

**HIBISCUS CHILDREN'S CENTER, INC.
AND AFFILIATE**

**Combined Financial Statements and
Supplementary Information
with
Independent Auditors' Report**

Year Ended June 30, 2022
(With Corresponding Totals for June 30, 2021)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Hibiscus Children's Center, Inc. and Affiliate

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying combined financial statements of Hibiscus Children's Center, Inc. and Affiliate (nonprofit organizations), which comprise the combined statements of financial position as of June 30, 2022, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hibiscus Children's Center, Inc. and Affiliate as of June 30, 2022, 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hibiscus Children's Center, Inc. and Affiliate and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

To the Board of Directors of
Hibiscus Children's Center, Inc. and Affiliate

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



To the Board of Directors of
Hibiscus Children's Center, Inc. and Affiliate

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying combining schedule of financial position and the combining schedule of activities and changes in net assets, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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 combining schedule of financial position and the combining schedule of activities and changes in net assets, and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2023, on our consideration of Hibiscus Children's Center, Inc. and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hibiscus Children's Center, Inc. and Affiliate'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 Hibiscus Children's Center, Inc. and Affiliate's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements and expressed an unmodified audit opinion on those audited financial statements in our report dated December 1, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Nuttall, Donini & Associates, CPA's

Nuttall, Donini & Associates, CPA's



Hibiscus Children's Center, Inc. and Affiliate
Combined Statements of Financial Position
June 30, 2022
(With Corresponding Totals for June 30, 2021)

	2022	Restated 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,328,956	\$ 1,616,876
Accounts receivable, net	752,305	681,996
Contributions receivable, net	207,500	317,639
Prepays and other assets	102,982	108,492
Total current assets	2,391,743	2,725,003
Other assets:		
Cash held as agent	6,061	9,549
Investments	3,859,028	3,729,402
Contributions receivable, net	42,956	52,456
Deposits	14,038	18,108
Total other assets	3,922,083	3,809,515
Property and equipment, net	4,192,395	4,251,938
Total assets	\$ 10,506,221	\$ 10,786,456
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 89,296	\$ 109,492
Accrued payroll and related liabilities	564,593	708,085
Assets held for others	6,061	9,549
Total current liabilities	659,950	827,126
Net assets:		
Without donor restrictions	9,614,631	9,662,713
With donor restrictions	231,640	296,617
Total net assets	9,846,271	9,959,330
Total liabilities and net assets	\$ 10,506,221	\$ 10,786,456

See accompanying notes to financial statements.

Hibiscus Children's Center, Inc. and Affiliate
Combined Statements of Activities and Changes in Net Assets
For the year ended June 30, 2022
(With Corresponding Totals for June 30, 2021)

	2022			Restated 2021
	Without Donor Restrictions	With Donor Restrictions	Total	All Funds Combined
Operating activities:				
Grants and contracts for operations	\$ 5,115,382	\$ -	\$ 5,115,382	\$ 4,593,843
Patient service income	1,210,517	-	1,210,517	1,455,144
Contributions	1,733,810	7,829	1,741,639	1,650,520
Thrift store	416,587	-	416,587	357,689
PPP loan forgiveness	-	-	-	977,000
Special events (integral and ongoing):				
Special event contributions	478,432	-	478,432	294,868
Special event income	102,705	-	102,705	-
Cost of direct benefits to donors	(87,211)	-	(87,211)	(6,030)
Net revenue from special events	493,926	-	493,926	288,838
Total revenue and support before releases	8,970,222	7,829	8,978,051	9,323,034
Net assets released from restrictions				
Satisfaction of donor restrictions	52,560	(52,560)	-	-
Total revenue and support	9,022,782	(44,731)	8,978,051	9,323,034
Expenses:				
Program activities:				
Residential	4,331,101	-	4,331,101	4,151,459
Clinical	1,765,339	-	1,765,339	1,697,926
Support for families in crisis	268,301	-	268,301	231,570
Safe care	349,404	-	349,404	322,255
Total program activities	6,714,145	-	6,714,145	6,403,210
Thrift store	288,060	-	288,060	274,831
Fundraising	646,249	-	646,249	583,254
General and administrative	1,075,968	-	1,075,968	1,073,950
Total program and supporting activities	8,724,422	-	8,724,422	8,335,245
Change in net assets from operating activities	298,360	(44,731)	253,629	987,789
Non-operating activities:				
Investment return, net	(310,249)	(20,246)	(330,495)	647,968
Gain (Loss) on sale of assets	(36,193)	-	(36,193)	4,220
Change in net assets from non-operating activities	(346,442)	(20,246)	(366,688)	652,188
Change in net assets	(48,082)	(64,977)	(113,059)	1,639,977
Net assets, beginning of year	9,347,574	296,617	9,644,191	8,319,353
Prior period adjustment	315,139	-	315,139	-
Net assets, end of year	\$ 9,614,631	\$ 231,640	\$ 9,846,271	\$ 9,959,330

See accompanying notes to financial statements.

