

FOR THE CHILDREN INC.

INDEPENDENT AUDITOR'S REPORT
&
FINANCIAL STATEMENTS

For The Year Ended December 31, 2020
(with comparative totals for December 31, 2019)

FOR THE CHILDREN INC.

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DANIEL J. ALLEGRETTI, CPA, P.A.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
For The Children Inc.
Lake Worth Beach, FL

Opinion

I have audited the financial statements of For The Children Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of For The Children Inc., as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am required to be independent of For The Children Inc. and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of For The Children Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about For The Children Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 27, 2021, on my consideration of For The Children Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of For The Children, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering For The Children Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

I have previously audited For The Children Inc.'s 2019 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated June 2, 2020, In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

DANIEL J. ALLEGRETTI, CPA, P.A.

Palm Beach Gardens, FL
May 27, 2021

FOR THE CHILDREN INC.
Statement of Financial Position
As of December 31, 2020
(with comparative totals for 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 775,327	\$ 755,262
Short-term investments - other	847,703	358,565
Grants and accounts receivable	205,110	349,603
Prepaid expenses and other assets	21,387	17,520
Property and equipment, net	77,206	102,646
TOTAL ASSETS	\$ 1,926,733	\$ 1,583,596
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 23,494	\$ 19,643
Accrued expenses	6,840	9,701
Deferred revenue	-	8,333
Refundable advance	193,800	-
Total Liabilities	224,134	37,677
 Net Assets:		
Without donor restrictions:		
Undesignated	494,680	445,784
Board designated emergency fund	101,635	101,635
Board designated for building project	946,750	946,750
Total net assets without donor restrictions	1,543,065	1,494,169
With donor restrictions	159,534	51,750
Total Net Assets	1,702,599	1,545,919
TOTAL LIABILITIES & NET ASSETS	\$ 1,926,733	\$ 1,583,596

See accompanying notes to financial statements.

FOR THE CHILDREN INC.
Statement of Activities
Year Ended December 31, 2020
(with comparative totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	Total	2019
SUPPORT & REVENUE				
Government grants	\$ 889,469	\$ -	\$ 889,469	\$ 860,980
Contributions and grants	367,884	156,534	524,418	311,308
Program service fees	242,274	-	242,274	371,484
In-kind donations	199,263	-	199,263	295,841
Interest income	5,538	-	5,538	3,889
Special events	4,997	-	4,997	26,610
Other revenue	751	-	751	8,307
Net assets released from restrictions	48,750	(48,750)	-	-
Total Support & Revenue	1,758,926	107,784	1,866,710	1,878,419
EXPENSES				
Program services:				
Youth zone	721,516	-	721,516	844,045
Community Wellness	398,318	-	398,318	344,213
Teen zone	354,859	-	354,859	190,633
Early learning	162,981	-	162,981	302,695
Supporting activities:				
Management and general	68,992	-	68,992	65,252
Fundraising	3,364	-	3,364	10,895
Total Expenses	1,710,030	-	1,710,030	1,757,733
Change in net assets	48,896	107,784	156,680	120,686
Net assets, beginning of year	1,494,169	51,750	1,545,919	1,425,233
Net assets, end of year	<u>\$ 1,543,065</u>	<u>\$ 159,534</u>	<u>\$ 1,702,599</u>	<u>\$ 1,545,919</u>

See accompanying notes to financial statements.

FOR THE CHILDREN INC.
Statement of Functional Expenses
Year Ended December 31, 2020
(with comparative totals for 2019)

