

FAMILY CENTRAL, INC.

**CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Family Central, Inc.
Fort Lauderdale, Florida

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Family Central, Inc. (the "Organization") (a Florida nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2018 and 2017, 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 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 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.

In addition, the accompanying consolidating information contained in the Table of Contents are presented for purposes of analysis and are not a required part of the consolidated financial statements of Family Central, Inc. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and, in our opinion, is fairly presented in all material respects in relation to the consolidated financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2018, 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 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.



CERTIFIED PUBLIC ACCOUNTANT

Coral Gables, Florida
December 11, 2018

FAMILY CENTRAL, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS	2018	2017
CURRENT ASSETS:		
Cash	\$ 595,856	\$ 1,593,367
Receivables from funding sources, net	2,072,571	2,352,692
Prepaid expenses and other assets	149,679	147,363
Total current assets	<u>\$ 2,818,106</u>	<u>\$ 4,093,422</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 107,596	\$ 146,996
Accounts payable, child care providers	1,027,161	1,744,940
Accrued salaries and annual leave	256,340	190,387
Line of credit	79,349	-
Total current liabilities	<u>1,470,446</u>	<u>2,082,323</u>
NET ASSETS:		
Unrestricted	1,347,660	1,827,453
Temporarily restricted	-	183,646
Total net assets	<u>1,347,660</u>	<u>2,011,099</u>
Total liabilities and net assets	<u>\$ 2,818,106</u>	<u>\$ 4,093,422</u>

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

FAMILY CENTRAL, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
Support and other revenue:		
Federal, state and local grants and fees	\$ 17,246,833	\$ 18,355,465
Fees	1,097,756	1,247,885
Fundraising and donations	183,038	179,487
Rental income	-	3,875
Other revenue	31,752	1,774,427
Net assets released from restrictions	<u>183,646</u>	<u>6,204</u>
TOTAL UNRESTRICTED SUPPORT AND OTHER REVENUE	<u>18,743,025</u>	<u>21,567,343</u>
 EXPENSES:		
Program services	18,141,585	18,613,657
Supporting services:		
General and administrative	923,309	1,747,888
Fundraising	29,347	34,685
Training expenses	128,577	185,725
Total supporting services	<u>1,081,233</u>	<u>1,968,298</u>
TOTAL EXPENSES	<u>19,222,818</u>	<u>20,581,955</u>
 Change in unrestricted net assets	<u>(479,793)</u>	<u>985,388</u>
 CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Grants	-	183,646
Net assets released from restrictions	<u>(183,646)</u>	<u>(6,204)</u>
(Decrease) increase in temporarily restricted net assets	<u>(183,646)</u>	<u>177,442</u>
 CHANGE IN NET ASSETS	<u>(663,439)</u>	<u>1,162,830</u>
 NET ASSETS at beginning of year	<u>2,011,099</u>	<u>848,269</u>
 NET ASSETS at end of year	<u>\$ 1,347,660</u>	<u>\$ 2,011,099</u>