Hibiscus Children's Center, Inc. and Affiliate
Combined Statements of Functional Expenses
For the year ended June 30, 2022
(With Corresponding Totals for June 30, 2021)

	Program Activities			Supporting Activities				Combined		
	Residential	Clinical	Support for Families in Crisis	Safe Care	Total Program	Thrift Store	Fundraising		General and Administrative	Total Expenses
Salaries and wages	\$ 2,539,659	\$ 1,085,780	\$ 152,179	\$ 175,393	\$ 3,953,011	\$ 140,744	\$ 431,637	\$ 749,425	\$ 5,274,817	\$ 4,959,224
Employee benefits	417,584	192,835	31,020	32,113	673,552	23,635	45,681	113,854	856,722	794,006
Payroll taxes	206,056	84,841	11,496	13,901	316,294	10,990	31,830	50,447	409,561	383,991
Total staffing	3,163,299	1,363,456	194,695	221,407	4,942,857	175,369	509,148	913,726	6,541,100	6,137,221
Advertising and promotional	1,750	-	-	-	1,750	349	9,629	150	11,878	15,254
Aid to families	5,309	-	37,305	-	42,614	-	-	-	42,614	55,606
Bad debt	-	5,864	-	-	5,864	-	-	-	5,864	84,912
Depreciation	299,361	3,236	-	-	302,597	2,070	-	2,178	306,845	289,265
Dues, licenses and subscriptions	14,487	4,476	257	-	19,220	253	16,391	6,001	41,865	47,746
Equipment rental and maintenance	111,879	11,203	173	-	123,255	2,816	2,549	7,315	135,935	107,676
General operating supplies	156,917	29,476	2,534	-	188,927	621	1,012	10,153	200,713	209,804
Information technology	52,121	43,401	7,004	10,503	113,029	2,072	16,193	10,030	141,324	166,078
Insurance	92,987	20,084	2,312	1,502	116,885	6,146	4,253	16,142	143,426	137,866
Occupancy	109,321	57,027	6,873	7,793	181,014	72,144	4,875	35,746	293,779	290,507
Office expenses and miscellaneous	52,811	17,312	4,665	3,928	78,716	13,184	43,500	14,060	149,460	121,254
Professional services	63,663	131,656	3,102	1,333	199,754	5,739	5,075	15,724	226,292	256,469
Program expenses	89,818	33,240	3,142	95,854	222,054	-	20,260	-	242,314	215,908
Telephone	27,846	8,653	2,547	876	39,922	2,107	1,422	11,333	54,784	54,833
Training	32,826	11,815	1,792	4,504	50,937	797	2,728	5,913	60,375	64,030
Travel and transportation	56,706	24,440	1,900	1,704	84,750	4,393	9,214	27,497	125,854	80,816
Total expenses	\$ 4,331,101	\$ 1,765,339	\$ 268,301	\$ 349,404	\$ 6,714,145	\$ 288,060	\$ 646,249	\$ 1,075,968	\$ 8,724,422	\$ 8,335,245
See accompanying notes to financial statements.										

See accompanying notes to financial statements.

Hibiscus Children's Center, Inc. and Affiliate
Combined Statements of Cash Flows
For the year ended June 30, 2022
(With Corresponding Totals for June 30, 2021)

	2022	Restated 2021
Cash flows from operating activities:		
Change in net assets	\$ (113,059)	\$ 1,639,977
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	306,845	289,265
Forgiveness of PPP loan	-	(977,000)
Loss on sale of assets	36,193	(4,221)
Net realized and unrealized gains on investments	(454,247)	(567,319)
(Increase) decrease in:		
Accounts receivable	(70,309)	105,447
Contributions receivable	119,639	(270,139)
Prepays and other assets	5,510	(58,925)
Deposits	4,070	(904)
Increase (decrease) in:		
Accounts payable	(20,196)	26,974
Accrued payroll and related liabilities	(143,492)	40,517
Deferred revenue	-	(22,975)
Assets held for others	(3,488)	9,549
Net cash provided by (used for) operating activities	(332,534)	210,246
Cash flows from investing activities		
Purchase of property and equipment	(283,495)	(143,814)
Proceeds from sale of property and equipment	-	13,000
Proceeds from sale of investments	2,975,999	2,497,881
Purchase of investments	(2,651,378)	(2,601,801)
Net cash provided by (used for) investing activities	41,126	(234,734)
Net increase (decrease) in cash	(291,408)	(24,488)
Cash and cash equivalents, beginning of year	1,626,425	1,650,913
Cash and cash equivalents, end of year	\$ 1,335,017	\$ 1,626,425

See accompanying notes to financial statements.

Hibiscus Children's Center, Inc. and Affiliate
Notes to Financial Statements
For the Year ended June 30, 2022

Note 1 – Nature of Organization and Purpose

Organization and Purpose

Hibiscus Children's Center, Inc. ("Hibiscus") is a Florida not-for-profit corporation organized and licensed by the Florida Department of Children and Families to operate a number of well-defined programs to meet the critical needs of Florida's abused or neglected children and their families. These programs are varied in scope to focus directly on the needs of these troubled children and include high quality residential care, assistance to families in trouble, therapeutic services and support for foster families. Serving principally the Martin, Okeechobee, St. Lucie and Indian River counties of Florida, Hibiscus was incorporated on September 11, 1985 and opened the first shelter in October 1989. Hibiscus provides the following social, health and welfare services to the community.

Hibiscus Residential Programs provide a safe environment for newborns to 17- year olds with 24-hour supervision, medical and dental care, plus psychological counseling through facilities at its Jensen Beach Shelter and Vero Beach Children's Village. At these facilities, children live in a home-like environment where they can more naturally prepare for successful transition into foster or adoptive homes. Hibiscus is the only licensed residential child caring shelter on the Treasure Coast of Florida. The facilities care for children removed from their families by court order.