	PROGRAM SERVICES				SUPPORTING SERVICES		Total	2019
	Youth Zone	Community Wellness	Teen Zone	Early Learning	Management and General	Fundraising		
Salaries and wages	\$ 443,934	\$ 225,545	\$ 203,566	\$ 59,016	\$ 36,785	\$ 3,125	\$ 971,971	\$ 931,771
Payroll taxes	34,155	15,766	15,269	4,943	2,845	239	73,217	71,081
Employee benefits	5,225	2,021	1,285	1,105	4,979	-	14,615	12,268
Total payroll expenses	\$ 483,314	\$ 243,332	\$ 220,120	\$ 65,064	\$ 44,609	\$ 3,364	\$ 1,059,803	\$ 1,015,120
Background checks	5,200	2,365	1,215	145	-	-	8,925	8,684
Building maintenance	4,602	4,922	1,654	16,200	8,185	-	35,563	40,373
Building rent	104,125	20,183	24,000	37,800	4,200	-	190,308	244,279
Communications and utilities	8,836	8,446	4,985	17,714	2,086	-	42,067	39,418
Depreciation expense	20,907	-	270	4,130	133	-	25,440	21,601
Dues and subscriptions	1,235	108	425	794	541	-	3,103	10,693
Equipment rental/maintenance	683	3,375	-	355	-	-	4,413	1,549
Food service and supplies	29,675	6,980	10,377	2,763	652	-	50,447	82,512
Grants and assistance	14	49,324	490	-	-	-	49,828	-
Insurance expense	17,786	21,377	12,722	1,582	2,279	-	55,746	43,679
Merchant and bank fees	377	5	-	1	315	-	698	1,844
Miscellaneous	4	-	480	-	7	-	491	426
Office expenses	1,010	2,141	2,276	62	63	-	5,552	7,393
Printing and supplies	1,010	300	175	-	13	-	1,498	12,759
Professional fees	22,667	30,053	36,019	8,540	3,338	-	100,617	93,263
Program supplies	18,877	4,331	28,247	2,772	1,786	-	56,013	56,451
Special event direct costs	-	-	-	-	-	-	-	7,695
Sponsored events and activities	759	1,076	3,815	420	350	-	6,420	53,670
Training and development	435	-	435	4,639	435	-	5,944	3,210
Transportation and travel	-	-	7,154	-	-	-	7,154	13,114
Total Expenses	\$ 721,516	\$ 398,318	\$ 354,859	\$ 162,981	\$ 68,992	\$ 3,364	\$ 1,710,030	\$ 1,757,733

See accompanying notes to financial statements.

FOR THE CHILDREN INC.
Statement of Cash Flows
Year Ended December 31, 2020
(with comparative totals for 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from contributions and grants	\$ 1,548,017	\$ 855,219
Cash received from program service fees	244,304	385,685
Paycheck Protection Program proceeds	193,800	-
Cash received from fundraising events	4,997	26,610
Cash received from other revenue	751	8,307
Interest received in savings accounts	143	163
Cash paid to employees and vendors	(1,488,204)	(1,432,149)
Net cash provided by (used in) operating activities	503,808	(156,165)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of property and equipment	-	(75,000)
Investments in certificates of deposit	(483,743)	-
Net cash used in investing activities	(483,743)	(75,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted to purchase long-lived assets	-	75,000
Net cash provided by financing activities	-	75,000
Net increase (decrease) in cash and cash equivalents	20,065	(156,165)
Cash and cash equivalents, beginning of year	755,262	911,427
Cash and cash equivalents, end of year	\$ 775,327	\$ 755,262

See accompanying notes to financial statements.

FOR THE CHILDREN INC.
Notes to Financial Statements
December 31, 2020

NOTE 1 – NATURE OF ORGANIZATION’S ACTIVITIES

For The Children Inc. (the "Organization") is a Florida Not For Profit Corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, which provides educational, recreational, and developmental programs for children. The primary activities of its programs include afterschool care, youth empowerment, family counseling, and early childhood education.

Youth Zone

The Youth Zone ensures children, ages 5-12, can effectively transition from elementary to middle school. Programs are designed to ensure youth are meeting their academic goals and understand what is required of them as they enter this period of adolescence. Programs offer homework assistance, literacy activities, and recreational activities through partnerships with state and local government agencies. Funding is provided by the Early Learning Coalition of Palm Beach County and facilities are donated from The School District of Palm Beach County.

The 21st Century Community Learning Center provides children, grades 2-5, academic enrichment opportunities during afterschool to help students meet state and local standards in core academic subjects. This program offers students enrichment activities to complement regular academic programs. Funding is provided through the Florida Department of Education and facilities are donated from The School District of Palm Beach County.

