	87,075	0	662,456	(828,892)	17,137,622
Before Net Assets Released from Restrictions	1,095,586	(1,095,586)	0	0	0	0	0
NET ASSETS RELEASED FROM RESTRICTION							
TOTAL PUBLIC SUPPORT AND REVENUE	17,177,888	39,095	87,075	0	662,456	(828,892)	17,137,622
EXPENSES							
Program services:							
Positive parenting	2,280,415	0	0	0	55,478	(63,820)	2,272,073
Supporting teens	4,134,234	0	0	0	191,009	(205,146)	4,120,097
Healthy babies	3,513,553	0	0	0	243,193	(261,257)	3,495,489
Family resources	1,389,120	0	0	0	40,502	(43,383)	1,386,239
Early childhood	2,366,730	0	0	0	54,563	(58,966)	2,352,327
Workplace supports	500,475	0	0	0	1,825	(2,122)	500,178
Grief counselling	361,893	0	0	0	24,192	(25,899)	360,186
Program quality and helpline	50,804	0	0	0	5,307	(7,068)	49,043
Total Program Services	14,587,224	0	0	0	616,069	(667,671)	14,535,622
Support services:							
Management and general	2,548,420	0	18,355	0	118,771	(142,740)	2,542,806
Fundraising	301,412	0	0	0	10,845	(18,481)	293,776
Total Support Services	2,849,832	0	18,355	0	129,616	(161,221)	2,836,562
TOTAL EXPENSES	17,437,056	0	18,355	0	745,685	(828,892)	17,372,204
CHANGE IN NET ASSETS BEFORE NONOPERATING ACTIVITY	(259,168)	39,095	68,720	0	(83,229)	0	(234,582)
NONOPERATING ACTIVITY							
Periodic pension gain	93,123	0	0	0	0	0	93,123
Realized/unrealized gain on investments	21,407	0	391,874	0	8,161	0	421,442
Gain on beneficial interest in perpetual trusts	0	549,298	0	0	0	0	549,298
Gain on sale of fixed assets	8,000	0	0	0	191,001	0	199,001
Transfers	116,161	0	(27,499)	0	(88,662)	0	0
Total Nonoperating Activities	238,691	549,298	364,375	0	110,500	0	1,262,864
CHANGE IN NET ASSETS	(20,477)	588,393	433,095	0	27,271	0	1,028,282
NET ASSETS							
Beginning of year	(1,764,439)	5,239,938	1,916,656	623,823	3,837,150	0	9,853,128
Transfers	0	0	0	0	0	0	0
End of year	(1,784,916)	5,828,331	2,349,751	623,823	3,864,421	0	10,881,410

CONSOLIDATING SCHEDULES OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

CHILDREN & FAMILIES FIRST
DELAWARE INC.

