

**CHILDREN'S NETWORK
OF SOLANO COUNTY**

Independent Auditor's Reports,
Financial Statements and
Supplementary Information

Year Ended June 30, 2019

with summarized comparative financial
information for the year ended June 30, 2018

**CHILDREN'S NETWORK OF SOLANO COUNTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

	<u>PAGE(S)</u>
Independent Auditor's Report	1-2
FINANCIAL STATEMENTS:	
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
Notes to Financial Statements	7-14
SUPPLEMENTARY INFORMATION:	
Schedule of Expenditures of Federal and State Awards.....	15
Notes to Schedule of Expenditures of Federal and State Awards.....	16
Combining Statement of Activities.....	17
Schedule of Expenditures by State Categories.....	18
Reconciliation of CDE and GAAP Expense Reporting	19
Schedule of Reimbursable Equipment Expenditures.....	20
Schedule of Reimbursable Expenditures for Renovations and Repairs.....	21
Schedule of Reimbursable Administrative Costs.....	22
AUDITED FINAL ATTENDANCE AND FISCAL REPORT FORMS:	
AUD 9529 – CRET 8044.....	23-25
AUD 9529 – CLPC 8047	26-28
Report on 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>	29-30
Schedule of Findings and Questioned Costs	31-32
Summary Schedule of Prior Audit Findings	33



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Children's Network of Solano County
Fairfield, CA

We have audited the accompanying financial statements of Children's Network of Solano County (a nonprofit organization) which comprises the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of Children's Network of Solano County as of June 30, 2019, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary reports on pages 15-33 are required by the California Department of Education and are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2019 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The 2017-18 financial statements of Children's Network of Solano County were audited by other auditors whose report dated November 6, 2018 expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent with the audited financial statements from which it has been derived.

Change in Accounting Principle

As described in Note 2 to the financial statements, Children's Network of Solano County has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Fritzsche Associates, Inc.

Certified Public Accountants
Sacramento, CA
December 7, 2019

CHILDREN'S NETWORK OF SOLANO COUNTY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
WITH COMPARATIVE FINANCIAL INFORMATION AS OF JUNE 30, 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current assets:		
Cash and equivalents	\$ 182,657	\$ 140,222
Grants receivable	136,027	254,299
Prepaid expenses	<u>5,182</u>	<u>9,471</u>
Total current assets	323,866	403,992
Deposits	3,200	3,000
Fixed assets, net	<u>4,274</u>	<u>5,482</u>
Total assets	<u>\$ 331,340</u>	<u>\$ 412,474</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 42,378	\$ 106,004
Accrued expenses	<u>43,768</u>	<u>48,299</u>
Total current liabilities	<u>86,146</u>	<u>154,303</u>
Net assets:		
Without donor restrictions	156,618	167,743
With donor restrictions	<u>88,576</u>	<u>90,428</u>
Total net assets	<u>245,194</u>	<u>258,171</u>
Total liabilities and net assets	<u>\$ 331,340</u>	<u>\$ 412,474</u>

The accompanying notes are an integral part of these financial statements.

CHILDREN'S NETWORK OF SOLANO COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Government grants	\$ 758,973	-	\$ 758,973	\$ 951,817
Program service revenue	597,105	\$ 108,382	705,487	772,064
Special event income	22,186	-	22,186	21,602
Less: cost of direct benefits to donors	(12,148)	-	(12,148)	(16,464)
Contributions	3,172	-	3,172	8,569
Investment income	31	-	31	60
Other income	4,494	-	4,494	2,219
Net assets released from restriction	110,234	(110,234)	-	-
Total support and revenue	<u>1,484,047</u>	<u>(1,852)</u>	<u>1,482,195</u>	<u>1,739,867</u>
Expenses:				
Program services:				
Child care	196,022	-	196,022	185,879
Family support	862,039	-	862,039	1,264,622
Council and advocacy	160,530	-	160,530	129,146
Youth program	154,379	-	154,379	105,715
Fiscal sponsorship	38,489	-	38,489	31,523
Total program services	<u>1,411,459</u>	<u>-</u>	<u>1,411,459</u>	<u>1,716,885</u>
Supporting services:				
Management and general	79,887	-	79,887	65,504
Fundraising	3,826	-	3,826	903
Total supporting services	<u>83,713</u>	<u>-</u>	<u>83,713</u>	<u>66,407</u>
Total expenses	<u>1,495,172</u>	<u>-</u>	<u>1,495,172</u>	<u>1,783,292</u>
Change in net assets	(11,125)	(1,852)	(12,977)	(43,425)
Net assets, beginning of year	167,743	90,428	258,171	301,596
Net assets, end of year	<u>\$ 156,618</u>	<u>\$ 88,576</u>	<u>\$ 245,194</u>	<u>\$ 258,171</u>

