

ReachUp, Inc.

Financial Statements

May 31, 2020 and 2019

And

Reports of Independent
Certified Public Accountants



**REACHUP, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
REACHUP, Inc.
Tampa, Florida

Report on Financial Statements

We have audited the accompanying financial statements of REACHUP, Inc., (the Organization), which comprise the statements of financial position as of May 31, 2020 and 2019, and the related statements of activities, and cash flows for the years then ended, the related statement of functional expenses for the year ended May 31, 2020, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audit 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.

CONTINUED

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of REACHUP, Inc. as of May 31, 2020 and 2019, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 10, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audits were 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 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 the Organization's internal control over financial reporting and compliance.

PDR CPAs + Advisors

Oldsmar, Florida
October 8, 2020

REACHUP, INC.
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2020 AND 2019

	<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Assets			
Cash and cash equivalents		\$ 1,175,290	\$ 459,178
Grants receivable		496,921	442,912
Property and equipment, net		<u>23,750</u>	<u>42,815</u>
Total Assets		<u>\$ 1,695,961</u>	<u>\$ 944,905</u>
	<u>LIABILITIES AND NET ASSETS</u>		
Liabilities			
Accounts payable		\$ 32,353	\$ 78,687
Accrued expenses		127,801	119,074
Deferred revenue		142,924	17,043
Note payable		<u>608,800</u>	<u>-</u>
Total liabilities		911,878	214,804
Net Assets			
Without donor restrictions		<u>784,083</u>	<u>730,101</u>
Total Liabilities and Net Assets		<u>\$ 1,695,961</u>	<u>\$ 944,905</u>

See accompanying notes to financial statements

REACHUP, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED MAY 31, 2020 AND 2019

	2020	2019
Operating Support and Revenue		
Federal, state, and local grant revenue	\$ 3,894,770	\$ 4,034,286
Foundations and other grants	163,135	71,823
Contributions	14,617	8,639
Other	3,203	1,979
Total operating support and revenue	4,075,725	4,116,727
Operating Expenses		
Program services	3,583,810	3,556,694
Supporting services	437,933	452,535
Total operating expenses	4,021,743	4,009,229
Change in Net Assets	53,982	107,498
Net Assets at Beginning of Year	730,101	622,603
Net Assets at End of Year	\$ 784,083	\$ 730,101

See accompanying notes to financial statements

REACHUP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	<u>Program Services</u>			<u>Total Program Services</u>	<u>Supporting Services</u>	<u>Total</u>	
	<u>Healthy Start/ Nurse Family Partnership</u>	<u>Special Delivery Doula/BIHPI Get Smart</u>	<u>Other</u>			<u>2020</u>	<u>2019</u>
Salaries	\$ 1,419,909	\$ 466,087	\$ 392,583	\$ 2,278,579	\$ 253,175	\$ 2,531,754	\$ 2,262,080
Employee benefits	137,104	75,458	69,885	282,447	30,748	313,195	290,828
Retirement contribution	22,424	6,297	5,114	33,835	3,759	37,594	31,911
Program consultants	19,369	15,494	5,957	40,820	-	40,820	82,028
Payroll taxes	105,489	34,626	27,749	167,864	18,651	186,515	164,746
Education/training	107,883	8,619	3,056	119,558	2,402	121,960	75,004
Postage and printing	14,611	5,978	357	20,946	5,375	26,321	19,327
Travel and meetings	42,031	16,639	6,638	65,308	7,257	72,565	80,512
Insurance	13,526	3,131	969	17,626	1,958	19,584	19,536
Information technology	69,137	6,882	2,290	78,309	4,122	82,431	65,290
Utilities	5,004	2,459	141	7,604	845	8,449	5,999
Telephone	25,836	10,184	2,801	38,821	4,313	43,134	42,235
Supplies	19,804	2,188	3,838	25,830	2,870	28,700	15,169
Contract expenses	73,655	81,577	2,477	157,709	26,762	184,471	524,963
Professional fees	-	-	-	-	19,025	19,025	18,997
Dues and subscriptions	6,173	-	848	7,021	-	7,021	1,770
Office expense	42,777	5,192	2,120	50,089	8,177	58,266	38,257
Occupancy	76,383	35,093	59,373	170,849	46,587	217,436	249,666
Advertising	2,786	-	650	3,436	-	3,436	2,471
Depreciation	9,780	6,177	1,202	17,159	1,907	19,066	18,440
Total Functional Expenses	\$ 2,213,681	\$ 782,081	\$ 588,048	\$ 3,583,810	\$ 437,933	\$ 4,021,743	\$ 4,009,229