Hibiscus Clinical Programs provide a wide range of mental health services to residential and outpatient clients. These services include individual, family and group therapy, psychiatric evaluation, medication management and many more critical services that support children and their families in our community.

Hibiscus Support for Families in Crisis is a nationally recognized abuse prevention program for families who seek help voluntarily offering respite care, counseling, housing and mental health services.

Hibiscus Safe Care Program provides home-based prevention services with an individual or family focus that include assessment, case planning, case management, education, and/or skill building that have been shown to be effective in preventing child abuse.

Affiliated Corporation

The Hibiscus Children's Center Foundation, Inc. ("Foundation") was established for the purpose of maintaining endowment funds exclusively for Hibiscus. Both Hibiscus and the Foundation are related organizations with the same Board of Directors. The accompanying financial statements include the accounts of both entities. Inter-company transactions and balances have been eliminated.

Income Tax Status

Hibiscus and the Foundation are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes on related income pursuant to Section 501(a) of the code. Hibiscus and the Foundation are not classified as private foundations. Accordingly, no provision for income taxes is recorded in the accompanying financial statements.

Hibiscus Children's Center, Inc. and Affiliate

Notes to Financial Statements (continued)

Note 2 – Summary of Significant Accounting Policies

Fiscal Agent

Hibiscus is a fiscal agent for The Martin and Indian River County Guilds ("the Guilds"). The Guilds have been the driving force behind Hibiscus's fundraising activities. These dynamic volunteers spend their time creating, planning, and executing events across the Treasure Coast to benefit the children.

Additionally, the Guilds collect dues and incur expenses for a variety of things that benefit the children of the Village directly. The board of directors of the Guilds maintain variance power over any funds received or expended. The revenues and expenses of the Guilds are not reflected on the financial statements of Hibiscus. The liability for cash held as of yearend is reflected on the Statement of Financial Position as Assets held for others.

Basis of Accounting

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles, using the accrual basis of accounting. Assets and related revenues are recorded when earned, and liabilities and related expenses are recognized as incurred. In applying generally accepted accounting principles to program service revenues, the legal and contractual requirements of the individual programs are used as guidance.

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958.

Accordingly, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets and changes therein are classified as follows:

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Hibiscus and the Foundation. The Board of Directors may designate assets without restrictions for specific operational purposes from time to time.

Net Assets with Donor Restrictions

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

All contributions are considered available for unrestricted use unless specifically restricted by the donor. When a restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

Cash and Cash Equivalents

Cash and cash equivalents include cash and investments that are readily convertible into cash and have original maturities of three months or less.

Hibiscus Children's Center, Inc. and Affiliate

Notes to Financial Statements (continued)

Note 2 – Summary of Significant Accounting Policies (continued)

Investments

Debt and equity securities with readily determinable fair values purchased for investment are recorded at fair value based on quoted market prices. Net appreciation (depreciation) in the fair value of investments, which includes realized gains and losses and unrealized appreciation (depreciation) on those investments, is reported in the statement of activities in accordance with donor restrictions as investment return. Investment return is presented net of investment fees. Cost basis is determined on the date of purchase. Hibiscus and the Foundation, on occasion, receives short-term investments, generally consisting of stocks or bonds, from donors in satisfaction of pledges made. The organization sells the contributed investments as soon as is practical after receipt.

Unconditional Promises to Give

Unconditional promises to give (contributions receivable) are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Unconditional promises to give that are scheduled to be collected in the succeeding twelve months are reflected as current promises to give and are recorded at their net realizable value, which approximates fair value. Unconditional promises to give that are scheduled to be collected beyond the succeeding twelve months are reflected as long-term promises to give and are recorded at the present value of their net realizable value. Management considers the unconditional promises receivable at year-end to be fully collectible, therefore, an allowance for uncollectible promises has not been recorded. Conditional promises to give are recognized when the condition on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

Patient Service Income

Patient service income is reported by Hibiscus using standard fees. Contractional allowances are provided to adjust patient revenues to its net realized value from patients, third-party payers, and others for services rendered under reimbursement agreements. These allowances for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and final settlements are reported in operations in the year of settlement.

Allowance for Doubtful Accounts

Accounts receivable considered uncollectible are charged against the allowance account in the year they are deemed uncollectible. The allowance account is adjusted at year end to reflect the percentage of accounts receivable considered uncollectible.

Property and Equipment

Property and equipment acquisition greater than \$2,500 and a useful life over two or more years are capitalized and are stated at cost. Donated property and equipment are recorded at the fair market value at the date of the gift. Depreciation is provided on a straight-line basis over the estimated useful life of the asset, which ranges from 3 - 40 years.

Hibiscus Children's Center, Inc. and Affiliate
Notes to Financial Statements (continued)

Note 2 – Summary of Significant Accounting Policies (continued)

In-kind Contributions

In-kind contributions of services requiring special skills that create or enhance the value of non-financial assets are recognized at their fair market values consistent with those amounts which would be paid for similar products and services.