The accompanying notes are an integral part of these financial statements.

CHILDREN'S NETWORK OF SOLANO COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

	Program Services					Supporting Services			2019 Total	2018 Total
	Child Care	Family Support	Council & Advocacy	Youth Program	Fiscal Sponsorship	Total Program Services	Management & General	Fundraising		
Salaries and wages	\$ 31,700	\$ 135,469	\$ 103,040	\$ 70,337	\$ 2,614	\$ 343,160	\$ 36,849	\$ 1,453	\$ 381,462	\$ 436,218
Payroll taxes	2,401	11,362	8,226	6,073	208	28,270	3,237	129	31,636	36,465
Employee benefits	7,332	20,222	22,781	3,292	885	54,512	8,681	425	63,618	60,451
Subtotal personnel	41,433	167,053	134,047	79,702	3,707	425,942	48,767	2,007	476,716	533,134
Accounting and audit	-	-	-	-	-	-	17,058	-	17,058	16,374
Advertising	70	55	107	54	1	287	22	506	815	2,236
Bad debt	-	-	-	-	-	-	5,845	-	5,845	-
Bank charges	-	-	-	-	-	-	90	1	91	532
Conferences and meetings	808	771	1,333	367	534	3,813	178	14	4,005	9,057
Consultants	44,682	-	1,340	36,224	-	82,246	-	-	82,246	39,487
Contracts	-	310,690	-	-	-	310,690	-	-	310,690	73,564
Depreciation	-	-	-	-	-	-	1,208	-	1,208	291
Dues and subscriptions	37	69	1,065	43	2	1,216	178	55	1,449	1,116
Equipment maintenance	502	1,095	783	518	19	2,917	292	6	3,215	4,091
Information systems	1,564	4,076	2,540	1,689	59	9,928	913	16	10,857	12,234
Insurance	530	1,514	1,522	792	41	4,399	1,034	-	5,433	4,786
Occupancy	6,169	13,454	9,412	6,233	679	35,947	2,856	899	39,702	36,993
Office supplies	326	1,491	470	266	10	2,563	167	(308)	2,422	9,505
Other expenses	-	-	-	-	-	-	-	170	170	1,128
Outreach	-	3,852	604	1,975	-	6,431	-	-	6,431	9,865
Postage	75	242	147	99	6	569	52	-	621	1,454
Printing	153	60	190	1,630	1,757	3,790	9	393	4,192	4,010
Program expenses	47,307	353,399	-	846	30,307	431,859	-	-	431,859	880,829
Stipends and incentives	50,290	-	-	13,745	-	64,035	-	-	64,035	10,370
Supplies	-	-	4,648	7,395	1,323	13,366	-	-	13,366	42,529
Telephone	1,324	3,726	2,089	1,409	44	8,592	1,208	10	9,810	7,337
Training	-	-	70	-	-	70	-	57	127	69,904
Travel	752	492	163	1,392	-	2,799	10	-	2,809	12,466
Total expenses	\$ 196,022	\$ 862,039	\$ 160,530	\$ 154,379	\$ 38,489	\$ 1,411,459	\$ 79,887	\$ 3,826	\$ 1,495,172	\$ 1,783,292
	13.11%	57.65%	10.74%	10.33%	2.57%	94.40%	5.34%	0.26%	100.00%	

The accompanying notes are an integral part of these financial statements.