See accompanying notes to financial statements

REACHUP, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ 53,982	\$ 107,498
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	19,066	18,440
Increase in operating assets:		
Grants receivable	(54,009)	(53,017)
(Decrease) increase in operating liabilities:		
Accounts payable	(46,335)	(46,839)
Accrued expenses	8,727	34,789
Deferred revenue	125,881	7,927
	107,312	68,798
Net cash provided by operating activities	107,312	68,798
Cash Flows from Investing Activities:		
Cash paid for purchase of property and equipment	-	(7,884)
Cash Flows from Financing Activities:		
Proceeds from note payable	608,800	-
	716,112	60,914
Net Increase in Cash	716,112	60,914
Cash at Beginning of Year	459,178	398,264
Cash at End of Year	\$ 1,175,290	\$ 459,178

See accompanying notes to financial statements

REACHUP, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019

NOTE A - NATURE OF ORGANIZATION

REACHUP, Inc. (the Organization) was incorporated in Florida on March 7, 2006. The mission of the Organization is to advocate for and mobilize resources to help communities achieve equality in healthcare and positive health for families. The vision of the Organization is to be known as a nationally recognized center of excellence, assisting in creating a community where there is equality in healthcare and health for all families. The Organization's vision and mission are supported financially by various organizations including Health and Human Services/Health Resource Service Administration, Healthy Start Coalition of Hillsborough County, Inc., and the Children's Board of Hillsborough County. REACHUP Foundation, Inc. (the Foundation) is an affiliate of the Organization, but is not controlled, and, therefore, is not included within these financial statements. The Foundation is a 501(c)(3) not-for-profit corporation whose purpose is to provide charitable and educational aid to the Organization and other not-for-profit organizations in the community.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

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

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization has no net assets with donor restrictions as of May 31, 2020 and May 31, 2019.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenue of the net assets without donor restrictions class. Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional.

REACHUP, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing services. Nonoperating activities, if any, are limited to other activities considered to be of a more unusual or nonrecurring nature.

Summarized Comparative Information

The accompanying financial statements include certain prior year summarized comparative total amounts. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended May 31, 2019, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates included in the financial statements include management's estimate of the allocation of expenses by function and useful lives of depreciable assets.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash on deposit with financial institutions. The Organization classifies all highly liquid assets with an initial maturity of three months or less as cash.

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash held in financial institutions in excess of federally insured limits. From time to time the Organization's cash balance may have exceeded the federally insured limit. However, the Organization has not experienced and does not expect to incur any losses in such accounts.

Grants Receivable

Grants receivable represent amounts due from various federal, state, and local agencies for purposes specified by each grant. Management monitors the collection status of its receivable balance on an ongoing basis. Management considers all receivables to be collectible. As such, an allowance for doubtful accounts is not recorded in the accompanying financial statements.

REACHUP, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment

Property and equipment are recorded at cost when acquired. Depreciation is provided at rates calculated to amortize the cost of the assets over their estimated useful lives using the straight-line method. The lives used in computing depreciation range from 5-7 years. Donated assets are recorded at the estimated fair value at date of receipt.

Expenditures for maintenance, repairs, minor renewals, and betterments which do not improve or extend the useful life of the respective asset are expensed. All other expenditures for renewals and betterments in excess of \$5,000 are capitalized. The assets and related depreciation accounts are adjusted for property retirements and disposals with the resulting gain or loss included in income. Fully depreciated assets remain in the accounts until retired from service.

Property acquired with grant funds is considered owned by the Organization while used in the program for which it is purchased or in future authorized programs; however, its disposition as well as the ownership of any proceeds from it is subject to applicable regulations.

Revenue Recognition

Federal, state, and local government and other public grants are considered conditional contributions and are recognized as support when performance occurs pursuant to the contract agreement. Deferred revenue represents grant funding received but not yet expended.

Advertising Costs

Advertising costs are expensed as incurred and were approximately \$3,400 and \$2,500 for the years ended May 31, 2020 and 2019, respectively, and are included in the statement of functional expenses.

In-Kind Donations

Donated items are recorded as support at their fair value at the date of donation. The Children's Board of Hillsborough County provides the Organization space for operation of certain program services. Contributed rent is recognized as in-kind contribution revenue and occupancy expense.

REACHUP, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional Allocation of Expenses

The costs of providing services have been detailed in the statement of functional expenses and summarized on a functional basis in the statements of activities. Certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses are charged to program or supporting service based on specific identification when possible. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Time and effort
Employee benefits	Full Time Equivalent
Retirement contribution	Full Time Equivalent
Payroll taxes	Full Time Equivalent
Education/training	Full Time Equivalent
Postage and printing	Full Time Equivalent
Travel and meetings	Full Time Equivalent
Insurance	Full Time Equivalent
Information technology	Full Time Equivalent
Utilities	Full Time Equivalent
Telephone	Full Time Equivalent
Supplies	Full Time Equivalent
Contract expenses	Full Time Equivalent
Office expense	Full Time Equivalent
Occupancy	Full Time Equivalent

Income Tax Status

The Organization is recognized by the Internal Revenue Service as an organization described under Section 501(c)(3) of the Internal Revenue Code and is generally exempt from Federal taxes on related income.