	Children & Families First Delaware Inc.		Children & Families First Endowment Inc.		B2W2 Without Donor Restrictions	Supporting K.I.D.S. Inc.		Elimination Entries	Consolidated Balances
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions		Without Donor Restrictions	With Donor Restrictions		
REVENUES, GAINS, AND OTHER SUPPORT:									
Public support:									
Received directly	\$ 253,796	\$ 788,719	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,042,515
Contributions and bequests									
Received indirectly	24,532	230,562	0	0	0	0	0	0	255,094
Allocation by United Way of Delaware, Inc.	170,667	0	0	0	0	0	0	0	170,667
Fundraisers	(55,188)	0	0	0	0	0	0	0	(55,188)
Less: Direct expenses	13,144,422	0	0	0	0	0	0	0	13,144,422
Governmental agencies	594,235	0	0	0	0	0	0	0	594,235
Other grants									
Other revenues:									
Fees for services - referrals	157,635	0	0	0	0	0	0	0	157,635
Programs service fees	320,068	0	0	0	0	0	0	0	43,110
Investment income	179,387	0	70,690	0	11,558	0	0	0	261,635
Rent income	0	0	0	0	641,298	0	0	0	28,985
Other	16,075	0	0	0	59,902	0	0	(59,902)	16,075
Total Public Support and Revenue	14,805,629	1,019,281	70,690	0	712,758	0	0	(949,173)	15,659,185
Before Net Assets Released from Restrictions	1,296,662	(1,296,662)	70,690	0	712,758	0	0	(949,173)	15,659,185
NET ASSETS RELEASED FROM RESTRICTION	16,102,291	(277,381)	70,690	0	712,758	0	0	(949,173)	15,659,185
TOTAL PUBLIC SUPPORT AND REVENUE	16,102,291	(277,381)	70,690	0	712,758	0	0	(949,173)	15,659,185
EXPENSES AND LOSSES:									
Program services:									
Positive parenting	2,474,790	0	0	0	143,178	0	0	(145,594)	2,472,374
Supporting teens	3,454,531	0	0	0	215,039	0	0	(215,003)	3,454,567
Healthy babies	2,857,184	0	0	0	187,416	0	0	(190,850)	2,853,750
Family resources	1,553,623	0	0	0	57,629	0	0	(58,336)	1,552,916
Early childhood	2,450,220	0	0	0	104,813	0	0	(104,417)	2,450,616
Older adults	4,678	0	0	0	673	0	0	(662)	4,689
Workplace supports	516,537	0	0	0	7,738	0	0	(7,794)	516,481
Grief Counseling	328,075	0	0	0	13,278	0	0	(14,531)	326,822
Program quality and helpline	77,080	0	0	0	9,059	0	0	(9,896)	76,243
Total Program Services	13,716,718	0	0	0	738,823	0	0	(747,083)	13,708,458
Support services:									
Management and general	2,401,210	0	16,669	0	153,394	0	0	(162,555)	2,408,718
Fundraising	345,829	0	0	0	34,153	0	0	(39,535)	340,447
Total Support Services	2,747,039	0	16,669	0	187,547	0	0	(202,090)	2,749,165
TOTAL EXPENSES AND LOSSES	16,463,757	0	16,669	0	926,370	0	0	(949,173)	16,457,623
CHANGE IN NET ASSETS BEFORE NONOPERATING ACTIVITY	(861,466)	(277,381)	54,021	0	(213,612)	0	0	0	(798,438)
NONOPERATING ACTIVITY									
Periodic pension loss	185,408	0	0	0	0	0	0	0	185,408
Realized/unrealized gain (loss) on investments	(4,608)	0	(361,587)	0	(11,987)	0	0	0	(378,182)
Gain on beneficial interest in perpetual trusts	0	(474,756)	0	0	0	0	0	0	(474,756)
Gain on sale of fixed assets	4,000	0	0	0	0	0	0	0	4,000
Transfers	92,474	0	(51,347)	0	(41,127)	0	0	0	0
Total Nonoperating Activities	277,274	(474,756)	(412,934)	0	(53,114)	0	0	0	(663,530)
CHANGE IN NET ASSETS	(84,192)	(752,137)	(358,913)	0	(266,726)	0	0	0	(1,461,968)
NET ASSETS									
Beginning of year	(1,685,756)	5,902,416	2,275,569	623,823	4,103,876	5,509	89,659	0	11,315,096
Transfers	5,509	89,659	0	0	0	(5,509)	(89,659)	0	0
End of year	\$ (1,764,439)	\$ 5,239,938	\$ 1,916,656	\$ 623,823	\$ 3,837,150	\$ 0	\$ 0	\$ 0	\$ 9,853,128

SINGLE AUDIT INFORMATION

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 Members of the Board
Children & Families First Delaware Inc.

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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Children & Families First Delaware Inc., which comprise the consolidated statement of financial position as of December 31, 2019, and the related statements of operations, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Children & Families First Delaware Inc.'s internal control over financial reporting 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 Children & Families First Delaware Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Children & Families First Delaware Inc.'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. (2019-001 and 2019-002)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Children & Families First Delaware Inc.'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*.

The Organization's Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Wilmington, Delaware
October 28, 2020

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

To the Members of the Board
Children & Families First Delaware Inc.