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

FAMILY CENTRAL, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018					2017						
	Program Service	General and Administrative	Fundraising	Training Expenses	Total Supporting Services	Total Expenses	Program Service	General and Administrative	Fundraising	Training Expenses	Total Supporting Services	Total Expenses
Days of care	\$ 4,231,349	\$ -	\$ -	\$ 315	\$ 315	\$ 4,231,664	\$ 4,810,776	\$ -	\$ -	\$ -	\$ -	\$ 4,810,776
Food expense	6,323,718	815	-	195	1,010	6,324,728	6,550,393	683	-	4,056	4,739	6,555,132
Salaries and benefits	6,104,079	616,971	-	70,848	687,819	6,791,898	5,761,269	628,435	-	81,510	709,945	6,471,214
Rents	355,798	21,741	-	4,179	25,920	381,718	230,833	37,615	-	3,668	41,283	272,116
Telephone expense	136,134	13,862	-	1,003	14,865	150,999	121,209	35,775	-	2,081	37,856	159,065
Insurance	72,238	10,248	-	1,370	11,618	83,856	105,576	29,641	-	6,845	36,486	142,062
Sub-contracts	138,110	13,752	-	1,832	15,584	153,694	138,459	66,782	-	2,963	69,745	208,204
Copier / printing costs	63,875	9,592	-	1,004	10,596	74,471	62,872	7,912	-	1,738	9,650	72,522
Travel	120,800	2,143	-	422	2,565	123,365	113,338	3,487	-	513	4,000	117,338
Professional fees	74,523	40,023	-	23,997	64,020	138,543	56,179	55,436	998	57,792	114,226	170,405
Utilities	15,525	763	-	351	1,114	16,639	68,125	17,396	-	2,585	19,981	88,106
Educational supplies	98,937	-	-	2,285	2,285	101,222	91,694	7,490	201	4,113	11,804	103,498
Building maintenance	195	2,121	-	-	2,121	2,316	70,706	32,576	-	5,208	37,784	108,490
Data processing	21,747	34,974	-	7,533	42,507	64,254	11,817	88,052	-	410	88,462	100,279
Consumable supplies	45,785	2,372	59	1,027	3,458	49,243	49,752	4,285	-	1,434	5,719	55,471
Bank fees	15,396	17,151	-	-	17,151	32,547	467	-	-	485	485	952
Leases / contracts	37,768	99,991	-	728	100,719	138,487	23,530	171,131	-	-	171,131	194,661
Training and development	12,302	-	-	239	239	12,541	22,886	95	-	170	265	23,151
Equipment maintenance and repair	28,087	8,871	-	-	8,871	36,958	24,287	491	-	6	497	24,784
Postage	21,458	4,948	-	1,606	6,554	28,012	20,676	3,131	-	889	4,020	24,696
Direct assistance to participants	47,000	359	-	-	359	47,359	19,263	-	-	-	-	19,263
Interest expense	-	8,734	-	-	8,734	8,734	-	3,944	-	-	3,944	3,944
Management fee	75,000	(75,000)	-	-	(75,000)	-	75,000	-	-	-	-	75,000
Memberships and subscriptions	1,090	5,573	-	275	5,848	6,938	4,056	8,676	-	358	9,034	13,090
Employee recruitment	1,334	6,698	-	126	6,824	8,158	2,290	8,836	-	-	8,836	11,126
Seminars / meetings	6,774	2,941	-	3,173	6,114	12,888	9,133	1,453	854	-	2,307	11,440
Taxes and licenses	1,479	176	-	1,250	1,426	2,905	1,842	5,746	-	7,115	12,861	14,703
Temporary labor	-	1,792	-	3,552	5,344	5,344	5,862	34,923	-	1,144	36,067	41,929
Fundraising activities	-	-	28,059	-	28,059	28,059	-	3,104	32,607	-	35,711	35,711
Vehicle operating expense	-	494	-	-	494	494	-	206	-	-	206	206
Advertising	230	1,890	1,229	905	4,024	4,254	291	10,802	-	642	11,444	11,735
Miscellaneous	90,854	30,528	-	362	30,890	121,744	27,770	232,260	25	-	232,285	260,055
Depreciation	-	-	-	-	-	-	-	28,615	-	-	28,615	28,615
Closing costs	-	-	-	-	-	-	-	218,910	-	-	218,910	218,910
Bad debt expense	-	38,786	-	-	38,786	38,786	133,306	-	-	-	-	133,306
Total expenses	\$ 18,141,585	\$ 923,309	\$ 29,347	\$ 128,577	\$ 1,081,233	\$ 19,222,818	\$ 18,613,657	\$ 1,747,888	\$ 34,685	\$ 185,725	\$ 1,968,298	\$ 20,581,955