Contributed Services

While donated services from unpaid volunteers that enhance the effectiveness of the programs or assist in fund-raising and administration, these services do not create or enhance non-financial assets, nor do they require specialized skills that if not provided by a volunteer would be purchased. Accordingly, while these services contribute to the success of the programs, they do not meet the criteria for recognition under ASC 958-605-25-16 and have not been reflected in the accompanying financial statements.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to Hibiscus and the Foundations' ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Allocations for occupancy cost are determined by management by location are allocated based on Full Time Equivalent (FTE). The percentage is calculated using total number of department FTE employees over total FTE employees at the facility. Additionally, administrative payroll and related employee benefits are allocated based on estimate of time and effort spent on each program.

Accounting Estimates

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

Prior Period Information

The financial statements include certain prior year corresponding totals intended to be read only in relation to the current period presentation. The corresponding information was derived from Hibiscus Children's Center, Inc. and Affiliate's audited financial statements for the year ended June 30, 2021 but does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. The prior year corresponding totals may also reflect certain reclassifications of amounts to conform to the current year presentations.

Hibiscus Children's Center, Inc. and Affiliate
Notes to Financial Statements (continued)

Note 3 – Cash Balances

Financial instruments which potentially subject Hibiscus and the Foundation to a concentration of credit risk include cash held at financial institutions, which may exceed FDIC insurance limits or be subject to risks associated with underlying securities. Hibiscus and the Foundation have not experienced any losses in such accounts and believe they are not exposed to any significant credit risk related to cash.

Note 4 – Accounts Receivable

Accounts receivable of \$771,305, as of June 30, 2022, consist primarily of provider contracts from federal and state funding sources and Medicaid. This amount is reported net of an allowance of \$19,000 as of June 30, 2022.

Note 5 – Contributions Receivable

Contributions receivable as of June 30, 2022, consist of unconditional promises to give in future years as follows:

Within one year	\$ 207,500
Within two to five years	10,000
Over five years	32,956
	<hr/>
	\$ 250,456

Note 6 – Investments

Investments are carried at fair value based on quoted prices in active markets consist and of the following as of June 30, 2022:

	Cost	Fair Market Value	Net Unrealized Gains (Losses)
Cash and cash equivalents	\$ 810,267	\$ 810,267	\$ -
Mutual funds	2,854,241	2,697,144	(157,097)
Exchange traded products	372,327	351,617	(20,710)
	<hr/>	<hr/>	<hr/>
	\$ 4,036,835	\$ 3,859,028	\$ (177,807)

The composition of investment return includes the following for the year ended June 30, 2022:

Interest and dividend earnings	\$ 135,993
Account expenses	(12,241)
Net realized gain (loss) on investments	205,858
Net unrealized gain (loss) on investments	(660,105)
	<hr/>
	\$ (330,495)

Hibiscus Children's Center, Inc. and Affiliate
Notes to Financial Statements (continued)

Note 6 – Investments (continued)

Hibiscus and the Foundation maintains investment balances at a brokerage institution insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000, including a maximum \$250,000 for cash claims. SIPC protection would be triggered only in the event of the financial failure and liquidation of a participating securities affiliate and if their securities were not returned. This protection does not cover investment losses in customer accounts due to market fluctuation or other claims for losses incurred. Investments of \$3,048,761 as of June 30, 2022, consist of mutual funds and exchange traded products which are subject to market risk of fluctuations in value.

Note 7 – Fair Value Measurements

ASC topic 820, "Fair Value Measurements and Disclosures", defines fair value, establishes guidelines for measuring fair value, and expands disclosure regarding fair value measurements. ASC Topic 820 established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three levels. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is available and significant to the fair value measurement. ASC Topic 820 establishes and prioritizes three levels of inputs that may be used to measure fair value.

Level 1 Measurements – Quoted prices in active markets for identical assets or liabilities.

Level 2 Measurements – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Measurements – Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

Fair values of assets measured on a recurring basis as of June 30, 2022 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 810,267	\$ 810,267	\$ -	\$ -
Mutual funds	2,697,144	2,697,144	-	-
Exchange traded products	351,617	351,617	-	-
	\$ 3,859,028	\$ 3,859,028	\$ -	\$ -

Hibiscus Children's Center, Inc. and Affiliate

Notes to Financial Statements (continued)

Note 7 – Fair Value Measurements (continued)

The following methods and assumptions were used by Hibiscus and the Foundation in estimating its fair value disclosures for financial instruments:

- Cash and cash equivalents, accounts receivable, contributions receivable, accounts payable, and accrued liabilities: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments or because they are not subject to valuation on recurring basis.
- Investments: The fair value of current and other investments is based on quoted market prices for those investments where available.

The Board of Directors reviews and approves the fair value measurement policies and procedures annually. At least annually, the finance committee and the Board of Directors determine if the valuation techniques used in fair value measurements are still appropriate.

Note 8 – Property and Equipment

Property and equipment consist of the following as of June 30, 2022:

Building and improvements	\$ 5,073,271
Furniture and equipment	648,252
Land and improvements	415,760
Vehicles and improvements	344,044
Data processing equipment	211,215
Construction in process	23,930
	6,716,472
Accumulated depreciation	(2,524,077)
	\$ 4,192,395

Note 9 – Line of Credit

Hibiscus maintains a line of credit with The Northern Trust Company in an amount not to exceed \$600,000 with interest at the Lenders Prime Rate less 0.5%. The line of credit matures on December 6, 2022. As of June 30, 2022, the outstanding balance due was \$0. As of December 1, 2022 this line of credit was extended to March 6, 2023.