Report on Compliance for Each Major Federal Program

We have audited Children & Families First Delaware Inc.'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 Children & Families First Delaware Inc.'s major federal programs for the year ended December 31, 2019. Children & Families First Delaware Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Children & Families First Delaware Inc.'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; 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 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 Children & Families First Delaware Inc.'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 Children & Families First Delaware Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Children & Families First Delaware Inc. 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 December 31, 2019.

Report on Internal Control over Compliance

Management of Children & Families First Delaware Inc. 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 Children & Families First Delaware Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each 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 Children & Families First Delaware Inc.'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 control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Wilmington, Delaware
October 28, 2020

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS
FOR THE YEAR ENDED DECEMBER 31, 2019

CHILDREN & FAMILIES FIRST DELAWARE INC.

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	GRANT PERIOD BEGINNING/ ENDING DATE	TOTAL RECEIVED FOR YEAR	ACCRUED REVENUE 1/1/2019	REVENUE RECOGNITION	EXPENDITURES	EXPENDITURES TO SUBRECIPIENTS	ACCRUED (DEFERRED) REVENUE 12/31/2019
U.S. Department of Agriculture									
Passed through Delaware Department of Education									
Child & Adult Care Food Program	I	10.558	10/01/18-09/30/19	1,094,525	108,452	986,073	986,073	689,408	0
Child & Adult Care Food Program	I	10.558	10/01/19-09/30/20	326,108	0	422,968	422,968	484,461	96,860
Total CFDA #10.558				1,420,633	108,452	1,409,041	1,409,041	1,173,869	96,860
Milton Elementary School (Cape Henlopen School District) Enrichment Classes	S	N/A	01/08/14-06/30/20	12,397	0	12,397	12,397	0	0
Red Clay Consolidated School District - Warner	S	N/A		0	(938)	6,584	6,584	0	5,646
Red Clay Consolidated School District - Shortidge	I	84.377	11/01/13-09/30/20	147,117	5,921	18,981	18,981	0	5,646
Red Clay Consolidated School District - Shortidge	I	84.010	11/01/13-09/30/20	123,998	24,814	153,984	153,984	0	12,788
Total Delaware Department of Education				1,704,145	138,249	1,689,761	1,689,761	1,173,869	123,865
U.S. Department of Justice									
Passed through Delaware Criminal Justice Council									
VOCA Victim Assistance Funds	I	16.575	10/01/18-09/30/19	156,466	42,712	148,594	148,594	0	34,850
VOCA Victim Assistance Funds	I	16.575	10/01/18-09/30/20	159,600	41,888	159,806	159,806	0	42,094
Total CFDA #16.575				316,066	84,600	308,400	308,400	0	76,944
Functional Family Therapy for Re-Entry Youth (2016-PF-Passafium-1544)	S	N/A	11/01/16-12/31/19	25,772	28,205	(2,433)	(2,433)	0	0
Total Delaware Criminal Justice Council				341,828	112,805	305,967	305,967	0	76,944
U.S. Department of Health and Human Services									
ACYF - Children's Bureau	D	93.087	09/30/18-09/29/19	360,731	0	360,731	360,731	0	0
ACYF - Children's Bureau	D	93.087	09/30/19-09/29/20	140,918	11,284	163,034	163,034	0	33,400
Total CFDA #93.087				501,649	11,284	523,765	523,765	0	33,400
Passed through Delaware Department of Health and Social Services									
Aging & Disability	S	N/A	07/01/19-06/30/20	9,095	0	11,370	11,370	0	2,275
Aging & Disability	S	N/A	07/01/19-06/30/19	20,468	4,353	16,115	16,115	0	0
Total CFDA #93.048				29,563	4,353	27,485	27,485	0	2,275
Family Planning - Service	I	93.217	04/01/18-03/31/19	51,799	38,586	13,213	13,213	0	0
Family Planning - Service	I	93.217	04/01/19-03/31/20	(9,431)	(2,096)	(3,165)	(3,165)	0	4,170
Total CFDA #93.217				42,368	36,490	10,048	10,048	0	4,170
Child Care and Development Block Grant	I	93.575	10/01/18-09/30/19	92,673	2,814	92,673	92,673	0	2,814
Child Care and Development Block Grant	I	93.575	10/01/19-09/30/20	48,347	37,307	24,738	24,738	0	13,698
Child Care and Development Block Grant	I	93.575	10/01/19-09/30/20	37,679	8,170	90,562	90,562	0	61,053
Child Care and Development Block Grant	I	93.575	10/01/18-09/30/19	268,657	40,674	207,763	207,763	151,587	(20,220)
Child Care and Development Block Grant	I	93.575	04/05/17-06/29/19	0	0	0	0	0	0
Total CFDA #93.575				447,356	88,955	415,736	415,736	151,587	57,345
Passed through Delaware Department of Health and Social Services									
Other Cluster:									
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program	I	93.870 / 93.994	07/01/18-06/30/19	663,589	0	663,589	663,589	0	0
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program	S	N/A	07/01/18-6/30/20	458,208	51,192	513,049	513,049	0	106,033
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program	I	93.870 / 93.994	07/01/19-06/30/20	825,403	0	825,403	825,403	0	0
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program	I	93.946		585,831	111,959	564,139	564,139	0	90,267
Total Other Cluster				2,533,031	163,151	2,566,180	2,566,180	0	196,300

