R KIDS, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2016

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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors
'R Kids, Inc.
New Haven, Connecticut

Report on the Financial Statements
We have audited the accompanying financial statements of 'R Kids, Inc., which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

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

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 'R Kids, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year ended in accordance with principles generally accepted in the United States of America.

Mystic, Connecticut
October 14, 2017

GARVEY, STEELE & COMPANY, LLP
Certified Public Accountants & Advisors

MEMBERS: American Institute of Certified Public Accountants/Connecticut Society of Certified Public Accountants
An Independently owned Member of Firm Foundation
R KIDS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

Current assets
Cash $ 23,206
Investments 8,938
Accounts and grants receivable, net 22,465
Prepaid expenses 3,919

Total current assets 58,528

Property and equipment
Land 39,000
Furniture and equipment 87,073
Vehicles 28,812
Building 905,901

Total 1,060,786
Less accumulated depreciation (419,924)

Property and equipment, net 640,862

Total assets $ 699,390

LIABILITIES AND NET ASSETS

Current liabilities
Accounts payable and accrued expenses $ 21,754
Refundable advances 9,153
Retirement contribution payable 12,255
Line of credit payable 67,000
Note payable, current portion 975

Total current liabilities 111,137

Long-term liabilities
Note payable -

Total long-term liabilities -

Total liabilities 111,137

Net assets
Unrestricted 588,253

Total liabilities and net assets $ 699,390

See accompanying notes to financial statements
"R KIDS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

CHANGE IN UNRESTRICTED NET ASSETS

Support and revenue

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant revenues</td>
<td>$641,291</td>
</tr>
<tr>
<td>Contributions, including in-kind of $39,167</td>
<td>60,702</td>
</tr>
<tr>
<td>Fundraising</td>
<td>21,109</td>
</tr>
<tr>
<td>Program service fee income</td>
<td>34,203</td>
</tr>
<tr>
<td>Investment income</td>
<td>682</td>
</tr>
<tr>
<td>Other income</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total support and revenue</strong></td>
<td><strong>758,005</strong></td>
</tr>
</tbody>
</table>

Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program service expenses</td>
<td>694,336</td>
</tr>
<tr>
<td>Management and general</td>
<td>92,970</td>
</tr>
<tr>
<td>Fundraising</td>
<td>2,151</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>789,457</strong></td>
</tr>
</tbody>
</table>

Change in net assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>(31,452)</td>
</tr>
<tr>
<td>Net assets, beginning of year</td>
<td>619,705</td>
</tr>
<tr>
<td>Net assets, ending of year</td>
<td>$588,253</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements
R KIDS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES
Change in net assets $ (31,452)
Adjustments to reconcile change in net assets to net cash used in operating activities:
Depreciation 32,466
Unrealized gain on investments (661)
(Increase) decrease in prepaid expenses 1,272
(Increase) decrease in accounts receivable (21,155)
(Increase) decrease in other assets 716
Increase (decrease) in accounts payable and accrued expenses 5,627
Increase in refundable advances (15,600)
Increase in retirement contribution payable 5,215
Net cash used in operating activities (23,572)

CASH FLOWS FROM INVESTING ACTIVITIES

CASH FLOWS FROM FINANCING ACTIVITIES
Advances on line of credit 169,500
Repayments on line of credit (142,500)
Repayments on note payable (3,483)
Repayments on capital lease -
Net cash provided by financing activities 23,517

Net decrease in cash and cash equivalents (55)
Cash - beginning of year 23,261
Cash - end of year $ 23,206

Supplemental disclosure of non-cash financing and investing activities:

Amounts paid during the year for:
Interest expense $ 1,194

See accompanying notes to financial statements
R KIDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