Note 10 – Retirement Plans

Hibiscus sponsors a 401(k) plan that covers all employees who have completed their initial 90-day probationary period. Employees deferring compensation into the plan receive up to a 100 percent match on their first 3% contribution, which is optional at the discretion of the Board of Directors. For the year ended June 30, 2022, the amount of retirement plan expense was \$146,142.

Hibiscus also has a 457(b) plan which covers only the CEO. The Board of Directors has approved deferred compensation of \$20,000 per year, accrued upon completion of each year, or five years under the CEO's contract. These funds will vest and become payable solely and in its entirety at the end of the five-year period, June 1, 2023

Hibiscus Children's Center, Inc. and Affiliate

Notes to Financial Statements (continued)

Note 11 – Lease Commitments

Hibiscus rents office space and various equipment. Rent expense was approximately \$177,000 for the year ended June 30, 2022.

Hibiscus has committed to various long-term building and equipment leases with terms expiring through 2026. Future minimum rental payments under these agreements are as follows:

June 30, 2023	\$ 65,103
June 30, 2024	44,288
June 30, 2025	37,032
June 30, 2026	12,465
	<hr/>
	\$ 158,888

Note 12 – Net Assets – With Donor Restrictions

Donor restricted net assets consist of the following purposes as of June 30, 2022:

Subject to expenditure for specified purpose:	
Shelter parking lot	\$ 77,070
Village roof	7,829
	<hr/>
	84,899
Subject to spending policy and appropriation:	
Investment in perpetuity:	
Donor restricted endowment	118,392
Subject to appropriation and expenditure when a specified event occurs:	
Net investment earnings on investment in perpetuity	28,349
	<hr/>
Total net assets with donor restrictions	\$ 231,640

Releases from donor restricted net assets for the year ended June 30, 2022:

Releases from restrictions:	
Subject to expenditure for specified purpose:	
Shelter parking lot	\$ 23,930
Village generator	28,630
	<hr/>
	\$ 52,560

Hibiscus Children's Center, Inc. and Affiliate
Notes to Financial Statements (continued)

Note 13 – Board Designated Net Assets

The board designated net assets for the year ended June 30, 2022, are comprised of the following:

Without donor restrictions:	
Designated by the Board for:	
Quasi-endowment	\$3,132,253

Note 14 – Endowment

Hibiscus and the Foundation have classified a substantial portion of its financial resources as endowment, which is invested to generate income to be used to support operating and strategic initiatives. The endowment includes both donor-restricted endowment funds which are classified and reported based on the existence or absence of donor-imposed restrictions and funds designated by the Board of Directors to function as an endowment. Funds are invested for long-term appreciation and current income.

Interpretation of Relevant Law

Hibiscus and the Foundation are subject to the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) and, thus classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors has interpreted the FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument, when applicable.

In accordance with FUPMIFA, the Board of Directors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of Hibiscus and Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Hibiscus and the Foundation
- The investment policies of Hibiscus and the Foundation

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor, FUPMIFA, or policies requires to retain as a fund of perpetual duration. If this were to occur, Hibiscus or the Foundation would not expend any

Hibiscus Children's Center, Inc. and Affiliate
Notes to Financial Statements (continued)

Note 14 –Endowment (continued)

monies from the fund until the fair market value of the fund returns to a level above the principal. Hibiscus and the Foundation do not have any deficiencies as of June 30, 2022.

Return Objectives and Risk Parameters

Hibiscus and the Foundation have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for operations supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to produce results that meet or exceed certain relevant market benchmark indexes while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

Hibiscus and the Foundation rely on a total return strategy in which returns are achieved through capital appreciation and current yield (interest and dividends). Hibiscus and the Foundation targets a diversified asset allocation that emphasizes a balance between equities and fixed income securities to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The spending policy, as authorized by the Board of Directors, is to consider expected rates of return on investments, restrictions on principal, requirements to support operations and special projects, maintenance of prudent reserves, tax code requirements, and allowances for market and economic uncertainties, as applicable. Transfers to operating accounts from the endowment funds earnings require appropriation by the Board of Directors or Executive Committee.

The net assets with donor restrictions as of June 30, 2022, consist of contributed assets restricted by the donors as endowments to provide an ongoing source of revenue for Hibiscus and the Foundation. Endowment net asset composition by type of fund as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds:			
Original donor restricted gift amount and amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 118,392	\$ 118,392
Accumulated investment gains	-	28,349	28,349
Board restricted endowment funds	3,132,253	-	3,132,253
Total endowment funds	\$3,132,253	\$ 146,741	\$3,278,994

As of June 30, 2022, the endowment fund is comprised of:

Cash and cash equivalents	\$ 776,900
Mutual funds	2,228,951
Exchange traded products	273,143
Total endowment funds	\$3,278,994

Hibiscus Children's Center, Inc. and Affiliate
Notes to Financial Statements (continued)

Note 14 – Endowment (continued)

Changes in endowment net assets for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$2,973,912	\$ 166,987	\$3,140,899
Investment return, net	(262,019)	(20,246)	(282,265)
Contributions	574,557	-	574,557
Amount appropriated for expenditure	(154,197)	-	(154,197)
Endowment net assets, end of year	\$3,132,253	\$ 146,741	\$3,278,994

Note 15 – Liquidity and Availability of Resources

The financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 1,328,956
Accounts receivable, net	752,305
Contributions receivable, net	207,500
Prepays and other assets	102,982
	\$ 2,391,743

The financial assets have been reduced by amounts not available for general use because of donor imposed restrictions, not available within one year of the statement of financial position date, and amounts set aside for long-term investing in endowments.