CHILDREN'S NETWORK OF SOLANO COUNTY
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Grants and contributions received	\$ 880,417	\$ 986,977
Other cash receipts	732,198	795,945
Payments for salaries, benefits, and payroll taxes	(481,247)	(539,759)
Payments to vendors	<u>(1,088,933)</u>	<u>(1,298,672)</u>
Net cash provided by (used in) operating activities	<u>42,435</u>	<u>(55,509)</u>
Cash flows from investing activities:		
Purchases of fixed assets	<u>-</u>	<u>(5,773)</u>
Net cash provided by (used in) investing activities	<u>-</u>	<u>(5,773)</u>
Net increase (decrease) in cash	42,435	(61,282)
Cash and equivalents, beginning of year	<u>140,222</u>	<u>201,504</u>
Cash and equivalents, end of year	<u>\$ 182,657</u>	<u>\$ 140,222</u>

The accompanying notes are an integral part of these financial statements.

**CHILDREN'S NETWORK OF SOLANO COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – NATURE OF ORGANIZATION

Children's Network of Solano County, (the Network, we, us, our) was incorporated as a nonprofit corporation in 1982. The Network facilitates partnerships among public and private agencies that serve Solano County families. Our mission and vision are:

Mission: Improving the lives of children in Solano County through education, advocacy, coordination of community services and community-based collaborative groups.

Vision: The children of Solano County will reach adulthood having experienced a safe, healthy and nurturing environment.

We are primarily funded by contracts and grants with federal, state and local government agencies.

Program Descriptions

We identify five broad program areas to direct our resources and activities. We work to educate people in Solano County about the needs of children and to bring together those who can achieve the best outcomes for kids. We conduct and disseminate research, offers training, administer grants, coordinate county agencies, advocate for policy changes at all levels of government, and work to improve the efficiency and effectiveness of county services for children.

Child Care – We provide staff support to the Child Care Planning Council and its programs and activities with the goal of improving accessibility, affordability and quality of childcare countywide. The Child Care Planning Council members are approved by both the Solano County Board of Supervisors and the Solano County Office of Education.

Family Support – We provide support to a network of the county's family resource centers, sites that offer comprehensive family support services in every city in Solano County, providing families with information and referrals, in-home services, parent education, and assistance with social and health emergency needs.

Council Support – We provide staff support to the Solano Children's Alliance and Child Abuse Prevention Council, appointed by the Board of Supervisors. This support includes convening meetings and events to discuss and identify children's needs in the County, seeking funding to meet those needs, and monitoring and advising the Board of Supervisors on the needs of children in Solano County.

CHILDREN'S NETWORK OF SOLANO COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – NATURE OF ORGANIZATION (continued)

Youth Program – We promote youth leadership and employment in an effort to ensure our County's youth have a platform and are heard, and that they are able to access opportunities that lead to success.

Fiscal Sponsorship – We provide assistance to local organizations that do not have a 501(c)(3) designation, but are helping our communities, families, and children to be successful, by providing them with the administrative infrastructure needed to raise and spend funds for their efforts.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our financial statements have been prepared on the accrual basis of accounting. Thus, revenues are reported in the year earned rather than when collected, and expenses are reported in the year incurred rather than when paid.

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, we classify our net assets and changes in net assets as follows:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions – Net assets that are subject to donor-imposed stipulations that may or will be met either by our actions and/or the passage of time – OR – net assets to be held in perpetuity as directed by donors, whereas the income from the contributions is available to support activities as designated by donors.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Contributions restricted by a donor are reported as increases in net assets without donor restrictions if those restrictions are met (either by passage of time or by use) in the reporting period in which the contributions are recognized. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted explicitly by a donor or by law.

Cash and Equivalents

Cash and equivalents consist of cash on hand and highly liquid investments with original or remaining maturities of three months or less at the time of purchase.

CHILDREN'S NETWORK OF SOLANO COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and Contracts Receivable

Grants and contracts receivable consist primarily of noninterest bearing amounts due for performance of our program services. Based on historical payment trends and current economic conditions, management considers all grants and contracts receivable to be currently collectible.