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

FAMILY CENTRAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (663,439)	\$ 1,162,830
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	-	28,615
Bad debt expense	38,786	133,306
Gain on sale of property and equipment	-	(1,290,606)
Changes in assets and liabilities:		
Decrease (increase) in operating assets:		
Receivables from funding sources	241,335	(277,279)
Prepaid expenses and other assets	(2,316)	15,675
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	(39,400)	(21,246)
Accounts payable, child care providers	(717,779)	(132,950)
Accrued salaries and annual leave	65,953	(232,580)
Contract advances	-	(323,930)
Net cash used in operating activities	<u>(1,076,860)</u>	<u>(938,165)</u>
Cash flows from investing activities:		
Proceeds from sale of property and equipment	-	778,545
Expenses incidental to sale of property and equipment	-	210,706
Net cash provided by investing activities	<u>-</u>	<u>989,251</u>
Cash flows from financing activities:		
Proceeds from draws on line of credit	79,349	-
Repayments on line of credit	-	1,117,000
Net cash provided by financing activities	<u>79,349</u>	<u>1,117,000</u>
Net (decrease) increase in cash	(997,511)	1,168,086
Cash at beginning of year	<u>1,593,367</u>	<u>425,281</u>
Cash at end of year	<u>\$ 595,856</u>	<u>\$ 1,593,367</u>

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

FAMILY CENTRAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 - NATURE OF ORGANIZATION

Family Central, Inc. ("Family Central") and Family Central Child Care Centers, Inc. (the "Centers") (collectively the "Organization") are not-for-profit organizations whose mission is to provide services to improve the quality of life for children and families. The Centers directly manage one (1) child day care center. Family Central Holding Company, Inc. (the "Holding Company") was incorporated in 1993 to acquire the premises of the Organization. The Organization was dissolved in 2017 pursuant to the sale of the premises.

Family Central, the Centers, and the Holding Company share common management and Board of Directors.

Family Central's support and revenue is received substantially from grants evidenced by contracts with their funding sources, food programs, family support and behavioral health services. Funding to provide these services has been received from the Early Learning Coalition of Broward County, the Early Learning Coalition of Miami-Dade County, Children's Services Council of Broward County, The Children's Trust of Miami-Dade County, Broward County, W.K. Kellogg Foundation, University of South Florida, Our Kids of Miami-Dade/Monroe, United Way of Broward County, and the Florida Department of Health. The Center's support and revenue have been received from assessed fees and tuition from parents.

Family Central is accredited as a provider of high quality services by The Council of Accreditation for Children and Family Services ("COA"). The current fiscal year accreditation is effective through December 31, 2021.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements have been prepared using the accrual basis of accounting in accordance with the standards of accounting and financial reporting prescribed for not-for-profit organizations generally accepted in the United States of America ("U.S. GAAP").

The accompanying consolidated financial statements include the accounts of Family Central, the Centers and the Holding Company, for which Family Central has both control and economic interest. All significant inter-organizational transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain 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.

Net Assets

The Organization classifies net assets into three categories: unrestricted, temporarily restricted, and permanently restricted. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor.

Unrestricted net assets - Net assets which are not subject to any donor-imposed stipulations or restrictions; and include all revenue, gains and losses that are not changes in permanently or temporarily restricted net assets.

FAMILY CENTRAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temporarily restricted net assets - Net assets whose use by the Organization is limited by donor-imposed stipulations that either expire with the passage of time or that can be fulfilled or otherwise removed by actions of the Organization pursuant to those stipulations. At June 30, 2018 and 2017, the Organization had temporarily restricted net assets of \$0 and \$183,646, respectively.

Permanently Restricted - Net assets whose use by the Organization is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization presently does not have any permanently restricted net assets.

Fair Value of Financial Instruments

The carrying value of cash, receivables, indebtedness and payables approximates fair value at June 30, 2018 and 2017, due to the relative short maturities of these instruments.

Reclassifications

Certain reclassifications were made to the prior year to conform to the current year presentation.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments with original maturities of three (3) months or less to be cash equivalents. There were no cash equivalents at June 30, 2018 and 2017.

Receivables from Funding Sources, net

Amounts receivable from funding sources represents reimbursement of funds paid for program expenses under the federal and state grant contracts. Management believes the entire receivable balance is collectible based on amounts collected to date and prior collection history. Therefore, no allowance has been provided for potentially uncollectible receivable amounts.