The endowment funds consist of donor-restricted endowments and a quasi-endowment fund. Income from the donor-restricted endowments is restricted until appropriated for specific purposes and, therefore, is not available for general expenditure.

As part of liquidity management, the investment policy has been structured so its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, Hibiscus has a committed line of credit in the amount of \$600,000, which it could draw upon. Additionally, although there is not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

Hibiscus Children's Center, Inc. and Affiliate
Notes to Financial Statements (continued)

Note 16 – Medicaid Income

The following table illustrates net patient service income from Medicaid by geographic market for the fiscal year ended June 30, 2022:

Fort Pierce	\$ 537,279
Okeechobee	155,073
Jensen Beach	202,320
Vero Beach	344,800
	<u>\$ 1,239,472</u>

Note 17 – Support from Children's Services Councils

Hibiscus entered into various agreements during the year ended June 30, 2022, with The Children's Services Councils of St. Lucie County and Okeechobee County to receive local matching financial assistance necessary to qualify for federal and state grants. The following represents the revenues and expenditures associated with each program and the funding agency:

	Clinical	Families in Crisis	Safe Care	Total
St. Lucie County	\$ -	\$ 244,611	\$ 200,329	\$ 444,940
Okeechobee County	39,522	-	-	39,522
Martin County	20,004	-	-	20,004
	<u>59,526</u>	<u>244,611</u>	<u>200,329</u>	<u>504,466</u>
Program expenditures	(1,765,339)	(268,301)	(349,404)	\$ (2,033,640)
Excess from other sources	\$ (1,705,813)	\$ (23,690)	\$ (149,075)	\$ (1,529,174)

Note 18 – Disclosure of Subsequent Events

Management has evaluated subsequent events through January 9, 2023 the date the financial statements were available to be issued. Management is not aware of any events subsequent to the statement of financial position date which would require additional adjustments to, or disclosure in, the accompanying financial statements.

Hibiscus Children's Center, Inc. and Affiliate
Notes to Financial Statements (continued)

Note 19 – Prior Period Adjustment

As a result of audit procedures of the Hibiscus and the Foundation's contributions and contributions receivables during June 30, 2022 audit, the auditor discovered that contributions and contributions receivable had been understated by \$315,139. Additional details can be found in the schedule of findings and questioned costs. Accordingly, the financial statements have been restated its results for the affected year.

The effect of the restatement on the change in net assets without donor restrictions and financial position as of and for the years ended June 30, 2021 are as follows:

	As previously reported	Restated
Contributions	\$ 1,335,611	\$ 1,650,520
Change in net assets	1,324,838	1,639,977
Contributions receivable, net	\$ 54,956	\$ 370,095
Net assets without donor restrictions	9,347,574	9,662,713

SUPPLEMENTARY INFORMATION

Hibiscus Children's Center, Inc. and Affiliate
Combining Schedule of Financial Position
June 30, 2022

	Hibiscus Children's Center, Inc.	Hibiscus Children's Center Foundation, Inc.	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 194,360	\$ 1,140,657	\$ 1,335,017
Accounts receivable, net	752,305	-	752,305
Contributions receivable, net	22,300	185,200	207,500
Prepays and other assets	102,982	-	102,982
Total current assets	1,071,947	1,325,857	2,397,804
Other assets:			
Investments	40,000	3,819,028	3,859,028
Contributions receivable, net	42,956	-	42,956
Deposits	14,038	-	14,038
Total other assets	96,994	3,819,028	3,916,022
Property and equipment, net	4,192,395	-	4,192,395
Total assets	\$ 5,361,336	\$ 5,144,885	\$ 10,506,221
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	\$ 89,230	\$ 66	\$ 89,296
Accrued payroll and related liabilities	564,593	-	564,593
Assets held for others	-	6,061	6,061
Total current liabilities	653,823	6,127	659,950
Net assets:			
Without donor restrictions	4,622,614	4,992,017	9,614,631
With donor restrictions	84,899	146,741	231,640
Total net assets	4,707,513	5,138,758	9,846,271
Total liabilities and net assets	\$ 5,361,336	\$ 5,144,885	\$ 10,506,221

See accompanying notes to financial statements.

Hibiscus Children's Center, Inc. and Affiliate
Combining Schedule of Activities and Changes in Net Assets
For the year ended June 30, 2022