<table>
<thead>
<tr>
<th></th>
<th>PROGRAM SERVICES</th>
<th>MANAGEMENT AND GENERAL</th>
<th>FUNDRAISING</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages</td>
<td>395,878</td>
<td>49,160</td>
<td>-</td>
<td>445,038</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>36,571</td>
<td>4,541</td>
<td>-</td>
<td>41,112</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>35,613</td>
<td>4,402</td>
<td>-</td>
<td>40,015</td>
</tr>
<tr>
<td>Retirement</td>
<td>10,907</td>
<td>1,348</td>
<td>-</td>
<td>12,255</td>
</tr>
<tr>
<td>Vehicle expense</td>
<td>8,140</td>
<td>-</td>
<td>-</td>
<td>8,140</td>
</tr>
<tr>
<td>Outside services</td>
<td>17,744</td>
<td>19,535</td>
<td>-</td>
<td>37,279</td>
</tr>
<tr>
<td>Board expense</td>
<td>-</td>
<td>393</td>
<td>-</td>
<td>393</td>
</tr>
<tr>
<td>Office</td>
<td>5,253</td>
<td>2,452</td>
<td>-</td>
<td>7,705</td>
</tr>
<tr>
<td>Postage</td>
<td>238</td>
<td>-</td>
<td>-</td>
<td>238</td>
</tr>
<tr>
<td>Telephone</td>
<td>7,159</td>
<td>-</td>
<td>-</td>
<td>7,159</td>
</tr>
<tr>
<td>Professional fees</td>
<td>-</td>
<td>5,500</td>
<td>-</td>
<td>5,500</td>
</tr>
<tr>
<td>Training conference</td>
<td>930</td>
<td>250</td>
<td>-</td>
<td>1,180</td>
</tr>
<tr>
<td>Food</td>
<td>1,039</td>
<td>727</td>
<td>-</td>
<td>1,766</td>
</tr>
<tr>
<td>Insurance</td>
<td>16,513</td>
<td>-</td>
<td>-</td>
<td>16,513</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>10,906</td>
<td>-</td>
<td>-</td>
<td>10,906</td>
</tr>
<tr>
<td>Utilities</td>
<td>10,578</td>
<td>-</td>
<td>-</td>
<td>10,578</td>
</tr>
<tr>
<td>Depreciation</td>
<td>28,998</td>
<td>3,468</td>
<td>-</td>
<td>32,466</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>-</td>
<td>1,194</td>
<td>-</td>
<td>1,194</td>
</tr>
<tr>
<td>Fundraising</td>
<td>-</td>
<td>-</td>
<td>2,151</td>
<td>2,151</td>
</tr>
<tr>
<td>Security</td>
<td>7,734</td>
<td>-</td>
<td>-</td>
<td>7,734</td>
</tr>
<tr>
<td>Travel</td>
<td>7,471</td>
<td>-</td>
<td>-</td>
<td>7,471</td>
</tr>
<tr>
<td>In-kind donations</td>
<td>39,167</td>
<td>-</td>
<td>0</td>
<td>39,167</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>694,336</strong></td>
<td><strong>92,970</strong></td>
<td><strong>2,151</strong></td>
<td><strong>789,457</strong></td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

‘R Kids, Inc. (the Organization) is a not-for-profit corporation organized under the laws of the State of Connecticut. The Organization’s mission is to provide services to children and families engaged in the system of the State of Connecticut Department of Children and Families, with the objective of having children live in safe and stable homes with minimal disruption. Services include the reunification of families, the promotion of permanency to children, and the providing of support services to biological, foster, pre/post adoptive and relative care families.

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables, and other liabilities.

Financial statement presentation

The financial statement presentation follows the recommendations of the FASB in its Accounting Standards Codification 958-205, Not-for-profit Entities, Presentation of Financial Statements. Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Contributions

The Organization follows ASC 958-605-25, Not-for-Profit Entities, Revenue Recognition - Recognition. In accordance with ASC 958-605-25, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Cash and cash equivalents

For purposes of financial statement presentation, the Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Accounts receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2016, the allowance for doubtful accounts was $1,566.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment are stated at cost or their estimated fair value at date of donation. Maintenance and repairs are charged to expense as incurred. Major improvements and betterments are capitalized.

