

FIRST STEP, INC.

=====

JUNE 30, 2017 AND 2016

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
First Step, Inc.

**Report on the Financial Statements**

We have audited the accompanying statements of First Step, Inc. ( a non-profit organization ) which comprise the statements of financial position as of June 30, 2017 and 2016 and the related statements of activities, functional expenses and cash flows for the years 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 misstatements, whether due to fraud or error.

***Auditors' 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; and the provisions of *Audit Guidelines* issued by Arkansas Department of Human Services. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgement, 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 First Step, Inc. as of June 30, 2017 and 2016 and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Other Matters******Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying information presented on pages 23 - 29, including the schedule of expenditures of federal awards and the schedule of state awards, is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and *Audit Guidelines* of Arkansas Department of Human Services and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report November 16, 2017 on our consideration of First Step, Inc.'s internal control over financial reporting and on our tests on its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering First Step, Inc.'s internal control over financial reporting and compliance.

*Banks CPA, PLLC*

November 16, 2017

FIRST STEP, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2017 AND 2016

EXHIBIT A  
Page 3

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash - Unrestricted	\$ 2,212,654	\$ 2,270,556
Marketable Securities	25,693	24,580
Repurchase Agreement	1,092,092	1,615,560
Accounts Receivable - Grants/Fees	1,586,137	2,332,749
Accounts Receivable - Other	89,552	87,665
Notes Receivable	20,867	26,554
Prepaid Expenses	<u>139,896</u>	<u>125,268</u>
TOTAL CURRENT ASSETS	<u>5,166,891</u>	<u>6,482,932</u>
LAND, BUILDINGS AND EQUIPMENT		
Land	5,348,527	5,348,527
Buildings and Improvements	20,301,648	20,086,321
Leasehold Improvements	25,759	25,759
Furniture and Fixtures	3,040,681	2,945,527
Transportation Equipment	3,902,952	3,682,340
Accumulated Depreciation	<u>(13,539,011)</u>	<u>(12,389,598)</u>
TOTAL LAND, BUILDINGS AND EQUIPMENT	<u>19,080,556</u>	<u>19,698,876</u>
OTHER ASSETS	94,794	4,650
TOTAL ASSETS	<u><u>\$ 24,342,241</u></u>	<u><u>\$ 26,186,458</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 283,358	\$ 296,786
Accrued Expenses	487,552	435,508
Payroll Tax Withheld and Other Benefits Payable	157,212	565,167
Mortgage Payable - Current	<u>164,749</u>	<u>389,788</u>
TOTAL CURRENT LIABILITIES	1,092,871	1,687,249
LONG-TERM LIABILITIES		
Mortgage Payable	<u>1,631,827</u>	<u>2,029,438</u>
TOTAL LONG-TERM LIABILITIES	1,631,827	2,029,438
TOTAL LIABILITIES	<u>2,724,698</u>	<u>\$ 3,716,687</u>
NET ASSETS		
Unrestricted	21,617,543	22,469,771
Temporarily Restricted	-	-
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 24,342,241</u></u>	<u><u>\$ 26,186,458</u></u>

See accompanying Notes to Financial Statements.

FIRST STEP, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

EXHIBIT B  
Page 4

CHANGES IN UNRESTRICTED NET ASSETS	2017	2016
PUBLIC SUPPORT AND REVENUE		
United Way	\$ 16,274	\$ 12,027
Contributions	67,545	12,942
Management, Maintenance & Accounting Fees	87,328	87,329
Client Fees	56,221	111,133
Miscellaneous Income	53,246	65,906
Net Return on Investments	6,877	4,180
Contract Services	155,507	233,741
Various Fed & State Funds	27,187	17,100
Special Needs Grant	6,000	18,250
Title VI-B	220,399	232,967
Rent Income	67,400	36,650
State Voucher Program	1,296	1,267
Supported Employment - Rehab. Services	67,000	67,000
Medicaid - Title XIX	32,457,133	33,953,003
Child/Adult Day Care Food Program - USDA	1,062,779	1,136,937
National School Lunch Program - USDA	21,134	20,458
Commodities	45,046	31,744
Public Schools - Tuition Fees	419,635	428,167
Grant - Arkansas Better Chance	97,800	98,440
Property Donation	-	-
Gain (Loss) On Disposition	5,000	(90,386)
TOTAL UNRESTRICTED PUBLIC SUPPORT AND REVENUE	<u>34,940,807</u>	<u>36,478,855</u>
EXPENSES		
Program Services	31,591,068	31,865,716
General and Administrative	4,185,848	4,566,762
Fund Raising	16,119	197,096
TOTAL EXPENSES - (EXHIBIT C)	<u>35,793,035</u>	<u>36,629,574</u>
INCREASE IN UNRESTRICTED NET ASSETS	(852,228)	(150,719)
Release of Temporarily Restricted Net Assets	-	-
TOTAL INCREASE IN UNRESTRICTED NET ASSETS	<u>(852,228)</u>	<u>(150,719)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Grants	-	-
Grant Expenditures	-	(2,964)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	-	(2,964)
INCREASE IN NET ASSETS	<u>(852,228)</u>	<u>(153,683)</u>
NET ASSETS, BEGINNING OF YEAR	22,469,771	22,623,454
NET ASSETS, END OF YEAR	<u>\$ 21,617,543</u>	<u>\$ 22,469,771</u>