	Hibiscus Children's Center, Inc.	Hibiscus Children's Center Foundation, Inc.	Total
Operating activities:			
Grants and contracts for operations	\$5,115,382	\$ -	\$5,115,382
Program service revenues	1,210,517	-	1,210,517
Donations	1,052,900	688,739	1,741,639
Thrift store	416,587	-	416,587
Special events (integral and ongoing):			
Special event donations	453,432	25,000	478,432
Special event income	102,705	-	102,705
Cost of direct benefits to donors	(87,211)	-	(87,211)
Net revenue from special events	468,926	25,000	493,926
Total revenue and support	8,264,312	713,739	8,978,051
Expenses:			
Program activities:			
Residential	4,331,101	-	4,331,101
Clinical	1,765,339	-	1,765,339
Support for families in crisis	268,301	-	268,301
Safe care	349,404	-	349,404
Total program activities	6,714,145	-	6,714,145
Thrift store	288,060	-	288,060
Fundraising	646,249	-	646,249
General and administrative	1,075,968	-	1,075,968
Total program and supporting activities	8,724,422	-	8,724,422
Change in net assets from operating activities	(460,110)	713,739	253,629
Non-operating activities:			
Investment return, net	7	(330,502)	(330,495)
Gain on sale of assets	(36,193)	-	(36,193)
Change in net assets from non-operating activities	(36,186)	(330,502)	(366,688)
Change in net assets before transfers	(496,296)	383,237	(113,059)
Transfer from Foundation to Center	385,729	(385,729)	-
Change in net assets	(110,567)	(2,492)	(113,059)
Net assets, beginning of year	4,786,566	4,857,625	9,644,191
Prior period adjustment	31,514	283,625	315,139
Net assets, end of year	\$4,707,513	\$ 5,138,758	\$9,846,271

See accompanying notes to financial statements.

Hibiscus Children's Center, Inc. and Affiliate
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2022

Federal Grantor/Pass-through Grantor/ Program Title	CFDA Number	Grant Contract Number	Expenditures
United States Department of Health and Human Services			
Pass Through from Community Based Care:			
Foster care - Title IV-E	93.658	CCK22-301 & 302	\$ 333,135
Foster care - Title IV-E	93.658	SAS11	53,666
Foster care - Title IV-E	93.658	NA	519,989
Total Foster care - Title IV-E			906,790
Social Services Block Grant	93.667	CCK22-301 & 302	124,514
Social Services Block Grant	93.667	SAS11	34,216
Social Services Block Grant	93.667	NA	268,622
Total Social Services Block Grant			427,352
Promoting Safe and Stable Families	93.556	CCK 22-301	35,685
Promoting Safe and Stable Families	93.556	CCK 19-109	106,949
Promoting Safe and Stable Families	93.556	NA	152,386
Total Promoting Safe and Stable Families			295,020
Maternal, Infant, and Early Childhood Home Visiting Grant Program	93.870	HIB-1-FY2022	229,153
Total United States Department of Health and Human Services			1,858,315
United States Department of Justice			
Pass Through from Office of the Attorney General:			
Victim of Crimes Act	16.575	VOCA 2021	46,877
Victim of Crimes Act	16.575	VOCA 2022	182,736
Total United States Department of Justice			229,613
Total Federal Expenditures			\$ 2,087,928

See accompanying notes to schedule of expenditures of federal awards.

Hibiscus Children's Center, Inc. and Affiliate
Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2022

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Hibiscus Children's Center, Inc. (Hibiscus) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B – Contingency

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies. Any disallowed claims, including amounts already received, might constitute a liability of Hibiscus for the return of those funds.

Note C – Indirect Cost Rate

Hibiscus has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note D – Subrecipients

Hibiscus has not provided any funds to subrecipients.

Note E – Other Disclosures

The accompanying schedule of expenditures of federal awards includes federal expenditures awarded by more than one pass-through agency or under more than one contract.

**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 Boards of Directors of
Hibiscus Children's Center, Inc. and Affiliate

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 Hibiscus Children's Center, Inc. and Affiliate, which comprise the combined statement of financial position as of June 30, 2022, and the related combined 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 January 9, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hibiscus Children's Center, Inc. and Affiliate'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 not for the purpose of expressing an opinion on the effectiveness of Hibiscus Children's Center, Inc. and Affiliate's internal control. Accordingly, we do not express an opinion on the effectiveness of Hibiscus Children's Center, Inc. and Affiliate'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. We did not identify any deficiency in internal control we consider to be a material weakness. 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 the 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be material weaknesses.

To the Boards of Directors of
Hibiscus Children's Center, Inc. and Affiliate

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hibiscus Children's Center, Inc. and Affiliate'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-002.

Hibiscus Children's Center, Inc. and Affiliate's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Hibiscus Children's Center, Inc. and Affiliate's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Hibiscus Children's Center, Inc. and Affiliate's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Nuttall, Donini & Associates, CPA's

Nuttall, Donini & Associates, CPA's

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

To the Boards of Directors of
Hibiscus Children's Center, Inc. and Affiliate

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Hibiscus Children's Center, Inc. and Affiliate's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Hibiscus Children's Center, Inc. and Affiliate's major federal programs for the year ended June 30, 2022. Hibiscus Children's Center, Inc. and Affiliate's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Victims of Crime Act

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, Hibiscus Children's Center, Inc. and Affiliate complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Victims of Crime Act for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Hibiscus Children's Center, Inc. and Affiliate 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

To the Board of Directors of
Hibiscus Children's Center, Inc. and Affiliate

Matter(s) Giving Rise to Qualified Opinion on Victims of Crime Act

As described in the accompanying schedule of findings and questioned costs, Hibiscus Children's Center, Inc. and Affiliate did not comply with requirements regarding Victims of Crime Act No. 16.575 as described in finding number 2022-002 for Allowable Costs.

Compliance with such requirements is necessary, in our opinion, for Hibiscus Children's Center, Inc. and Affiliate to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Hibiscus Children's Center, Inc. and Affiliate's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Hibiscus Children's Center, Inc. and Affiliate's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Hibiscus Children's Center, Inc. and Affiliate's internal control over compliance. Accordingly, no such opinion is expressed.