Fixed Assets

Acquisitions of fixed assets in excess of \$1,500 are capitalized and stated at cost. Donated fixed assets are reported at fair value at the date of the gift. Property and equipment funded by the California Department of Education are expensed on supplementary reports during the contract period. Depreciation is computed using primarily the straight-line method, which amortizes the cost of assets over their estimated useful lives and may not be claimed for reimbursement under child development contracts for assets purchased with public funds.

Revenue and Revenue Recognition

Revenue from fee-for-service activities is recognized when the services are provided. Revenue from special events is recognized when the events are held. We receive funding under grants and contracts from government and other grantors, for direct and indirect program costs and to provide certain whole or partial sub-grants to other agencies. This funding is subject to contractual limitations, which must be met through incurring qualifying expenses for particular programs.

Revenue from grants and contracts is recognized only when funds are utilized to carry out the activity stipulated in the grant or contract agreement. Grants and contracts receivable represent amounts due from funding organizations for reimbursable expenses incurred. Cash received under grants and contracts in advance of incurring the related expenses is reported as deferred revenue.

We recognize contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional contributions are not recognized until the conditions on which they depend have been substantially met.

Functional Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Indirect costs are allocated among programs and supporting services based on personnel, space and other factors.

CHILDREN'S NETWORK OF SOLANO COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Costs

All advertising costs are expensed as incurred and totaled \$815 and \$2,236 for the years ended June 30, 2019 and 2018, respectively.

Use of Estimates

In preparing financial statements in conformity with U.S. GAAP, our management is required to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could vary from those estimates under different assumptions or conditions.

Income Tax Status

We are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and related California code sections. We are considered a public charity and have been classified as an organization that is not a private foundation under IRC Section 170(b)(1)(a)(vi).

Our management has processes presently in place to ensure maintenance of our tax exempt statuses; to identify and report unrelated business income; to determine the filing and tax obligations for which we have nexus; and to identify and evaluate other matters that may be considered tax positions. We have evaluated our tax positions and related income tax contingencies and do not believe that any material uncertain tax positions exist that require recognition or disclosure in the financial statements.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash and equivalents with financial institutions believed by our management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with grants and contracts receivable is considered to be limited due to high historical collection rates and because substantial portions are due from government agencies and foundations supportive of our mission.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year financial statement presentation. Any reclassifications made have had no impact on previously reported net assets.

**CHILDREN'S NETWORK OF SOLANO COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting

We receive a major portion of our revenue in the form of federal, state and local government grants or contracts for program operations. To ensure observance of limitations and restrictions placed on the use of resources available to us, the accounts are maintained in accordance with the principles of fund accounting. Separate accounts are maintained for each fund.

Presentation of Certain Prior Year Information

The statements of activities and functional expenses include certain prior year summarized financial information for comparative purposes only. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with our financial statements for the year ended June 30, 2018 from which the summarized information was derived.

Adoption of New Accounting Standards

We have adopted the financial statement presentation and disclosure standards contained in the Financial Accounting Standards Board Accounting Standards Update 2016-14, Presentation of Financial Statements for Not-for-Profit Entities, modifying ASC 958. The change has been applied as of June 30, 2019 and 2018 with no effect on beginning net assets.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of June 30, 2019:

Cash and equivalents	\$ 182,657
Grants receivable	<u>136,027</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 318,684</u>

We maintain a liquid cash balance in checking and money market accounts in an amount necessary to meet our anticipated expenditures for at least the next 60 days. Cash in excess of this may be invested in short-term investments. To help manage unanticipated liquidity needs, we have a committed line of credit in the amount of \$100,000, which we could draw upon if needed.

**CHILDREN'S NETWORK OF SOLANO COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

NOTE 4 – FIXED ASSETS

Fixed assets consisted of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 22,743	\$ 22,743
Equipment	2,014	2,014
Less: accumulated depreciation	<u>(20,483)</u>	<u>(19,275)</u>
 Total fixed assets	 <u>\$ 4,274</u>	 <u>\$ 5,482</u>

Depreciation expense was \$1,208 and \$291 for the years ended June 30, 2019 and 2018, respectively.