See accompanying Notes to Financial Statements.

FIRST STEP, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

EXHIBIT C  
Page 5

	PROGRAM SERVICES	GENERAL & ADMIN	FUND RAISING	TOTAL 2017	TOTAL 2016
Salaries	\$ 21,660,467	\$2,469,716	\$ -	\$ 24,130,183	\$ 24,562,865
Contract Services	310,337	-	-	310,337	410,434
Fringe Benefits	3,954,963	526,858	-	4,481,821	4,615,144
Total Compensation & Related Expenses	<u>25,925,767</u>	<u>2,996,574</u>	<u>-</u>	<u>28,922,341</u>	<u>29,588,443</u>
Supplies	307,742	172,747	13,916	494,405	477,347
Repair & Maint.- Bldg. & Lawn	841,062	128,196	-	969,258	973,475
Repair & Maint.- Equipment	-	274,352	-	274,352	251,580
Utilities	383,461	53,513	-	436,974	437,710
Insurance	210,437	81,605	-	292,042	255,757
Food Cost & Supplies	982,584	-	-	982,584	992,723
Transportation Costs	744,769	2,771	-	747,540	699,094
Depreciation and Amortization	1,068,591	85,472	-	1,154,063	1,244,267
Staff Education and Training	24,727	3,988	-	28,715	54,363
Dues and Subscriptions	11,222	48,951	680	60,853	38,570
Special Needs Grant Exp	30,763	-	-	30,763	24,734
Travel	143,138	9,331	-	152,469	147,848
Rent	-	14,707	-	14,707	24,860
AVECS Fees/Co-Payments	-	38,568	-	38,568	34,237
Advertising/Public Relations	-	32,532	1,523	34,055	31,943
Professional Fees	-	57,381	-	57,381	67,083
Telephone	587,808	120,091	-	707,899	827,758
Board Expenses	-	1,869	-	1,869	1,619
Interest Expense	-	59,224	-	59,224	95,941
Donation Expense	200,000	-	-	200,000	242,216
Other Expense	128,997	3,976	-	132,973	118,006
TOTAL EXPENSES - UNRESTRICTED (TO EXHIBIT B)	<u>\$ 31,591,068</u>	<u>\$4,185,848</u>	<u>\$ 16,119</u>	<u>\$35,793,035</u>	<u>\$ 36,629,574</u>

See accompanying Notes to Financial Statements.

FIRST STEP, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

EXHIBIT D  
Page 6

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Program Services and Donors	\$ 35,673,655	\$36,466,994
Interest and Dividends Received	5,764	6,310
Cash Paid to Suppliers and Employees	(34,971,101)	(35,833,746)
Interest Paid	(59,266)	(97,764)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>649,052</u>	<u>541,794</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Payments from Note Receivable	5,687	19,454
Cash Payments for the Purchase of Property	(618,458)	(411,238)
Cash Received From Property Sales	<u>5,000</u>	<u>39,028</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(607,771)</u>	<u>(352,756)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal Payments on Debt Obligations	(622,651)	(946,078)
Loan Proceeds	-	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(622,651)</u>	<u>(946,078)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(581,370)</u>	<u>(757,040)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,886,116	4,643,156
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 3,304,746</u></u>	<u><u>\$ 3,886,116</u></u>

See accompanying Notes to Financial Statements.