To the Board of Directors of
Hibiscus Children's Center, Inc. and Affiliate

Auditor's Responsibilities for the Audit of Compliance (continued)

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

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on Hibiscus Children's Center, Inc. and Affiliate's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Hibiscus Children's Center, Inc. and Affiliate's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-002 to be material weakness.

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. We did not identify any deficiencies we considered to be significant deficiencies.

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

Government Auditing Standards requires the auditor to perform limited procedures on Hibiscus Children's Center, Inc. and Affiliate's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Hibiscus Children's Center, Inc. and Affiliate's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



To the Board of Directors of
Hibiscus Children's Center, Inc. and Affiliate

Report on Internal Control over Compliance (continued)

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.

Nuttall, Donini & Associates, CPA's

Nuttall, Donini & Associates, CPA's

Hibiscus Children's Center, Inc. and Affiliate
Schedule of Findings and Questioned Costs
Federal Awards Programs
Year Ended June 30, 2022

A. Summary of Audit Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: **Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant Deficiency(s) yes X no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? X yes no
- Significant Deficiency(s) identified yes X no

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

Type of report issued on compliance for major programs:

<u>Federal Program</u>	<u>Federal CFDA No.</u>	<u>Type of Opinion</u>
United States Department of Health and Human Services - Maternal, Infant, and Early Childhood Home Visiting Grant	93.870	Unmodified
United States Department of Justice – Victims of Crime Act	16.575	Qualified

The threshold for distinguishing Type A and B programs was \$750,000 for major federal award programs.

Auditee qualified as low-risk auditee? X yes no

**Hibiscus Children's Center, Inc. and Affiliate
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

B. Financial Statement Audit Findings

2022-001 *Proper recording of bequests – Material Weakness*

Criteria: Hibiscus should have a processes in place to ensure that bequests are recognized in the appropriate period and reported and classified in accordance with generally accepted accounting principles in the United States of America ("GAAP").

Condition: During fiscal year 2022 contributions vouching, auditor identified two bequests totaling \$315,139 that were accounted for in the incorrect period, requiring a prior year adjustment. As a result, a time-consuming effort was necessary to acquire and review each known bequest subsequent to year-end. An additional material audit entry was required to recognize contributions receivable for a bequest of \$205,000.

Cause: Lack of oversight and communication between development and the finance departments.

Effect: Bequests may not be properly reflected in the general or subsidiary ledgers in the appropriate period. This condition could lead to a potential misstatement of the financial statements.

Recommendation: We recommend training and oversight of proper contribution reporting to ensure that the general and subsidiary ledgers are fairly presented at any point in time.

Management Response: Hibiscus has updated its bequest policy as suggested to record notification of bequest funds as a receivable in the appropriate fiscal year of notice of payment of said funds.

**Hibiscus Children's Center, Inc. and Affiliate
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

C. Major Federal Program Findings and Questioned Costs

2022-002 Allowable Costs – Material Weakness

*Federal Program – Victims of Crimes Act (VOCA)
CFDA 16-575*

*Pass-through Entity - State of Florida Office of the Attorney General
Federal Agency - Department of Justice*

Criteria: 2 CFR 200.303 states a non-Federal entity must establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

VOCA funds provide reimbursement assistance to Hibiscus for services provided to the victims of crimes that are not otherwise paid. In accordance with 2 CFR 200.403, costs must be adequately documented as well as necessary and reasonable for the performance of the federal award.

Condition: Auditor tested 4 of the 12 months of services provided and noted no controls related to the verification of the employees time spent working under this grant. Amounts billed were directly related to the budgeted amounts.

Auditor reviewed eCR billing system and timesheets maintained by the providers for billing and payroll processes and noted no controls were implemented to allow for quantification of the time spent with VOCA clients. The program director was listed as the provider in eCR in many instances when she was not, and time sheets are not maintained to allow for proper breakdown of providers time spent on each client.

This condition could lead to a potential misstatement of the financial statements.

Questioned Costs: Likely estimated questioned costs from \$80,000-\$166,000.

Cause: During the preliminary review of the VOCA grant, auditor noted VOCA had changed the way reimbursements were paid; in prior years VOCA disbursed grant funds based on a fee for service, and during the current audit period changed to grant funds being disbursed based on actual salaries paid.

Management did not have a full understanding of the change.

Effect: Potential unallowable costs.

Recommendation: We recommend Hibiscus implement and monitor the time value related to the services provided under the VOCA grant. Additionally, the appropriate provider should be selected in eCR and appropriate detailed time sheets maintained for the VOCA providers. Billings should be then created based on actual time spent of the providers working with VOCA clients.

Management Response: Hibiscus is using eCR data verifying time value related services based on VOCA allowable cost. In addition, updates were made on time sheet for providers detailing actual percentage of services. Cost reimbursements submitted were reviewed, verified, and approved by VOCA.

**Hibiscus Children's Center, Inc. and Affiliate
Summary Schedule of Prior Audit Findings
Year ended June 30, 2021**

Prior Audit Findings - Financial Statements Audit:

There were no prior year audit findings and questioned costs.

Prior Audit Findings - Major Federal Program Findings and Questioned Costs

There were no prior year audit findings and questioned costs.