NOTE 5 – LINE OF CREDIT

We have a \$100,000 revolving line of credit with Bank of the West. Advances on the credit line are payable on demand and carry an interest rate of two percent above the Bank's index rate of 7.75%. The line of credit is secured by chattel paper, accounts receivable and equipment. The line of credit expires on October 10, 2020. The Network had no outstanding balance as of June 30, 2019 and 2018. The unused credit line of \$100,000 represented off balance sheet risk in that it could be used in subsequent periods.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to purpose restrictions:		
Financial education	\$ 68,267	\$ 6,163
Youth leadership	11,083	53,033
Latino community programs	9,226	11,162
Parent leadership and training	--	7,768
Children's programs	--	10,214
Policy Forum	<u>--</u>	<u>2,088</u>
 Total net assets with donor restrictions	 <u>\$ 88,576</u>	 <u>\$ 90,428</u>

CHILDREN'S NETWORK OF SOLANO COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions:		
Financial education	\$ 8,833	\$ 23,104
Youth leadership	41,950	--
Latino community programs	1,937	--
Parent leadership and training	7,768	--
Children's programs	47,659	46,567
Events	2,087	16,257
Basic needs	--	5,881
Rental assistance	<u> --</u>	<u>25,000</u>
 Total assets released from donor restrictions	 <u>\$ 110,234</u>	 <u>\$ 116,810</u>

NOTE 7 – COMMITMENTS

We lease office space and office equipment under non-cancellable operating leases. We also collect rent from a portion of our office space under a sublease agreement, expiring in August 2020. The following is a schedule of future minimum rental payments (net of sublease revenue) required under the above operating leases for the years ended June 30:

2020	\$ 17,998
2021	<u>23,250</u>
 Total future minimum rental payments	 <u>\$ 41,248</u>

Net rental expense was \$32,497 and \$32,058 for the years ended June 30, 2019 and 2018, respectively.

NOTE 8 – CONCENTRATIONS

United Way Bay Area and Solano County provided approximately 50% and 50% of our funding for the years ended June 30, 2019 and 2018, respectively. In addition, 92% and 60% of grants and contracts receivable were due from California Department of Education and Solano County as of June 30, 2019 and 2018, respectively.

CHILDREN'S NETWORK OF SOLANO COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

NOTE 9 – FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Personnel costs including salaries and wages, payroll taxes, and employee benefits are allocated on the basis of employee's estimated time and effort. Other shared costs such as conferences and meetings, occupancy, insurance, office supplies, telephone, and travel are direct charged to the program benefiting from the service and/or allocated in accordance with time and effort.

NOTE 10 – RETIREMENT PLAN

We have established a benefit policy called Flex Comp under Internal Revenue Code Section 125, otherwise known as a Cafeteria Plan. The plan maintains a contributory retirement program which is available to employees and allows the participants to make tax deferred annuity contributions. We make matching contributions to the retirement plan of 1% of salary for participating employees. The total costs were \$3,470 and \$4,096 for the years ended June 30, 2019 and 2018, respectively.

NOTE 11 – CONTINGENCIES

We have been awarded certain grants and contracts and are subject to financial and compliance requirements of the grantors or their representatives. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time although management does not expect such amounts, if any, to materially affect the financial statements.

NOTE 12 – DONATED SERVICES

We receive donated services from a variety of unpaid volunteers assisting in leadership, committees, fundraising activities and program services. The value of this donated time is not reflected in the accompanying financial statements since it does not meet the criteria for recognition as a contribution.