Teen Zone

The Teen Zone serves children, ages 10-18, and consists primarily of the Youth Empowerment Center (YEC) and Teen Learning Center (TLC). The programs offer homework assistance, small group tutoring in reading and math, FCAT, ACT/SAT exam preparation, teen council/leadership development, arts programs, organized physical activities, and recreational activities through partnerships with local government and nonprofit agencies. Funding is provided through grants from the Palm Beach County Youth Services Department, the United Way of Palm Beach County, and use of facilities donated from The School District of Palm Beach County.

Early Learning

The Kids Zone is designed to ensure our children are socially, emotionally, and academically prepared to enter kindergarten. Our programs allow them to explore the worlds of art, music, math, science, and languages in a safe, nurturing environment through partnerships with state and local government agencies. Funding is provided by the Early Learning Coalition of Palm Beach County and use of facilities donated from The City of Lake Worth.

Community Wellness

The Children Community Wellness Center, funded through the Palm Beach County Community Services Department, educates parents about child development issues and our counselors assist families with child development, child-rearing, family planning, violence in the home, drug and alcohol abuse, and other behavioral issues. The Healthy Kids, Health Families program, funded through the Palm Beach County Youth Services Department, provides services and activities for families to increase their knowledge of healthy eating habits, reduce stress through mindfulness and meditation, and increase awareness of health risks linked to obesity.

FOR THE CHILDREN INC.
Notes to Financial Statements
December 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting & Presentation

The Organization's financial statements have been prepared using accrual basis accounting in accordance with generally accepted accounting principles (US GAAP). The Organization reports information regarding its activities and financial position according to separate classes of net assets based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions - resources management and the governing Board has sole discretion to expend for any purpose towards its mission.

Net assets with donor restrictions - subject to donor-imposed stipulations that restrict the use of resources to specific purposes or future periods.

(b) Cash and Cash Equivalents

The Organization's cash balance consists of deposit accounts at FDIC-insured banks. For the purpose of financial statement presentation, money market funds or short-term investments with original maturities of three months or less are considered cash equivalents.

(c) Short-term Investments - other

Short-term investments are certificates of deposit held at FDIC-insured commercial banks that have original maturities of greater than three months and do not meet the definition of debt securities. Certificates of deposit are valued at amortized cost which approximates fair value.

(d) Grants Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Conditional promises to give which have a measurable performance barrier and right of return are not recognized until the conditions have been substantially met.

(e) Accounts Receivable

Accounts receivable are fees for services provided for which payment has not been received. The amount recorded equals uncollected balances less an allowance for doubtful accounts that management estimates based on past experience that affects collectability.

Management evaluates individual account balances to determine whether a customer may not be able to meet their financial obligations. The allowance for doubtful accounts is periodically adjusted to account for changes based upon that evaluation.

(f) Prepaid Expenses & Other Assets

Expenditures paid in advance are recorded as prepaid expenses until those expenses have been incurred in the following accounting period.

(g) Property & Equipment

Property and equipment includes acquisitions of \$500 or higher less accumulated depreciation. Purchased assets are recorded at cost and donated assets are recorded at estimated fair value. Depreciation is calculated using the straight-line method over the useful lives of the assets.

FOR THE CHILDREN INC.
Notes to Financial Statements
December 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Accounts Payable & Accrued Expenses

Accounts payable consists of expenses invoiced by vendors that are outstanding at the end of the accounting period. Accrued expenses are payroll liabilities and operating expenses incurred during the accounting period but not payable until the following fiscal year.

(i) Refundable Advance

Refundable advance represents loan proceeds from the Paycheck Protection Program pursuant to the CARES Act that have not been legally forgiven as of December 31, 2020 (See NOTE 14).

(j) Contributions and Grants

Contributions are recorded without donor restrictions if available for unrestricted use by the organization. Contributions are recorded with donor restrictions if required to spent for specific purposes or in future periods. If a donor restriction is satisfied within the same reporting period as the contribution received, the contribution is recorded without donor restrictions. Contributions received in prior periods for which donor restrictions have been satisfied in the current year are presented as net assets released from restrictions in the statement of activities.