Uncertain Tax Positions

The Organization accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. The Organization has identified its tax status as a tax-exempt entity as its only significant tax position; however, the Organization has determined that such tax position does not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction. The Organization’s federal returns are generally open for examination for three years following the date filed.

REACHUP, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

New Accounting Pronouncement

In June 2018, the FASB issued ASU 2018-08, Not for Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The Organization adopted ASU 2018-08 effective June 1, 2019 and determined that the adoption will not result in a material change to how it accounts for revenue from contributions and grants.

NOTE C - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at May 31:

	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash and cash equivalents	\$ 1,175,290	\$ 459,178
Grants receivable	<u>496,921</u>	<u>442,912</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,672,211</u>	<u>\$ 902,090</u>

As part of a cash and liquidity management policy, the Organization structures its financial assets to be available as its operating expenses, liabilities and other obligations become due. Additionally, excess cash is routinely invested in money market accounts to increase investment earnings which is readily convertible into cash to manage any unanticipated liquidity needs. In addition, as described in **NOTE E**, the Organization has a \$75,000 line-of-credit available for use.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at May 31:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 126,424	\$ 126,424
Less accumulated depreciation	<u>(102,674)</u>	<u>(83,609)</u>
	<u>\$ 23,750</u>	<u>\$ 42,815</u>

REACHUP, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019

NOTE E - LINE-OF-CREDIT

The line-of-credit permits borrowing up to \$75,000, bearing interest at a prime rate plus 1% (4.25% and 6.50% at May 31, 2020 and 2019, respectively). There was no outstanding balance at May 31, 2020 or 2019. The Organization had \$75,000 available for use at May 31, 2020 and 2019.

NOTE F - NOTE PAYABLE

In April 2020, the Organization received a loan under the Paycheck Protection Program (PPP) in the amount of \$608,800. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides loans to qualifying entities. The loan and accrued interest are forgivable as long as the loan proceeds are used for qualifying expenses as described in the CARES Act. The loan accrues interest at 1% and was originally payable in eighteen monthly installments of principal and interest commencing seven months after the loan date if the loan, in whole or in part, was not forgiven under the provisions of the PPP. The loan is a program of the U.S. Small Business Administration (SBA) and is administered by the Organization's bank (the lender).

In June 2020, the Paycheck Protection Program Flexibility Act was enacted which extended the deferral period for payments of principal, interest and fees on PPP loans. The revised deferral period includes the loan forgiveness covered period which can be up to 24 weeks plus an additional ten months. If any portion of the PPP loan is not forgiven, repayment of the unforgiven portion will commence after the SBA notifies the lender of the unforgiven loan amount and remits the forgiven loan amount to the lender. If the Organization elects not to apply for forgiveness, repayment of the loan will commence ten months after the end of the Organization's loan forgiveness covered period.

The Organization's management is evaluating the amount of qualifying expenses that may be eligible for forgiveness under the SBA requirements. It is not possible, as of the date these financial statements were available to be issued, to determine with certainty the amount of the loan, in whole or in part, that will be eligible for forgiveness. Any payments due commence November 2020 and are payable through April 2022.

REACHUP, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019

NOTE G - LEASES

The Organization leases office space and equipment under non-cancelable operating leases expiring at various times through March 2024. The total rental expense for the years ending May 31, 2020 and 2019 was approximately \$127,000 and \$153,000, respectively, and is included in occupancy expense in the accompanying statement of functional expenses.

Future minimum lease payments under non-cancelable operating leases (with initial or remaining terms in excess of one year) are as follows:

<u>Years Ending May 31,</u>	<u>Amount</u>
2021	\$ 127,425
2022	128,508
2023	1,200
2024	<u>900</u>
Total minimum lease payments	<u>\$ 258,033</u>

NOTE H - IN-KIND DONATIONS

The Organization leases space for the operation of certain programs with no consideration due and this is considered an in-kind donation. The total fair value of the donated office space for each of the years ended May 31, 2020 and 2019 is \$87,240, and is included in federal, state, and local grant revenue in the accompanying statements of activities and occupancy expense in the accompanying statement of functional expenses.

NOTE I - PROFIT SHARING PLAN

The Organization maintains a 401(k)-profit sharing plan which covers all eligible employees. Eligible employees can defer up to 90% of their annual salaries, up to the statutory limit. The Organization matches employee contributions up to 3% of the employee's compensation. Additionally, the Organization may elect to contribute a nonelective contribution of 2% of compensation for each eligible employee. All employee funds are 100% vested and employer matching funds are 100% vested after five years of service. During the years ended May 31, 2020 and 2019, expenses associated with the plan amounted to approximately \$37,600 and \$31,900, respectively.