NOTE 13 – SUBSEQUENT EVENTS

Our management has reviewed the results of operations for the period of time from our year end of June 30, 2019 through December 7, 2019, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

SUPPLEMENTARY INFORMATION

CHILDREN'S NETWORK OF SOLANO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2019

Grantor	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures	State of CA Expenditures
U.S. Department of Health and Human Services					
The Office of Family Assistance	93.086	90FK0058	\$ -	\$ 68,191	-
<i>Passed through California Department of Education</i>					
AB 212- Child Care Professional Development	93.575	CRET-8044	-	69,356	\$ 8,266
CA Transitional Kindergarten Stipend Incentive	93.575	14-25277	-	47,969	-
Local Planning Council	93.575	CLPC-7047	-	56,647	3,112
Total U.S. Department of Health and Human Services			-	242,163	11,378
U.S. Department of Homeland Security					
<i>Passed through United Way Bay Area</i>					
Emergency Food and Shelter Program	10.561	16-SUB-00965	-	90,000	-
Total U.S. Department of Homeland Security			-	90,000	-
Total Expenditures of Federal and State Awards			\$ -	\$ 332,163	\$ 11,378

The accompanying notes are an integral part of these financial statements.

CHILDREN'S NETWORK OF SOLANO COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the “Schedule”) includes the federal award activity of Children’s Network of Solano County under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Network, it is not intended to and does not present the financial position, changes in net assets or cash flows of the organization for the year then ended.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – INDIRECT COST RATE

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

CHILDREN'S NETWORK OF SOLANO COUNTY
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Contracts		Grants	Total CDE	Non-CDE Programs	Total
	CLPC 8047	CRET 8044	CTKS 14-25277			
Revenue and support:						
Child program contracts	\$ 59,759	\$ 77,622	-	\$ 137,381	-	\$ 137,381
Other child program contracts	12,500	-	\$ 15,100	27,600	-	27,600
Other program contracts	-	-	-	-	\$ 541,055	541,055
Child program contributions	-	-	-	-	-	-
Other program contributions	-	-	-	-	13,210	13,210
Child program grants	-	-	-	-	-	-
Other program grants	-	-	-	-	760,825	760,825
Investment income	-	-	-	-	31	31
Miscellaneous receipts	-	-	-	-	3,480	3,480
Net assets released	-	-	46,468	46,468	(46,468)	-
Total revenue and support	<u>\$ 72,259</u>	<u>\$ 77,622</u>	<u>\$ 61,568</u>	<u>\$ 211,449</u>	<u>\$ 1,272,133</u>	<u>\$ 1,483,582</u>
Expenses:						
Certificated salaries	-	-	-	-	-	-
Classified salaries	\$ 17,006	\$ 14,685	-	\$ 31,691	\$ 349,771	\$ 381,462
Employees benefits	5,423	3,939	-	9,362	85,892	95,254
Books and supplies	912	203	-	1,115	25,616	26,731
Rents and leases	3,190	1,570	-	4,760	28,287	33,047
Other operating expenses	39,159	50,168	\$ 60,068	149,395	808,075	957,470
Depreciation	-	-	-	-	1,208	1,208
In-kind contribution expense	-	-	-	-	-	-
General, administrative and indirect	6,569	7,057	1,500	15,126	(15,126)	-
Total expenses	<u>\$ 72,259</u>	<u>\$ 77,622</u>	<u>\$ 61,568</u>	<u>\$ 211,449</u>	<u>\$ 1,283,723</u>	<u>\$ 1,495,172</u>

The accompanying notes are an integral part of these financial statements.

CHILDREN'S NETWORK OF SOLANO COUNTY
SCHEDULE OF EXPENDITURES BY STATE CATEGORIES
YEAR ENDED JUNE 30, 2019

	Contracts		Grants	Total CDE
	CLPC 8047	CRET 8044	CTKS 14-25277	
Expenses:				
1000 Certificated salaries	-	-	-	-
2000 Classified salaries	\$ 17,006	\$ 14,685	-	\$ 31,691
3000 Employee benefits	5,423	3,939	-	9,362
4000 Books and supplies	912	203	-	1,115
5000 Services/Other operating expense				
6100/6200 Other approved capital outlay	42,349	51,738	\$ 46,468	140,555
6400 New equipment	-	-	-	-
6500 Replacement	-	-	-	-
Depreciation on assets	-	-	-	-
Indirect costs	<u>6,569</u>	<u>7,057</u>	<u>1,500</u>	<u>15,126</u>
Total expenses claimed for reimbursement	<u>72,259</u>	<u>77,622</u>	<u>47,968</u>	<u>197,849</u>
Total supplemental expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>\$ 72,259</u>	<u>\$ 77,622</u>	<u>\$ 47,968</u>	<u>\$ 197,849</u>

The accompanying notes are an integral part of these financial statements.