The Organization derives a portion of its support from cost reimbursement grants, which depend upon the incurrence of qualifying expenses. These grants are recognized when expenditures have been incurred in compliance with specific contract provisions.

(k) Revenue Recognition

Program service fees are recognized as revenue when school readiness and afterschool services have been provided in accordance with terms of its contracts with the Early Learning Coalition of Palm Beach County. The Organization receives monthly payments based on the attendance of eligible children according to predetermined rates per child and weekly tuition paid by parents of students who participate in the school readiness and afterschool programs.

Program services provided for which payment has not been received represents a contract asset ("accounts receivable") due from the Early Learning Coalition and parents. A portion of monthly payments received from the Early Learning Coalition may represent an advance for services to be provided in a subsequent month. Therefore, advance payments represent a contract liability ("deferred revenue") until those performance obligations have been satisfied.

(l) In-kind Donations

The Organization recognizes in-kind contributions of food, services, and use of facilities based on estimated fair value. Donated services are recognized as contributions if the services provided require specialized skills, are performed by individuals who possess those skills, and would be purchased if not otherwise donated.

(m) Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates based on assumptions that affect specific reported amounts and disclosures. Significant estimates include the allowance for doubtful accounts, depreciable lives of property and equipment, in-kind donations, and the functional allocation of expenses.

FOR THE CHILDREN INC.
Notes to Financial Statements
December 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Functional Classification of Expenses

In the statement of activities, expenses are reported as program services or supporting activities. Program services are incurred for the primary activities that fulfill the Organization's mission. Supporting activities include administrative and fundraising expenses not directly identifiable as program services.

Certain costs have been allocated among program services and supporting activities. Payroll expenses are allocated based on time and effort. Building rent, utilities, maintenance, and communications at the Osborne School are allocated based on square footage.

(o) Income Taxes

The Organization is exempt from federal income tax under IRC Section 501(c)(3). For the year ended December 31, 2020, there were no activities that require recognition or disclosure in the financial statements of material uncertain tax liabilities for income taxes.

(p) Recent Accounting Pronouncements

On June 21, 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. FASB ASU 2018-08 clarifies existing guidance for evaluating whether a transfer of assets is considered a reciprocal revenue transaction (i.e., exchange) or a nonreciprocal transaction (i.e., contribution) and then further distinguishing contributions as conditional or unconditional. The Organization adopted the standard as of January 1, 2019, but the guidance does not have a material effect on amounts reported in the financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This standard replaces prior revenue recognition guidance with a more comprehensive principles-based revenue measurement and recognition standard. The Organization adopted the standard January 1, 2019, but the guidance does not have a material effect on revenue recognition or amounts reported in the financial statements.

(q) Comparative Financial Information

The financial statements include certain prior-year summarized comparative totals, which does not include changes in total net assets according to donor restrictions nor natural classification of expenses by function. The prior year comparative totals do not include detail sufficient to constitute a presentation in conformity with US GAAP. Accordingly, this information should be read together with the Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

NOTE 3 – CONCENTRATIONS OF CREDIT RISK

The Organization's cash deposits and certificates of deposit have been placed with high credit financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each bank. During the year, the total balance at a financial institution may exceed insured limits. The organization has not experienced, nor does it anticipate, any losses with respect to its deposit accounts.

FOR THE CHILDREN INC.
Notes to Financial Statements
December 31, 2020

NOTE 4 - AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS

As of December 31, 2020, the following financial assets are available for general expenditure over the subsequent year less amounts subject to internal designations and donor-imposed restrictions:

Financial assets:	2020	2019
Cash and cash equivalents	\$ 775,327	\$ 755,262
Short-term investments - other	847,703	358,565
Grants and accounts receivable	205,110	349,603
Total financial assets	<u>1,828,140</u>	<u>1,463,430</u>
Less amounts unavailable for general use:		
Board designated net assets for building project	(946,750)	(946,750)
Board designated net assets for emergency fund	(101,635)	(101,635)
Donor-restricted for specified program expenses	<u>(159,534)</u>	<u>(51,750)</u>
Financial assets available to meet cash needs for general expenditures within next 12 months	<u>\$ 620,221</u>	<u>\$ 363,295</u>