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

FOR THE YEAR ENDED DECEMBER 31, 2019

CHILDREN & FAMILIES FIRST DELAWARE INC.

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	GRANT PERIOD BEGINNING/ ENDING DATE	TOTAL RECEIVED FOR YEAR	ACCRUED REVENUE 1/1/2019	REVENUE RECOGNITION	EXPENDITURES	EXPENDITURES TO SUBRECIPIENTS	ACCRUED (DEFERRED) REVENUE 12/31/2019
U.S. Department of Health and Human Services (cont'd)									
Nurse Family Partnership - Healthy Women Healthy Babies	S	N/A	07/01/18-06/30/20	210,112	4,497	222,776	222,776	0	17,161
Nurse Family Partnership - Perinatal/Preconception	S	N/A	07/01/18-06/30/20	244,187	28,292	243,365	243,365	0	27,470
DSAHM-Gov't Grants (Additional HFA Staffing)	S	N/A	07/01/18-06/30/20	79,114	24,727	60,672	60,672	0	6,285
DPH Partner Costs-Gov't Grants (Peer Recovery Coaches)	S	N/A	07/01/18-06/30/20	250,671	46,570	204,101	204,101	0	0
Nurse Family Partnership	S	N/A	07/01/19-06/30/20	14,629	0	17,098	17,098	0	2,469
Nurse Family Partnership	S	N/A	07/01/18-06/30/19	14,602	2,390	12,212	12,212	0	0
FAIR	S	N/A	06/30/16-06/30/20	1,136,210	196,784	1,131,295	1,131,295	0	191,869
Total Delaware Department of HSS				5,001,843	596,219	4,910,968	4,910,968	151,587	505,344
Total U.S. Department of Health and Human Services				5,503,492	607,503	5,434,733	5,434,733	151,587	538,744
Passed through Delaware Department of Children Youth and Their Families									
Stephanie Tubbs Jones Child Welfare Services	S	N/A	07/01/18-06/30/19	275,442	0	275,442	275,442	0	0
Stephanie Tubbs Jones Child Welfare Services	S	N/A	07/01/19-06/30/20	143,438	30,803	158,383	158,383	0	45,748
Total Delaware Department of Children Youth and Their Families				418,880	30,803	433,825	433,825	0	45,748
Passed through Delaware Department of Health and Social Services, Division of Family Services, Office of Prevention									
Adoption Assistance	S	N/A	07/01/18-06/30/20	11,010	0	14,310	14,310	0	3,300
Intensive Homebased Family Support and Parent Aide	S	N/A	07/01/18-06/30/19	64,229	84,708	64,229	64,229	0	84,708
Intensive Homebased Family Support and Parent Aide	S	N/A	07/01/19-06/30/20	95,563	(53,291)	92,412	92,412	0	(56,442)
Total CFDA #693.667				159,792	31,417	156,641	156,641	0	28,266
Family Search and Engagement	S	N/A	07/01/18-06/30/20	84,487	13,787	75,472	75,472	0	4,772
Foster Care	S	N/A	07/01/18-06/30/19	730,735	0	730,735	730,735	324,891	0
Foster Care	S	N/A	07/01/19-06/30/20	709,057	249,153	650,706	650,706	284,920	190,802
Parent Aide	S	N/A	07/01/14-06/30/15	0	0	0	0	0	0
Special Needs Adoption	S	N/A	07/01/18-06/30/19	172,082	4,110	172,082	172,082	0	4,110
Special Needs Adoption	S	N/A	07/01/19-06/30/20	181,023	33,073	204,997	204,997	0	57,047
Total Delaware Department of Health and Social Services, Division of Family Services, Office of Prevention				1,877,384	300,123	1,833,992	1,833,992	609,811	256,731
Child Mental Health									
Seaford House RTC	S	N/A	07/01/16-06/30/20	1,963,845	164,308	1,935,244	1,935,244	0	135,707
Intensive Outpatient	S	N/A	07/01/17-06/30/20	792,992	372,299	489,972	489,972	0	69,279
BHC	S	N/A	10/01/2019-09/30/2024	111,751	0	218,021	218,021	0	106,270
DOE-PBHS	S	N/A	10/01/2018-09/30/2020	123,740	0	222,304	222,304	0	98,564
Total Child Mental Health				2,992,328	536,607	2,865,541	2,865,541	0	409,820