**CHILDREN'S NETWORK OF SOLANO COUNTY
RECONCILIATION OF CDE AND GAAP EXPENSE REPORTING
YEAR ENDED JUNE 30, 2019**

	Contracts		Grants	Total
	CLPC 8047	CRET 8044	CTKS 14-25277	
Schedule of expenditures by State Categories (CDE)	\$ 72,259	\$ 77,622	\$ 47,968	\$ 197,849
Audit fees expenses on AUD forms (in advance of services)	-	-	-	-
Combining Statement of Activities (GAAP)	<u>\$ 72,259</u>	<u>\$ 77,622</u>	<u>\$ 47,968</u>	<u>\$ 197,849</u>

The accompanying notes are an integral part of these financial statements.

**CHILDREN'S NETWORK OF SOLANO COUNTY
SCHEDULE OF REIMBURSIBLE EQUIPMENT EXPENDITURES
YEAR ENDED JUNE 30, 2019**

	Contracts		Grants	Total
	CLPC 8047	CRET 8044	CTKS 14-25277	
Unit cost under \$7,500 per item:				
None	\$ -	\$ -	\$ -	\$ -
Unit cost over \$7,500 per item with prior written approval:				
None	-	-	-	-
Unit cost over \$7,500 per item without prior written approval:				
None	-	-	-	-
Total expenditures	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

CHILDREN'S NETWORK OF SOLANO COUNTY
SCHEDULE OF REIMBURSIBLE EXPENDITURES FOR RENOVATION AND REPAIRS
YEAR ENDED JUNE 30, 2019

	Contracts		Grants	Total
	CLPC 8047	CRET 8044	CTKS 14-25277	
Unit cost under \$10,000 per item:				
None	\$ -	\$ -	\$ -	\$ -
Unit cost over \$10,000 per item with prior written approval:				
None	-	-	-	-
Unit cost over \$10,000 per item without prior written approval:				
None	-	-	-	-
Total expenditures	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

CHILDREN'S NETWORK OF SOLANO COUNTY
SCHEDULE OF REIMBURSABLE ADMINISTRATIVE COSTS
YEAR ENDED JUNE 30, 2019

	Contracts		Grants	Total
	CLPC 8047	CRET 8044	CTKS 14-25277	
Expenses:				
Clerical and other office wages	-	-	-	-
Social Security	-	-	-	-
Health and welfare benefits	-	-	-	-
Workers compensation	-	-	-	-
Legal, election and audit	-	-	-	-
Other services and operating expense	-	-	-	-
Indirect cost allocation	<u>\$ 6,569</u>	<u>\$ 7,057</u>	<u>\$ 1,500</u>	<u>\$ 15,126</u>
Total expenses	<u><u>\$ 6,569</u></u>	<u><u>\$ 7,057</u></u>	<u><u>\$ 1,500</u></u>	<u><u>\$ 15,126</u></u>

The accompanying notes are an integral part of these financial statements.

CALIFORNIA DEPARTMENT OF EDUCATION
 AUDITED FISCAL REPORT FOR
 CHILD DEVELOPMENT SUPPORT CONTRACTS

A U D 9529 Page 1 of 4 (06/19)

Fiscal Year End	June 30, 2019	
Contract Number	CRET	8044
Vendor Code	Z157	

Full Name of Contractor **CHILDREN'S NETWORK OF SOLANO COUNTY**

Section 1 - Revenue	Column A Cumulative CDNFS 9529	Column B Audit Adjustments	Column C Cumulative Per Audit
Restricted Income - Match Requirement			
Restricted Income - County Maintenance of Effort (EC Section 8279) ^{Text}			
Restricted Income - Other:			
Restricted Income Subtotal			
Interest Earned on Child Development Apportionment Payments			
Unrestricted Income - Other:			
Total Revenue			