Property and Equipment

The Organization did not have property and equipment at June 30, 2018 and 2017, respectively. Depreciation expense amounted to \$28,615 for the year ended June 30, 2017. There was no depreciation expense for the year ended June 30, 2018.

Fund-Raising Expenses

The Organization's fund-raising expenses are presented in accordance with U.S. GAAP and reporting for activities and costs of inducing contributions.

Income Taxes

Family Central and the Centers are exempt from income tax under Section 501(c)(3), and the Holding Company is a tax-exempt organization under Section 501(c)(2) of the Internal Revenue Code. Contributions to Family Central and the Centers qualify for charitable contributions subject to limitation. Family Central and the Centers have been classified as organizations that are not private foundations and have been designated as "publicly supported" organizations.

FAMILY CENTRAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (continued)

The Organization recognizes and measures tax positions taken or expected to be taken when it is probable that a loss has been incurred and the amount can be reasonably estimated. At June 30, 2018 and 2017, the Organization has no liabilities for uncertain tax positions. The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Federal jurisdiction and Florida are the major tax jurisdictions where the Organization files tax returns. The Organization is generally no longer subject to U.S. Federal or State examinations by tax authorities for tax years before 2015.

Revenue Recognition

The Organization receives various grants from federal, state, local and private agencies for program and support service expenses. These grants generally are on a cost reimbursement basis or fee for service, including recoverable overhead. Unrestricted revenues from grants are deemed earned and recognized in the statements of activities when expenditures are made for the purpose specified. Grant funds that have been received but have not yet been expended for the purpose specified are classified as temporarily restricted.

Advertising

Advertising costs are charged to operations as incurred.

Functional Allocation of Expenses

The costs of providing the various programs and other activities for the Organization have been summarized on a functional basis. Accordingly, certain indirect costs have been allocated among the programs and the Centers benefited. The costs are allocated on the basis of each respective program or center's direct costs to the total of all direct costs, excluding property and equipment acquisitions.

Subsequent Events

The Organization has evaluated subsequent events through December 11, 2018 which is the date the consolidated financial statements were available to be issued.

NOTE 3 - CONCENTRATIONS

Cash

The Organization maintains its cash in bank deposit accounts with a financial institution which, at times, may exceed federally-insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

Concentration of Support, Revenue and Receivable

At June 30, 2018 and 2017, approximately 65% and 59% of the Organization's fiscal support and other revenue was received from the Florida Department of Health. At June 30, 2018 and 2017, amounts receivable from the Florida Department of Health were approximately 51% and 49% of total amounts receivable from funding sources.

Of the Organization's total support and other revenue, approximately 81% and 74% are from federal programs, respectively, for the years ended June 30, 2018 and 2017.

FAMILY CENTRAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 - ACCOUNTS PAYABLE – CHILD CARE PROVIDERS

Family Central reimburses child care centers and family child care homes under agreements with the Florida Department of Health. The amounts payable to child care providers at June 30, 2018 and 2017 were \$1,027,161 and \$1,744,940, respectively.

NOTE 5 - LINE OF CREDIT

In 2017, Family Central entered into a revolving Line of Credit ("LOC") Note Agreement for short-term working capital with a financial institution in the amount of \$500,000, secured by a pledge agreement covering substantially all assets of the Organization. Advances bear interest at daily LIBOR plus 2.00%, with interest payable monthly, commencing July 28, 2017.

At June 30, 2018 and 2017, the outstanding balances associated with this line of credit were \$79,349 and \$0, respectively.