FIRST STEP, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

EXHIBIT D-1  
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Reconciliation of net increase in net assets to net cash provided by operating activities:

	<u>2016</u>	<u>2016</u>
NET INCREASE IN NET ASSETS	\$ (852,228)	\$ (153,683)
ADJUSTMENTS TO RECONCILE NET INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation and Amortization	1,154,063	1,244,267
(Gain) Loss on Disposal of Property	(5,000)	90,386
Donated Property (Non-Cash)	-	-
Unrealized (Gain) Loss - Investments	(1,113)	2,130
(Increase) Decrease in Accounts Receivable	744,725	(98,067)
(Increase) Decrease in Prepaid Expenses	(14,628)	27,188
Increase (Decrease) in Accounts Payable	(20,857)	(33,767)
Increase (Decrease) in Accrued Liabilities	(355,868)	(534,838)
Increase (Decrease) in Accrued Interest	(42)	(1,822)
TOTAL ADJUSTMENTS	<u>1,501,280</u>	<u>695,477</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	<u>\$ 649,052</u>	<u>\$ 541,794</u>

SCHEDULE OF NONCASH INVESTING ACTIVITIES:

None	-	-
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See accompanying Notes to Financial Statements.

FIRST STEP, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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Note 1. Summary of Significant Accounting Policies

NATURE OF ACTIVITIES - The Organization is an Arkansas nonprofit corporation whose primary purpose is to provide educational and therapeutic services to individuals with developmental disabilities of all ages. First Step, Inc. operates from sites located in Hot Springs, Malvern, Fordyce, Sparkman, Glenwood and Hamburg Arkansas and serves clients in and about those locales.

INVESTMENTS - Investments acquired by gifts are recorded at their fair market value at the date of the gift. Equity investments with readily determinable market values and all debt securities are carried at fair value in the statement of financial position. Realized and unrealized gains and losses on investments are reported in the statement of activities as increases (decreases) in unrestricted net assets unless their use is temporarily or permanently restricted in which case gains or losses are reported as changes in unrestricted net assets absent a specific donor stipulation or law that restricts their use.

FIXED ASSETS - Property and equipment are recorded at acquisition cost or fair market value of donated property and equipment. Depreciation is provided primarily by the straight-line method based upon the estimated useful lives of the respective assets as follows:

	<u>ESTIMATED LIFE</u>
Buildings and Improvements	25 - 40 Years
Furniture and Fixtures	5 Years
Transportation Equipment	5 Years

The Organization follows the practice of capitalizing all expenditures in excess of \$500 for building and equipment.

The Organization capitalizes interest cost incurred on funds used to construct property, plant and equipment. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. There was no interest capitalized in the years ended June 30, 2017 or 2016.

INCOME TAXES - The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization held no uncertain tax positions at June 30, 2017. Accordingly, no provision or liability for income taxes is included in the accompanying financial statements. Tax periods for all years after 2013 remain open to examination by the taxing jurisdictions to which the Organization is subject.

FIRST STEP, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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Note 1. Summary of Significant Accounting Policies (Continued)

FUNCTIONAL EXPENSES - The cost of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and support services benefitted.

CONTRIBUTIONS - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

CASH EQUIVALENTS - For purposes of the cash flow statement, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents; these include \$23,325 in a brokerage money market account and \$1,092,092 in a repurchase agreement.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ACCOUNTS RECEIVABLE - Accounts receivables are stated at the amount management expects to collect from outstanding balances. Management expects all receivables to be collectible, therefore, no valuation allowance has been established. Balances that are still outstanding after management has used reasonable collection efforts, which have been immaterial to the financial statements, are written off through a charge to uncollected prior year revenue and a credit to the applicable accounts receivable.

Note 2. Property, Plant and Equipment

At June 30, 2017, the cost and accumulated depreciation of these assets were:

	COST	ACCUM. DEPRECIATION	BOOK VALUE
	<hr/>	<hr/>	<hr/>
Buildings and Improvements	\$ 20,301,648	\$ 7,620,666	\$ 12,680,982
Furniture & Fixtures	3,040,681	2,408,633	632,048
Vehicles	3,902,952	3,484,237	418,715
Leasehold Improvements	25,759	25,475	284
TOTAL	<u>\$ 27,271,040</u>	<u>\$ 13,539,011</u>	<u>\$ 13,732,029</u>

FIRST STEP, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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Note 3. Employee Retirement

Effective August 1, 2000, the Organization adopted a Section 401(k) plan for its employees which replaced its Section 403(b) plan. The plan requires no employee contributions but permits voluntary contributions. Effective July 1, 2008, the Board discontinued profit-sharing contributions but approved matching employee elective deferrals up to 2%-14% based on length of service. Employees are eligible to participate upon completion of ninety days of service.