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets which range from five to thirty-nine years.

Deferred revenue

Deferred revenue represents contributions or grants awarded or received in the current year to support the following year’s activities.

Donated services and equipment

Donated services are recognized as contributions in accordance with ASC 958-605-25, Not-for-Profit Entities, Revenue Recognition - Recognition, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

A number of volunteers have donated significant amounts of time to the Organization’s program throughout the year; however no amounts are recognized as contributions in the financial statements since the recognition criteria under ASC 958-605-25 were not met.

Donated supplies and equipment are recorded as contributions at their estimated fair value at the date of donation.

Income tax status

The Organization is a charitable organization as defined by Section 501(c)(3) of the Internal Revenue Code. As such, the Organization is exempt from federal and state income taxes. In addition, the Organization qualifies for the charitable deduction under Section 170(b)(1)(A) and has been classified as an Organization other than a private foundation under Section 509(a)(2).

Subsequent events

Management has evaluated subsequent events through October 14, 2017, the date the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

The Organization was the recipient of seven South African gold Krugerrands during the year ended December 31, 2016. The value of the coins was determined to be $8,938 at December 31, 2016.
NOTE 3 – FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board Accounting Standards Codification, *Fair Value Measurements and Disclosures* (FASB ASC 820), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation method include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market Date by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There has been no change in the methodology used in prior years.

Gold Krugerrand Coins – Valued at the average selling price on balance sheet date.

NOTE 4 – RETIREMENT PLAN

The Organization sponsors a contributory SIMPLE IRA plan for eligible employees. Employees may defer up to $10,000 of their wages to the plan. The Organization makes a safe harbor match up to 3% of participating employees’ wages. For the year ended December 31, 2016, the Company’s matching contribution was 1.5% and totaled $12,255.

NOTE 5 – NOTE PAYABLE

The Organization acquired a vehicle in January 2012, with a total cost of $28,812, of which the Organization took out a note payable in the amount of $16,812. The note is secured by the vehicle and calls for monthly payments of $334, including interest at 6.99% per annum. At December 31, 2016, the amount owed on the note was $975. Future minimum payments under the note payable are as follows:

| Year ending December 31, 2016 | $ 975 |
NOTE 6 – COMMITMENTS

The Organization leases a vehicle under a non-cancelable operating lease. The lease calls for monthly payments of $270. The lease expires in 2017. Future minimum lease payments under the lease are as follows:

| Year ending December 31, 2017 | $ 975 |

NOTE 7 – LINE OF CREDIT

The Organization has a $100,000 revolving line of credit with a large commercial bank. The Organization owed $67,000 on this line at December 31, 2016. Bank advances on the credit line are payable on demand and carry an interest rate of 5.75%. The credit line is secured by substantially all assets of the Organization.

NOTE 8 – CONCENTRATIONS

At December 31, 2016, approximately 72% of the Organization’s funding was from one grant (federal and state funding) received through the State of Connecticut Department of Children and Families.

NOTE 9 – UNCERTAIN TAX POSITIONS

Management is not aware of any uncertain tax positions taken by the Organization as defined in FASB Accounting Standards Codification Topic 740. Tax years from December 31, 2013 through 2016 remain subject to examination by taxing authorities.
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Directors
‘R Kids, Inc.
New Haven, Connecticut

We have audited 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, the financial statements of ‘R Kids, Inc., which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 14, 2017.

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

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

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

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

**Purpose of this report**
The purpose of this report is solely to describe the scope of our testing on internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’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 entity’s internal control and compliance. Accordingly, the communication is not suitable for any other purpose.