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

FOR THE YEAR ENDED DECEMBER 31, 2019

CHILDREN & FAMILIES FIRST DELAWARE INC.

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	GRANT PERIOD BEGINNING/ ENDING DATE	TOTAL RECEIVED FOR YEAR	ACCRUED REVENUE 1/1/2019	REVENUE RECOGNITION	EXPENDITURES	EXPENDITURES TO SUBRECIPIENTS	ACCRUED (DEFERRED) REVENUE 12/31/2019
U.S. Department of Education									
Fund for the Improvement of Education	D	84.215	10/01/18-09/30/19	338,195	0	338,195	338,195	0	0
Fund for the Improvement of Education	D	84.215	10/01/18-09/30/20	183,929	36,054	182,513	182,513	0	34,638
Total CFDA #84.215				522,124	36,054	520,708	520,708	0	34,638
Passed through University of Delaware									
Delaware Stars	S	N/A	07/01/18-06/30/19	534,386	0	534,386	534,386	0	0
Delaware Stars	S	N/A	07/01/19-06/30/20	123,199	68,138	186,544	186,544	0	133,483
Total University of Delaware				657,585	68,138	722,930	722,930	0	133,483
Passed through Christina School District									
Christina School District	S	N/A	08/14/19-07/31/20	232,187	0	269,807	269,807	0	37,620
Christina School District	S	N/A	08/10/18-07/31/19	326,786	149,804	176,982	176,982	0	0
Christina School District-Mt. Pleasant Elementary	S	N/A	08/01/19-07/31/20	65,380	24,306	41,075	41,075	0	0
Total Christina School District				624,353	174,110	487,864	487,864	0	37,620
TOTAL FEDERAL AWARDS AND CERTAIN STATE GRANTS				\$ 14,812,921	\$ 2,035,809	\$ 14,466,272	\$ 14,466,272	\$ 1,935,267	\$ 1,689,159
TOTAL FEDERAL AWARDS									
TOTAL STATE GRANTS				\$ 5,596,124	\$ 508,539	\$ 5,502,568	\$ 5,502,568	\$ 1,325,456	\$ 414,983
TOTAL FEDERAL AWARDS AND CERTAIN STATE GRANTS				9,216,797	1,527,270	8,963,704	8,963,704	609,811	1,274,176
				\$ 14,812,921	\$ 2,035,809	\$ 14,466,272	\$ 14,466,272	\$ 1,935,267	\$ 1,689,159

Source Code:

- I - Indirect Funding
- D - Direct Funding
- S - State Funding

**NOTES TO SCHEDULE OF
EXPENDITURES OF FEDERAL
AWARDS**

CHILDREN & FAMILIES FIRST DELAWARE, INC.