The Organization's cost of the plan in 2017 was \$725,134 and in 2016 was \$681,119 which is included as part of personnel fringe benefits expense.

Note 4. Other Assets

In a prior year, the Organization received ten parcels of land in residential developments in Hot Springs, AR. The lots were appraised at \$3,500 - \$7,000 each and recorded as contributions received of \$55,250. Two lots were sold in the year ended June 30, 2006. Also in a prior year, the Organization traded lots valued at \$21,000 with the City of Hot Springs for one lot and one lot was sold. The remaining lots (4) are reflected on the books of the Organization at \$16,250 at June 30, 2015 and were sold in February 2016.

During the year ended June 30, 2011, the Organization sought accreditation from the Commission on Accreditation of Rehabilitative Facilities (CARF) and was awarded a three-year accreditation in nine (9) program services. The Organization's accreditation was renewed during the year ended June 30, 2014. First Step, Inc. paid \$18,300 for the CARF survey that is being amortized over three years. The CARF survey was fully amortized in the year ending June 30, 2017. Book value at June 30, 2016 was \$4,650.

A down payment on a cloud based system for voice & data was made in April 2017 in the amount of \$94,794.

Note 5. Donated Property

There was no donated property in the years ending June 30, 2017 or June 30, 2016.

Note 6. Donated Materials and Services

No amounts, other than as explained below, have been reflected in the financial statements for donated materials and services inasmuch as no objective basis is available to measure the value of such materials and services; however, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services.

FIRST STEP, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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Note 6. Donated Materials and Services (Continued)

U. S. Department of Agriculture provided \$45,046 of commodities to the Organization during the year ended June 30, 2017 and \$31,744 of commodities during the year ended June 30, 2016. These are recorded as Child/Adult Daycare Food program revenue and food cost in the financial statements.

Note 7. Related Party Transactions

The Organization serves as the managing agent to housing projects subsidized by the U.S. Department of Housing and Urban Development and operated by five nonprofit organizations. Management fees are based on a fixed percentage of rental income.

Some of the same individuals serve on the board of directors of First Step, Inc. and three of the related organizations. Total number of First Step, Inc. directors is twelve; four of these serve on the boards of three related party organizations, On Our Own Inc., On Our Own II, Inc., and On Our Own III, Inc.

The boards of directors for On Our Own IV, Inc. and On Our Own V, Inc. are the same as First Step, Inc., however, the boards of On Our Own IV, Inc. and On Our Own V, Inc. are not required to be made up of First Step, Inc. board members. There is a separately issued audit report for each of the five not-for-profit organizations managed by First Step, Inc.

The related-party organizations and the amount of fees received were as follows:

<u>ORGANIZATION</u>	<u>2017 FEES EARNED</u>	<u>2016 FEES EARNED</u>
On Our Own, Inc.	\$ 34,224	\$ 34,224
On Our Own II, Inc.	19,500	19,500
On Our Own III, Inc.	19,500	19,500
On Our Own IV, Inc.	8,117	8,117
On Our Own V, Inc.	5,988	5,988

At June 30, 2017, the related organizations owed First Step, Inc. \$61,304 for fees for service that is reflected as accounts receivable-other on First Step, Inc.'s statement of financial position. At June 30, 2016, \$63,698 was owed to First Step, Inc. by the related organizations for fees.

First Step, Inc. advanced some construction costs and operating cash to On Our Own IV, Inc. and On Our Own V, Inc. in the year ended June 30, 2005 of \$61,547, some of which was repaid to First Step, Inc. when the HUD capital advance on the two projects closed after year end. The remaining liability to First Step, Inc. at June 30, 2017 was \$24,893 and at June 30, 2016 was \$24,893.

FIRST STEP, INC.  
NOTES TO FINANCIAL STATEMENTS  
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Note 7. Related Party Transactions (Continued)

The Miracle League of Garland County, Inc. was formed in December of 2012 with a mission to provide opportunities for individuals with disabilities to play Miracle League baseball regardless of their abilities. First Step, Inc. and the Miracle League of Garland County, Inc. have common board members. First Step, Inc. expended funds to help the Miracle League of Garland County, Inc. with construction costs. Amounts expended of \$242,216 as of year end June 30, 2015 were reflected on First Step, Inc.'s books as an Accounts Receivable-Other. In the year ended June 30, 2016, First Step, Inc. considered the balance in the Accounts Receivable-Other of \$242,216 to be a donation to the Miracle League of Garland County, Inc. In the year ended June 30, 2017, First Step, Inc. donated \$200,000 to the Miracle League of Garland County, Inc.