Mystic, Connecticut
October 14, 2017
REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT

Independent Auditor’s Report

To the Board of Directors
‘R Kids, Inc.
New Haven, Connecticut

Report on Compliance for each major State program
We have audited ‘R Kids, Inc.’s compliance with the types of compliance requirements described in the Office of Policy and Management’s Compliance Supplement that could have a direct and material effect on each of ‘R Kids, Inc.’s major state programs for the year ended December 31, 2016. ‘R Kids, Inc.’s major state program is 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 the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditor’s responsibility
Our responsibility is to express an opinion on compliance for each of ‘R Kids, Inc.’s major state 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 in accordance with Government Auditing Standards, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act 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 state program occurred. An audit includes examining, on a test basis, evidence about ‘R Kids, Inc.’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 state program. However, our audit does not provide a legal determination of ‘R Kids, Inc.’s compliance.

Opinion on each major State program
In our opinion, ‘R Kids, 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 state programs for the year ended December 31, 2016.

Report on internal control over compliance
Management of ‘R Kids, Inc. 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 ‘R Kids, Inc.’s internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, 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 ‘R Kids, Inc.’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 state 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 requirements of a state 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state 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 State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on schedule of expenditures of State financial assistance required by the State Single Audit Act
We have audited the financial statements of 'R Kids, Inc., as of and for the year ended December 31, 2016 and have issued our report thereon dated October 14, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act 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, 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements taken as a whole.

Mystic, Connecticut
October 14, 2017
<table>
<thead>
<tr>
<th>STATE GRANTOR</th>
<th>PASS-THROUGH GRANTOR</th>
<th>STATE GRANT PROGRAM PROGRAM TITLE</th>
<th>CORE-CT NUMBER</th>
<th>EXPENDITURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Children and Families</td>
<td>Board and Care for Children - Foster Reunification and Therapeutic Family Time Services</td>
<td>11000-DCF91100-16135</td>
<td>$ 364,599</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Differential Response System Community Support for Families</td>
<td>11000-DCF91100-12515</td>
<td>85,963</td>
<td></td>
</tr>
<tr>
<td>Judicial Branch</td>
<td>Youth Violence Prevention Initiative</td>
<td>11000-JUD96114-12555-079</td>
<td>25,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total expenditures of state financial assistance</td>
<td></td>
<td>$ 475,562</td>
<td></td>
</tr>
</tbody>
</table>
The accompanying schedule of expenditures of state financial assistance includes state grant activity of the 'R Kids, Inc. under programs for the State of Connecticut for the fiscal year ended December 31, 2016. The Department of Children and Families of the State of Connecticut has provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund the reunification and therapeutic family time services program provided by 'R Kids, Inc.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of 'R Kids, Inc. conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

The information included in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of accounting

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations of the State Single Audit Act, certain grants are not dependent on expenditure activity, and, accordingly, are considered to be expended in the year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.
I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:
• Material weakness(es) identified? ___ yes ___ no
• Significant deficiency(ies) identified? ___ yes ___ none reported
Noncompliance material to financial statements noted? ___ yes ___ no

State Financial Assistance

Internal control over major programs:
• Material weakness(es) identified? ___ yes ___ no
• Significant deficiency(ies) identified? ___ yes ___ none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? ___ yes ___ no

• The following schedule reflects the major program included in the audit:

<table>
<thead>
<tr>
<th>State Grantor and Program</th>
<th>State Core-CT Number</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Children and Families Board and Care for Children - Foster Reunification and Therapeutic</td>
<td>11000-DCF91100-</td>
<td>$364,599</td>
</tr>
<tr>
<td>Family Time Services</td>
<td>16135</td>
<td></td>
</tr>
</tbody>
</table>

• Dollar threshold used to distinguish between type A and type B programs $100,000

II. SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

• We issued reports, dated October 14, 2017, on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.

• Our report on compliance indicated no reportable instances of noncompliance.

• Our report on internal control over financial reporting indicated no significant deficiencies.

III. FINDINGS AND QUESTIONED COSTS FOR STATE FINANCIAL ASSISTANCE

• No findings or questioned costs are reported relating to State financial assistance programs.