NOTE 6- PENSION PLANS

Prior to January 2010, Family Central had a money purchase pension plan and a tax-sheltered plan covering all employees meeting the minimum eligibility requirements. On January 2010, the money purchase pension plan was terminated and the assets were transferred to the tax-sheltered plan (the "Plan"). Family Central may make a discretionary contribution of 2% of compensation for all eligible participants and \$.50 for every \$1.00 of elective deferrals that participants' make, up to 6% of compensation to the Plan. Family Central contributed \$80,218 and \$169,939 to the Plan for the years ended June 30, 2018 and 2017, respectively.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets amounted to \$0 and \$183,646 at June 30, 2018 and 2017, respectively.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Grants

Grants require the fulfillment of certain conditions as set forth in the grant agreements, and are subject to audit and adjustment by grantor agencies. Failure by the Organization to comply with the terms of the grants, including disallowance of costs, could result in a liability. The Organization expects the amounts of such liability, if any, to be immaterial.

Litigation

From time to time, the Organization is involved in litigation and threatened litigation incidental to the conduct of its activities. The actions are considered to be routine and in the opinion of management, disposition of these actions are not expected to have a material adverse effect on the Organization's financial position or changes in net assets.

Leases

Family Central is obligated under two (2) operating leases for premises located in Broward and Miami-Dade County, Florida. The lease for the Broward facility required monthly payments of \$11,578 commencing April 1, 2017, adjusted annually through March 31, 2020, the expiration date. The lease for the Miami-Dade facility required monthly payments of \$9,794, adjusted annually through July 31, 2021, the expiration date.

FAMILY CENTRAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 8 - COMMITMENTS AND CONTINGENCIES (Continued)

Leases (Continued)

The Organization is also obligated under two additional leases for copier and mail services, with required monthly payments of \$2,195 and \$407, through September and July 2019, respectively.

Rent expense for the years ended June 30, 2018 and 2017 was \$381,718 and \$272,116, respectively.

The minimum future rental commitments are as follows:

<u>Years Ending June 30,</u>	
2019	\$ 243,819
2020	181,047
2021	65,412
2022	<u>5,464</u>
	<u>\$ 495,742</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FAMILY CENTRAL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor Pass-through Entity, Federal Program Title	CFDA Number	Contract/ Grant Number	Expenditures
FEDERAL AWARDS:			
U.S. Department of Health and Human Services:			
Pass-through Florida's Office of Early Learning:			
Pass-through Early Learning Coalition of Miami-Dade County:			
Child Care and Development Fund Cluster	93.575 / 93.596	C17-05	\$ 1,173,772
Pass-through Early Learning Coalition of Broward County:			
Child Care and Development Fund Cluster	93.575 / 93.596	FCI-RTCO-14-ELC4-1	927,729
Total Child Care and Development Fund Cluster			<u>\$ 2,101,501</u>
Pass-through University of South Florida:			
Temporary Assistance for Needy Families (TANF)	93.558	5830-1467-21F	\$ 236,706
Pass-through Our Kids of Miami-Dade/Monroe, Inc.			
Promoting Safe and Stable Families	93.556	FS 5000-113	146,777
Temporary Assistance for Needy Families (TANF)	93.558	FS 5000-113	296,116
Child Welfare Services - State Grants	93.645	FS 5000-113	22,249
Foster Care - Title IV-E	93.658	FS 5000-113	141,130
Adoption Assistance	93.659		400
Administration for Children, Youth and Families - Child Abuse	93.669	FS 5000-113	12,110
Total U.S. Department of Health and Human Services			<u>\$ 2,956,989</u>
U.S. Department of Agriculture:			
Pass-through Florida Department of Health			
Child and Adult Care Food Program	10.558	D 701	\$ 1,451,237
Child and Adult Care Food Program	10.558	U 1976	10,650,637
Total U.S. U.S. Department of Agriculture			<u>\$ 12,101,874</u>
Total Expenditures of Federal Awards			<u>\$ 15,058,863</u>

See notes to the Schedule of Expenditures of Federal Awards.

FAMILY CENTRAL, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - GENERAL

The schedule of expenditures of federal awards included herein represents all of the federal awards of the Organization during the year ended June 30, 2018.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting and includes expenses incurred by the Organization during the year ended June 30, 2018.

NOTE 3 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2018. The information in this schedule of expenditures of federal awards 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 of expenditures of federal awards presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 4 - SUB-RECIPIENTS

None of the federal expenditures presented in the accompanying schedule of expenditures of federal awards was provided to sub-recipients.