Note 8. Concentration of Risk

First Step, Inc. operates in Garland, Hot Spring, Pike, Ashley, and Dallas counties, Arkansas. The majority of the Organization's revenue is dependent upon federal and state funding. Those funds are subject to the Organization meeting certain operational requirements.

Note 9. Cash on Deposit with Banks

At June 30, 2017, the Organization had deposits in several banks as follows:

Total Cash-Unrestricted	\$ 2,212,679
Less: Cash at Brokers	(33,507)
Less: Petty Cash	(2,427)
Insured by Federal Deposit Insurance Corporation	<u>(2,058,567)</u>
Uninsured Deposits at Banks	<u>\$ 118,178</u>

At June 30, 2016, the Organization had deposits in several banks as follows:

Total Cash-Unrestricted	\$ 2,270,556
Less: Cash at Brokers	(32,405)
Less: Petty Cash	(2,427)
Insured by Federal Deposit Insurance Corporation	<u>(1,747,427)</u>
Uninsured Deposits at Bank	<u>\$ 488,297</u>

FIRST STEP, INC.  
NOTES TO FINANCIAL STATEMENTS  
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Note 10. Board Designated Accounts

Included in unrestricted cash on the Statement of Financial Position are accounts designated by the Board to be used for limited purposes.

General accounts (checking, \$1,575 and savings, \$2,916) may only be used as determined by the Board at its sole discretion.

Note 11. Investments

Marketable securities consist of the following:

	Cost		Fair Market Value	
	2017	2016	2017	2016
ARCB Common Stock, 145 Shares	\$ 3,534	\$ 3,534	\$ 2,987	\$ 2,330
ADNT Common Stock, 3 shares	-	-	196	-
Chevron/Texaco, Inc. Common Stock, 84 Shares	3,077	3,077	8,764	8,560
AT&T Corp. 55 Shares	1,407	1,407	2,075	2,284
Zimmer Holdings 7 Shares	315	315	899	817
Johnson Controls, Inc. 39 Shares	1,366	1,366	1,388	1,666
Wal-Mart, Inc. 124 Shares	5,380	5,380	9,384	8,923
Totals	<u>\$ 15,079</u>	<u>\$ 15,079</u>	<u>\$ 25,693</u>	<u>\$ 24,580</u>

Note 12. Net Investment Income

The composition of net investment income is as follows:

	2017	2016
Interest/Dividend Income	\$ 5,764	\$ 6,310
Unrealized Gains (Losses)	(1,113)	(2,130)
Total	<u>\$ 4,651</u>	<u>\$ 4,180</u>

FIRST STEP, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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Note 13. Leases

First Step, Inc. leases a portion of its land and buildings to others. The leases are accounted for as operating leases. Depreciation expense for assets subject to operating leases is provided primarily on the straight line method over the estimated useful lives of the assets.

Investments in operating leases are as follows at June 30, 2017:

Land	\$ 94,541
Buildings, At Cost	573,232
Accumulated Deprecation	<u>(120,021)</u>
Total	<u>\$ 547,752</u>

First Step Inc. leases buildings from others under non-cancellable operating leases. On October 1, 2014, First Step, Inc. entered into a lease agreement for office and storage space. The lease is a two year, renewable lease at \$1,500 per month. First Step, Inc. did not renew the lease at the end of the first lease term which ended October 31, 2016.

Note 14. Repurchase Agreement

On May 13, 1999, First Step, Inc. entered into a repurchase agreement with a local bank. According to the terms of the agreement, the bank will transfer to First Step, Inc. specific securities at a date certain upon the transfer by First Step, Inc. of funds to the Bank with a simultaneous agreement by First Step, Inc. to transfer to the bank the same securities against a transfer by the bank of funds. These transactions are not deposits at the bank and are not insured by FDIC nor are they guaranteed by the U.S. Government or any agency thereof.

The bank pays a fixed amount including interest in the purchase price regardless of any fluctuations in market price of the securities transferred.

First Step, Inc. may become an unsecured creditor of the bank to the extent that the market value of the securities transferred to First Step, Inc. falls below the purchase price paid by First Step, Inc. for the securities. Also, if this agreement is deemed a loan and not a sale, First Step, Inc. may become an unsecured creditor of the bank for all amounts if First Step, Inc. is deemed not to have a perfected security interest in the securities.