Note A Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Children & Families First Delaware Inc. under programs of the federal government for the year ended December 31, 2019. 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 Children & Families First Delaware Inc., it is not intended to and does not present the financial position, change in net assets or cash flows of Children & Families First Delaware Inc.

Note B Summary of significant accounting principles

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C Summary of significant accounting principles

Children & Families First Delaware Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

CHILDREN & FAMILIES FIRST DELAWARE, INC.

FOR THE YEAR ENDED DECEMBER 31, 2019

Section I - Summary of Audit Results

Consolidated Financial Statements

Type of auditors' report issued: unmodified opinion

Internal control over financial reporting:

Material weaknesses? X yes no

Significant deficiencies in internal control over financial reporting? yes X no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal Control over major programs:

Material weaknesses? yes X no

Significant deficiencies in internal control over major programs yes X no

Type of auditors' report issued on compliance for major programs: unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Major Programs:

<u>CFDA/ Contract Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.870, 93.994, 93.946	ACA – State MIECHV Program
93.575	Child Care and Development Block Grant

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

Auditee qualified as low-risk auditee? yes X no

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

CHILDREN & FAMILIES FIRST DELAWARE, INC.

FOR THE YEAR ENDED DECEMBER 31, 2019

Section II – Financial Statement Findings

Reference Number: 2019-001
Type of Finding: Material Weakness – Internal Control Over Financial Reporting

Condition

The COSO framework for effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Organization's audited financial statement and then should determine how those identified risks should be managed. Management has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including footnote disclosures and Schedule of Expenditures of Federal Awards.

Criteria

Internal controls should be in place to ensure that accurate and timely financial statements including Schedule of Expenditures of Federal Awards are properly presented.

Cause

Procedures are not properly in place to review financial statements including Schedule of Expenditures of Federal Awards on a monthly basis.

Effect

The Financial Statements including the Schedule of Expenditures of Federal Awards had numerous errors including amounts and CFDA numbers requiring adjustment.

Recommendation

We recommend that management design effective controls over the preparation of the financial statements and footnote disclosures.

Views of Responsible Officials and Planned Corrective Actions

See attached for Organization's Corrective Action Plan.

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

CHILDREN & FAMILIES FIRST DELAWARE, INC.

FOR THE YEAR ENDED DECEMBER 31, 2019

Reference Number: 2019-002
Type of Finding: Material Weakness – Recording of Donor Restricted Activity

Criteria

As part of our audit, we test contributions mainly for completeness in recording, existence of gifts received, and accuracy in classification of restrictions or lack thereof. The recordkeeping for gifts appears to be kept in multiple places, including Dynamics (a combination of unrestricted gifts, fundraising, and some restricted gifts) and Excel (for the remainder of restricted gifts not recorded in Dynamics). We were not provided with a report or reconciliation that agreed the record of gifts received to the general ledger. As a result, the auditors performed the reconciliation out of necessity. During the reconciliation and testing the restricted gifts and net assets, we noted the prior year restricted net assets were not properly closed in the general ledger. This resulted in the journal entries that needed to be made to reflect the opening balance in net assets.

Condition

Children and Families First Delaware, Inc. has failed to design effective controls to properly record the activity of their net assets with donor restrictions.

Cause

The Organization has not established checklists or other protocols necessary to ensure the financial statements have properly addressed all entries required for U.S. GAAP financial statements, including footnote disclosures.

Effect

Management has not effectively recorded donor restricted activity necessary to report financial statements in accordance with GAAP which resulted in net assets with donor restrictions being overstated.

Recommendation

We recommend that management design effective controls over the recording of donor restricted activity.

Views of responsible officials and planned corrective actions:

See attached for Organization's Corrective Action Plan.



Children & families First Delaware, Inc.

Corrective Action Plan

October 28, 2020

Federal Agency: U. S. Department Of Health and Human Services
Program: ACA-State MIECHV Program (93.870, 93.994, 93.946 ,93.575)
Child Care and Development Block Grant (93.575)

Children & Families First Delaware Inc. respectfully submits the following corrective action plan for the year ended December 31, 2018.