REACHUP, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019

NOTE J - CONCENTRATION OF RISK AND CONTINGENCIES

The Organization receives a substantial amount of support from granting agencies. Approximate revenue concentrations as a percentage of federal, state, and local grant revenue are as follows:

<u>Granting Agency</u>	<u>Percentage</u>	
	<u>2020</u>	<u>2019</u>
U.S. Department of Health and Human Services	27%	41%
Healthy Start Coalition of Hillsborough County	42%	34%
Children's Board of Hillsborough County	24%	21%
	<u>93%</u>	<u>96%</u>

At May 31, 2020, 82% of grants receivable were due from three agencies. At May 31, 2019, 96% of grants receivable were due from three agencies.

There was no donation from the Foundation for each of the years ended May 31, 2020 and 2019.

NOTE K - CONTINGENCIES

Expenditures incurred by the Organization under cost reimbursement grants are subject to audit and possible disallowance by the grantor agency. In the event that reimbursed expenditures were disallowed, repayments would be required. Management believes that if audited, any adjustments for disallowed expenses would be immaterial in amount.

NOTE L - SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the year ended May 31, 2021.

The Organization evaluated its May 31, 2020 financial statements for subsequent events through October 8, 2020, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events, except as disclosed above, which would require recognition or disclosures in the financial statements.

SUPPLEMENTARY INFORMATION

REACHUP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MAY 31, 2020

<u>Federal Agency</u> <u>Pass-Through Entity</u> <u>Federal Program</u>	<u>CFDA</u> <u>Number</u>	<u>Contract/</u> <u>Pass-Through Entity</u> <u>Identifying Number</u>	<u>Expenditures</u>	<u>Passed through</u> <u>to Subrecipients</u>
U.S. Department of Health and Human Services				
Healthy Start Initiative - Eliminating Racial/Ethnic Disparities	93.926	H49MC12793	\$ 1,084,612	\$ 73,655
<i>Passed-through Healthy Start Coalition of Hillsborough County, Inc.</i>				
Medical Assistance Program Medicaid; Title XIX	93.778	FP76-13-01	150,118	-
Affordable Care Act Maternal, Infant, and Early Childhood Home Visiting Program	93.870	13-09-FY1920	777,178	-
Maternal and Child Health Service Block Grant to the States	93.994	COSGG-03	2,783	-
Child Abuse and Neglect State Grants	93.669	#1DCCP-1920HIL-RUP	64,726	-
	93.669	#ECA-C13-SA-HSC-FY21-RUP	31,029	-
Total U.S. Department of Health and Human Services			<u>2,110,446</u>	<u>73,655</u>
Total Expenditures of Federal Awards			<u>\$ 2,110,446</u>	<u>\$ 73,655</u>

See accompanying notes to schedule of expenditures of federal awards

REACHUP, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MAY 31, 2020

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of REACHUP, Inc. under programs of the federal government for the year ended May 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of REACHUP, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of REACHUP, Inc.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

INDIRECT COST RATE

REACHUP, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



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

To the Board of Directors
REACHUP, Inc.
Tampa, 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 financial statements of REACHUP, Inc. (the Organization) which comprise the statement of financial position as of May 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 8, 2020.

Internal Control over Financial Reporting

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

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

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

CONTINUED

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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.

PDR CPAs + Advisors

Oldsmar, Florida
October 8, 2020



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

To the Board of Directors
REACHUP, Inc.
Tampa, Florida

Report on Compliance for Each Major Federal Program

We have audited REACHUP, 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 May 31, 2020. The Organization's major federal programs are identified in the summary of auditor's 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.

Auditor's 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.

CONTINUED

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

Opinion on Each Major Federal Program

In our opinion, REACHUP, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2020.

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.

PDR CPAs + Advisors

Oldsmar, Florida
October 8, 2020

REACHUP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS
YEAR ENDED MAY 31, 2020

Part I - Summary of Auditor's Results

Financial Statements Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards Section

Internal control over major federal programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified not considered to be material weakness(es)? yes none reported

Type of auditor's report on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR part 200.516(a) of the Uniform Guidance? yes no

Identification of major federal programs:

Federal Programs:

CFDA Numbers	Name of Program or Cluster
	U.S. Department of Health and Human Services
93.926	Healthy Start Initiative - Eliminating Racial / Ethnic Disparities

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

Auditee qualified as low-risk auditee for federal purposes? yes no

REACHUP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS - CONTINUED
YEAR ENDED MAY 31, 2020

Part II - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weakness, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no reportable findings.

Part III - Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weakness, and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required to be reported by the Uniform Guidance.

There were no reportable findings.

Part IV - Summary Schedule of Prior Audit Findings

A Summary Schedule of Prior Audit Findings is not necessary since there were no prior audit findings related to a major federal program.