NOTE 5 – INDIRECT COST RATE

The Organization has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

FAMILY CENTRAL, INC.
CONSOLIDATED SCHEDULES OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018					Total Consolidated 2018	Total Consolidated 2017
	Family Central, Inc.	Family Central Child Care Centers, Inc.	Family Central Holding Co., Inc.	Eliminations			
Assets							
Current assets:							
Cash	\$ 391,063	\$ 204,793	\$ -	\$ -	\$ 595,856	\$ 1,593,367	
Receivables from funding sources	1,990,320	82,251	-	-	2,072,571	2,352,692	
Prepaid expenses and other assets	140,853	8,826	-	-	149,679	147,363	
Due from affiliates	265,461	-	-	(265,461)	-	-	
Total current assets	<u>\$ 2,787,697</u>	<u>\$ 295,870</u>	<u>\$ -</u>	<u>\$ (265,461)</u>	<u>\$ 2,818,106</u>	<u>\$ 4,093,422</u>	
Liabilities and net assets							
Current liabilities:							
Accounts payable and accrued expenses	\$ 80,923	\$ 26,673	\$ -	\$ -	\$ 107,596	\$ 146,996	
Accounts payable, child care providers	1,027,161	-	-	-	1,027,161	1,744,940	
Accrued salaries and annual leave	231,150	25,190	-	-	256,340	190,387	
Line of credit	79,349	-	-	-	79,349	-	
Due to affiliates	-	265,461	-	(265,461)	-	-	
Total current liabilities	<u>1,418,583</u>	<u>317,324</u>	<u>-</u>	<u>(265,461)</u>	<u>1,470,446</u>	<u>2,082,323</u>	
Net assets:							
Unrestricted	1,369,114	(21,454)	-	-	1,347,660	1,827,453	
Temporary restricted	-	-	-	-	-	183,646	
Total net assets	<u>1,369,114</u>	<u>(21,454)</u>	<u>-</u>	<u>-</u>	<u>1,347,660</u>	<u>2,011,099</u>	
Total liabilities and net assets (deficit)	<u>\$ 2,787,697</u>	<u>\$ 295,870</u>	<u>\$ -</u>	<u>\$ (265,461)</u>	<u>\$ 2,818,106</u>	<u>\$ 4,093,422</u>	

FAMILY CENTRAL, INC.
CONSOLIDATED SCHEDULES OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018				Total Consolidated 2018	Total Consolidated 2017
	Family Central, Inc.	Family Central Child Care Centers, Inc.	Family Central Holding Co., Inc.	Eliminations		
Changes in unrestricted net assets from continuing operations						
Unrestricted support and revenues						
Federal, state and local grants	\$ 17,246,833	\$ -	\$ -	\$ -	\$ 17,246,833	\$ 18,355,465
Fees	61,465	1,036,291	-	-	1,097,756	1,247,885
Fundraising and donations	183,038	-	-	-	183,038	179,487
Rental income	-	-	-	-	-	3,875
Other revenue	31,752	-	-	-	31,752	1,774,427
Total unrestricted support and other revenues	<u>17,523,088</u>	<u>1,036,291</u>	<u>-</u>	<u>-</u>	<u>18,559,379</u>	<u>21,561,139</u>
Unrestricted expenses						
Program services	17,105,294	1,036,291	-	-	18,141,585	18,613,657
Supporting services:						
General and administrative	923,309	-	-	-	923,309	1,747,888
Fundraising	29,347	-	-	-	29,347	34,685
Training expenses	128,577	-	-	-	128,577	185,725
Total unrestricted expenses	<u>18,186,527</u>	<u>1,036,291</u>	<u>-</u>	<u>-</u>	<u>19,222,818</u>	<u>20,581,955</u>
Net assets released from temporary restriction	<u>183,646</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,646</u>	<u>6,204</u>
Change in unrestricted net assets	<u>(479,793)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(479,793)</u>	<u>985,388</u>
Other income (expense)						
Forgiveness of debt	1,305,064	-	-	(1,305,064)	-	-
Assumption of debt	-	(205,000)	(1,100,064)	1,305,064	-	-
	<u>1,305,064</u>	<u>(205,000)</u>	<u>(1,100,064)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in temporarily restricted net assets						
Temporarily restricted support and revenues						
Grants	-	-	-	-	-	183,646
Net assets released from restriction	(183,646)	-	-	-	(183,646)	(6,204)
Change in temporarily restricted net assets	<u>(183,646)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(183,646)</u>	<u>177,442</u>
Change in net assets	641,625	(205,000)	(1,100,064)	-	(663,439)	1,162,830
NET ASSETS, at beginning of year	<u>727,489</u>	<u>183,546</u>	<u>1,100,064</u>	<u>-</u>	<u>2,011,099</u>	<u>848,269</u>
NET ASSETS, at end of year	<u>\$ 1,369,114</u>	<u>\$ (21,454)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,347,660</u>	<u>\$ 2,011,099</u>