The audit was performed by: Gunnip & Company LLP
Little Falls Centre two
2751 Centerville Road
Suite 300
Wilmington, DE 19808-1627

Audit Period: January 1st 2019 to December 31st, 2019

The findings from the year ended December 31, 2019 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

I. FINDINGS—FINANCIAL STATEMENT AUDIT

TYPE OF FINDING: Material Weakness—Internal Control Over Financial Reporting

REFERENCE NUMBER: 2019-001

CONDITION: Management has not identified risks to the preparation of reliable financial statements used for the Schedule of Expenditures of Financial Awards and footnote disclosures.

RECOMMENDATION: We recommend that management design effective controls over the preparation of the financial statements and footnote disclosures.

ACTION TAKEN: Children and Families First "CFF" has upgraded its Microsoft Dynamic accounting and financial management application to the most current version. CFF is adding a SEFA structure to the system that will allow for automated SEFA statements on a monthly basis and remove the burden of tracking our multiple contacts using Excel spreadsheets. CFF Financial management will also add SEFA review to the finance committee oversight.

TYPE OF FINDING: Material Weakness

REFERENCE NUMBER: 2019-002

CONDITION: The recordkeeping for gifts is kept in multiple systems including Blackbaud, and Dynamics for all unrestricted gifts and some restricted gifts. Excel spreadsheets are used for balance of restricted gifts. There was no combined reconciliation available which caused additional journal entries to the general ledger including opening balances to net assets.

ACTION TAKEN: CFF will use the development department Blackbaud system to upload unrestricted gifts to the general ledger and reconcile to cash received via automated process and eliminate the current manual process used by the finance and development departments. The CFO will review all net asset accounts monthly to assure prior period balances are carried forward.

If the Department of Health and Human Services or staff of the Programs has any questions regarding this plan, please call John Wood at 302-777-9754.

Sincerely yours,

John Wood
Chief Financial Officer
Children & Families Delaware First, Inc.

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

CHILDREN & FAMILIES FIRST DELAWARE, INC.

FOR THE YEAR ENDED DECEMBER 31, 2019

Section III – Federal Award Findings and Questioned Costs

NONE REPORTED

**SUMMARY STATUS OF PRIOR YEAR
AUDIT FINDINGS**

CHILDREN & FAMILIES FIRST DELAWARE, INC.

Section IV – Status of Prior Year Findings

Reference Number: 2018-001
Type of Finding: Material Weakness
Cutoff of Cash Receipts

Condition

During our audit procedures, we noted cash receipts received in January 2019 recorded as deposits-in-transit in December 2018.

Criteria

Internal controls should be in place that provide reasonable assurance that there are adequate safeguards over cash to ensure that cash transactions are properly accounted for in the appropriate period.

Recommendation

Procedures should be implemented requiring management's review of cash deposits. We suggest additional controls be added to the review of bank reconciliations in order to review deposits-in-transit and account for transactions in their proper period.

Current status

This is not a current year finding.

**SUMMARY STATUS OF PRIOR YEAR
AUDIT FINDINGS**

CHILDREN & FAMILIES FIRST DELAWARE, INC.

Section IV – Status of Prior Year Findings

Reference Number: 2018-002
**Type of Finding: Significant Deficiency, Noncompliance
Other Matters**

Criteria, Condition and Context

2 CFR 200.512 states that the auditee must electronically submit to the Federal Audit Clearinghouse the data collection form and the Single Audit reporting package within the earlier of 30 calendar days after receipt of the auditor’s report(s), or nine months after the end of the audit period.

The submission of the data collection form and Single Audit reporting package for the fiscal year ended December 31, 2017 was not submitted within 30 calendar days after receipt of the auditor’s report.

Recommendation

The Organization should strengthen its controls to ensure that the data collection form and Single Audit reporting package is electronically submitted to the Federal Audit Clearinghouse in a timely manner.

Current status

This is not a current year finding.