Fiscal Year End

Contract Number

Vendor Code

Full Name of Contractor

Section 2 - Reimbursable Expenses	Column A Cumulative CDNFS 9529	Column B Audit Adjustments	Column C Cumulative Per Audit
1000 Certificated Salaries			
2000 Classified Salaries	14,685		14,685
3000 Employee Benefits	3,939		3,939
4000 Books and Supplies	203		203
5000 Services and Other Operating Expenses	51,738		51,738
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance			
Indirect Costs (Include in Administrative Cost)	7,057		7,057
Non-Reimbursable (State Use Only)			
Total Reimbursable Expenses	77,622		77,622
Total Administrative Cost (included in section 2 above)	7,057		7,057

Approved Indirect Cost Rate:

Comments:

NO SUPPLEMENTAL REVENUE Check this box and omit Page 3.

Fiscal Year End June 30, 2019

Contract Number CRET 8044

Vendor Code Z157

Full Name of Contractor **CHILDREN'S NETWORK OF SOLANO COUNTY**

Section 5 - Summary	Column A Cumulative CDNFS 9529	Column B Audit Adjustments	Column C Cumulative Per Audit
Restricted Program Income			
Match Requirement			
Interest Earned on Apportionment Payments			
Total Reimbursable Expenses	77,622		77,622
Total Administrative Cost	7,057		7,057

CALIFORNIA DEPARTMENT OF EDUCATION
 AUDITED FISCAL REPORT FOR
 CHILD DEVELOPMENT SUPPORT CONTRACTS

A U D 9529 Page 1 of 4 (06/19)

Fiscal Year End June 30, 2019

Contract Number CLPC 8047

Vendor Code Z157

Full Name of Contractor CHILDREN'S NETWORK OF SOLANO COUNTY

Section 1 - Revenue	Column A Cumulative CDNFS 9529	Column B Audit Adjustments	Column C Cumulative Per Audit
Restricted Income - Match Requirement	12,500		12,500
Restricted Income - County Maintenance of Effort (EC Section 8279) Text			
Restricted Income - Other:			
Restricted Income Subtotal	12,500		12,500
Interest Earned on Child Development Apportionment Payments			
Unrestricted Income - Other:			
Total Revenue	12,500		12,500

Fiscal Year End
 Contract Number
 Vendor Code

Full Name of Contractor

Section 2 - Reimbursable Expenses	Column A Cumulative CDNFS 9529	Column B Audit Adjustments	Column C Cumulative Per Audit
1000 Certificated Salaries			
2000 Classified Salaries	17,006		17,006
3000 Employee Benefits	5,423		5,423
4000 Books and Supplies	912		912
5000 Services and Other Operating Expenses	42,349		42,349
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance			
Indirect Costs (Include in Administrative Cost)	6,569		6,569
Non-Reimbursable (State Use Only)			
Total Reimbursable Expenses	72,259		72,259
Total Administrative Cost (included in section 2 above)	6,569		6,569

Approved Indirect Cost Rate:

Comments:

NO SUPPLEMENTAL REVENUE Check this box and omit Page 3.

Fiscal Year End	June 30, 2019	
Contract Number	CLPC	8047
Vendor Code	Z157	

Full Name of Contractor CHILDREN'S NETWORK OF SOLANO COUNTY

Section 5 - Summary	Column A Cumulative CDNFS 9529	Column B Audit Adjustments	Column C Cumulative Per Audit
Restricted Program Income	12,500		12,500
Match Requirement	12,500		12,500
Interest Earned on Apportionment Payments			
Total Reimbursable Expenses	72,259		72,259
Total Administrative Cost	6,569		6,569



INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Children’s Network of Solano County
Fairfield, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Children’s Network of Solano County (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 7, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but do not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Fritzsche Associates, Inc.

Certified Public Accountants
Sacramento, CA
December 7, 2019

**CHILDREN'S NETWORK OF SOLANO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section II – Financial statement Findings

Nothing to report

Section III – Federal Award Findings and Questioned Costs

Nothing to report

**CHILDREN'S NETWORK OF SOLANO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

None reported