The Organization's liquidity management maintains financial assets to meet a minimum 90 days of operating expenditures in an operating account. Surplus cash is deposited in savings accounts and certificates of deposit. The Board of Directors occasionally will designate a portion of an operating surplus to fund its building project or emergency reserve. In the event of unanticipated cash needs, the Organization could borrow up to \$110,000 from an available line of credit (Note 11).

NOTE 5 – GRANTS RECEIVABLE

As of December 31, 2020, grants receivable include governmental grants totaling \$141,027 and unconditional promises to give of \$56,250 donor-restricted for program expenses to be incurred next fiscal year. The organization expects to fully collect the contributions within one year.

NOTE 6 – ACCOUNTS RECEIVABLE

As of December 31, 2020, accounts receivable were available from the following sources less an allowance for doubtful accounts:

	2020	2019
Early Learning Coalition of Palm Beach County	\$ 10,978	\$ 12,623
Parent Fees	19,957	18,496
	<u>30,935</u>	<u>31,119</u>
Allowance for doubtful accounts	<u>(23,102)</u>	<u>(12,923)</u>
Accounts receivable, net	<u>\$ 7,833</u>	<u>\$ 18,196</u>

FOR THE CHILDREN INC.
Notes to Financial Statements
December 31, 2020

NOTE 7 – PROPERTY & EQUIPMENT

As of December 31, 2020, the Organization's property and equipment consisted of the following major classes of depreciable assets. Depreciation expense recorded for the year totaled \$25,440.

	2020	2019
Land	\$ 16,775	\$ 16,775
Construction in Progress	13,617	13,617
Leasehold Improvements	131,426	131,426
Computers and Equipment	124,223	124,223
Vehicles	191,575	191,575
	<u>477,616</u>	<u>477,616</u>
Less: accumulated depreciation	<u>(400,410)</u>	<u>(374,970)</u>
Property and equipment, net	<u>\$ 77,206</u>	<u>\$ 102,646</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

For the year ended December 31, 2020, net assets with donor restrictions were available to be used for and were released from the following donor restrictions:

	12/31/2019	Increases	Releases	12/31/2020
Teen Learning Center	\$ 48,750	\$ 56,250	\$ (48,750)	\$ 56,250
Teen Zone	-	51,309	-	51,309
Multi Cultural Arts	-	48,975	-	48,975
Painting of Unity Wall	3,000	-	-	3,000
Total	<u>\$ 51,750</u>	<u>\$ 156,534</u>	<u>\$ (48,750)</u>	<u>\$ 159,534</u>

NOTE 9 – DONATED SERVICES AND FOOD

For the year ended December 31, 2020, the estimated value of donated services received for teaching, tutoring, and counseling totaled \$13,727. The estimated value of food donated for its programs totaled \$26,536. Donated services and food are recorded as in-kind donations in the statement of activities and recorded as professional fees and food service and supplies in the statement of functional expenses.

NOTE 10 – CONCENTRATIONS OF SUPPORT & REVENUE

The Organization's primary sources of support and revenue for the year ended December 31, 2020 were received from the Florida Department of Education (21%) and Palm Beach County government (27%).

NOTE 11 – LINE OF CREDIT

On February 1, 2013, the Organization obtained a line of credit with a \$110,000 limit that is secured by the organization's assets and bears an interest rate of .600 percentage points over the lender's prime rate. As of December 31, 2020, the line of credit balance was \$0. The line of credit has been renewed and will mature on February 1, 2022.

FOR THE CHILDREN INC.
Notes to Financial Statements
December 31, 2020

NOTE 12 – EMPLOYEE BENEFIT PLAN

The Organization established a Savings Incentive Match Plan ("SIMPLE") IRA for all employees who are eligible after completing two consecutive years of employment. The Organization matches employees dollar-for-dollar up to 2% of their salary-reduction contributions. Matching contributions paid by the organization to the SIMPLE plan were \$8,323 for the year ended December 31, 2020.