INDEPENDENT AUDITORS' 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
Family Central, Inc.
Fort Lauderdale, Florida

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 consolidated financial statements of Family Central, Inc. (the "Organization") (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 11, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated financial statements, but 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 consolidated 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.

A handwritten signature in blue ink that reads "Veedy-DeArman Tracy". The signature is written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
December 11, 2018



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

To the Board of Directors
Family Central, Inc.
Fort Lauderdale, Florida

Report on Compliance for Each Major Federal Program

We have audited Family Central, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2018. The Organization's major federal programs are 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 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 the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization'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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Organization 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 the Organization'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 the Organization's internal control over compliance.

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



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
December 11, 2018

**FAMILY CENTRAL, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2018**

Section I- SUMMARY OF AUDITORS RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal controls over financial reporting:		
Material weakness(es) identified?	___ Yes	_X_No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ Yes	_X_No
Noncompliance material to financial statements noted?	___ Yes	_X_No
Management letter or report on other matters related to internal controls issued?	___ Yes	_X_No

Federal Awards

Internal control over major programs :	Unmodified	
Internal control over major programs:		
-Material weaknesses(es) identified?	___Yes	_X_No
-Significant deficiency(ies) identified that are not considered to be material weaknesses?	___Yes	_X_No
Type of auditors' report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___Yes	_X_No
Identification of major programs and projects:		

Federal Programs

<u>CFDA Number</u>	<u>Name of Major Federal Program or Cluster</u>
10.558	Childcare Food Program

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000 Federal
Auditee qualified as low-risk auditee?	___Yes _X_No

FAMILY CENTRAL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section II- FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS

None

PRIOR YEAR FINDINGS

SD 2017-01

Criteria:

Effective internal controls over financial closing, consolidation and reporting process requires a formal documentation of a well-defined process flow that includes key attributes such as overall timing, identification of responsible personnel, methodology and frequency of analyses. These controls should include the general ledger and accounting records used to maintain the financial information of the Organization being reconciled in conjunction with the preparation of monthly internal financial statements.

Condition:

Post-closing adjustments were posted after the financial closing which caused delays in the issuance of the Organization's audited financial statements.

Questioned Cost:

N/A

Cause/Effect:

Potential misstatements could occur in the preparation of the year-end financial statements, if the Organization does not adhere to a strict financial period close process. In addition, delays in producing timely, reliable, and accurate financial reports may lead to the Organization not complying with external reporting deadlines.

Recommendation:

We acknowledge the Organization's operations experienced significant turnover in key accounting roles in conjunction with office relocation along with the negative impacts of Hurricane Irma. Policies and procedures over the financial closing process should be revised and properly implemented to ensure timely year-end closing.

Views of Management and Planned Corrective Action:

Management is revising and enhancing its month-end and year-end financial closing process for immediate implementation.

FAMILY CENTRAL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section III- FEDERAL PROGRAMS FINDINGS AND QUESTIONED COSTS

CURRENT YEAR AUDIT FINDINGS

None

PRIOR YEAR AUDIT FINDINGS

None