NOTE 13 – OPERATING LEASES

On July 26, 2010, the Organization entered into an agreement with the City of Lake Worth Beach, authorized by Lake Worth Ordinance 2008-17, to lease the historic Osborne School and adjacent land located at 1718 S. Douglas Street in Lake Worth Beach, Florida for a 99-year term. Use of the premises is for the sole purpose of educational, recreational, counseling, and family support services; the vacant portion shall be developed by the Organization to operate an educational and recreational center available for use by members of nearby communities and the general public. The lease is \$12 plus tax annually and cancelable by either party upon 30 days written notice. The Organization recognizes the fair rental value of use of facilities that exceeds lease payments as in-kind donations and building rent of \$42,000 for the year ended December 31, 2020.

On September 30, 2004, the Organization entered into a memorandum of understanding with the School Board of Palm Beach County on behalf of Barton Elementary School to establish a partnership to provide educational, recreational, health, and human services to the residents of all ages in the local community. As part of the agreement, approximately 7,700 square feet was provided for operating their programs. In-kind donations and building rent of \$93,000 has been recorded for the fair rental value of the use of facilities for the year ended December 31, 2020.

The Organization is provided use of facilities from the Palm Beach County Youth Services Department to operate the Youth Empowerment Center at 1701 Wingfield Street in Lake Worth Beach, Florida. In addition, Lake Worth Community High School and South Intensive Transition School provide use of their facilities for the Teen Learning Center. In-kind donations and building rent of \$24,000 has been recorded for the fair rental value of the use of facilities for the year ended December 31, 2020.

The Organization leases offices at 1712 South Dixie Highway, in Lake Worth Beach, Florida, to provide family counseling services for the Children Community Wellness Center, which is currently in effect month-to-month. Building rent was \$20,183 for the year ended December 31, 2020.

NOTE 14 – PAYCHECK PROTECTION PROGRAM

On May 9, 2020, the Organization was approved for a \$193,800 loan through the U.S. Small Business Administration ("SBA") under the Paycheck Protection Program. The original loan matures two (2) years from the date of the promissory note and bears an interest rate of 1.00%. In accordance with the Paycheck Protection Flexibility Act of 2020, repayment is currently deferred until 10 months after the end of the Organization's covered period. The loan is fully guaranteed by the federal government and not collateralized by any of the Organization's assets.

FOR THE CHILDREN INC.
Notes to Financial Statements
December 31, 2020

NOTE 14 – PAYCHECK PROTECTION PROGRAM (continued)

The principal could be forgiven in full or reduced based upon meeting certain eligibility criteria and paying qualifying costs under the provisions of the CARES Act. In accordance with FASB ASC 958-605, the Organization has concluded that the PPP loan represents a conditional grant and recorded the full amount as a refundable advance. When a formal determination has been made by the SBA, the total forgiven will be recognized as contribution revenue in the statement of activities. The Organization would be required to repay any remaining unforgiven balance, plus interest accrued at 1.00% per annum in monthly payments after the deferment period has ended.

NOTE 15 – SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 27, 2021, the date of which the financial statements were available to be issued.

Due to the COVID-19 pandemic and related government mandates, For The Children has adapted its programming to properly manage health and safety precautions. The Organization is closely monitoring its operations, liquidity, and resources to minimize the impact of the pandemic. For The Children has experienced continued funding to support its operations from partnerships with local governmental agencies, nonprofit organizations, and foundations.

**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
For The Children Inc.
Lake Worth Beach, FL

I 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 For The Children Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2020, 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 my report thereon dated May 27, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered For The Children Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of For The Children Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of For The Children 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 For The Children Inc.'s financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of For The Children Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering For The Children Inc.'s internal control and compliance. Accordingly, this report is not suitable for any other purpose.

DANIEL J. ALLEGRETTI, CPA, P.A.

Palm Beach Gardens, FL
May 27, 2021