FIRST STEP, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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Note 14. Repurchase Agreement (continued)

At June 30, 2017, First Step, Inc. held \$1,092,092 of the securities underlying this agreement subject to repurchase by the bank on July 1, 2017 at .10%. The security was:

Federal Farm Credit, 1.25% interest due March 4, 2019, par value  
\$1,095,000, market value \$1,092,640.

At June 30, 2016, First Step, Inc. held \$1,615,560 of the securities underlying this agreement subject to repurchase by the bank on July 1, 2016 at .10%. The security was:

Federal Home Loan, 1.55% interest due May 6, 2020, par value \$1,620,000,  
market value \$1,619,757.

First Step, Inc. also entered into a sweep agreement with the bank in connection with the repurchase agreement whereby First Step, Inc. maintains on deposit with the bank a minimum balance each day and the bank “sweeps” all funds in excess of the minimum balance each date into a repurchase transaction under the repurchase agreement. First Step, Inc. may draw on the account as with a checking account so the funds are liquid and available to First Step, Inc. The \$1,092,092 at June 30, 2017 and \$1,615,560 at June 30, 2016 have been treated as cash equivalents for purposes of the cash flow statement.

Note 15. Notes Payable

	<u>CURRENT</u>	<u>LONG TERM</u>	<u>TOTAL</u>	<u>COLLATERAL</u>
Southern Bancorp \$687,066, \$4,789 mo., 60 months, 3.09%	40,574	601,726	596,282	Land and Building-ICF/ Hot Springs, AR
Southern Bancorp \$683,590, \$4,765 mo., 60 months, 3.09%	40,369	516,358	593,262	Land and Building-ICF/ Hot Springs, AR
Arvest Bank - \$930,695, \$8,649 mo., 46 months, 3.09%	83,806	513,743	766,835	Land & Building Central Ave. Hot Springs, AR
<b>TOTALS</b>	<u><u>\$ 164,749</u></u>	<u><u>\$ 1,631,827</u></u>	<u><u>\$ 1,956,379</u></u>	

FIRST STEP, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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Note 15. Notes Payable (Continued)

Maturities of long-term notes payable for each of the next five years are:

<u>YEAR</u>	<u>AMOUNT</u>
2019	\$ 170,445
2020	175,787
2021	181,296
2022	186,978
2023	192,839
Thereafter	724,482
	<u>\$ 1,631,827</u>

Note 16. Temporarily Restricted Assets

The Organization received a grant in March 2015 in the amount of \$1,845 for a nature trail for the Malvern center. At June 30, 2015 no funds had yet been expended. Also, in March 2015, the Malvern center received a \$3,000 grant for an art project for the adults. At June 30, 2015 \$1,881 of these funds had been expended. Funds yet to be expended are reflected as temporarily restricted assets of \$2,964 in total for the year ended June 30, 2015. The balance of these grants were expended in the year ended June 30, 2016.

Note 17. Note Receivable

In August of 2015, the Organization sold a property in Malvern for \$46,000. The buyer paid a down payment of \$15,000 and the Organization agreed to finance the remaining \$31,000 over 60 months at 7% interest. Balance at June 30, 2017 on the note receivable was \$20,867 and \$26,554 at June 30, 2016.

Note 18. Subsequent Events Review

Events subsequent to the Organization's June 30, 2017 year end were reviewed as of November 16, 2017 which is also the date the financial statements were issued.

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**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  
First Step, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited First Step, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of First Step, Inc.'s major federal programs for the year ended June 30, 2017. First Step, Inc.'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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of First Step, Inc.'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 First Step, 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 program. However, our audit does not provide a legal determination of First Step, Inc.'s compliance.

***Opinion on Each Major Federal Program***

In our opinion, First Step, 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 June 30, 2017.

**Report on Internal Control over Compliance**

Management of First Step, 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 First Step, Inc.'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 circumstance for the purpose of expressing our 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 First Step, 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 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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.

*Banks CPA, PLLC*

November 16, 2017

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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  
First Step, Inc.

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 First Step, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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 November 16, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered First Step, Inc.'s internal control over financial report (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 First Step, Inc.'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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. 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 First Step, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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. Accordingly, this communication is not suitable for any other purpose.

*Banks CPA, PLLC*

November 16, 2017

FIRST STEP, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR YEAR ENDED JUNE 30, 2017

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SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

TYPE OF AUDITOR'S REPORT ISSUED	UNMODIFIED
INTERNAL CONTROL OVER FINANCIAL REPORTING:	
MATERIAL WEAKNESS(ES) IDENTIFIED?	NO
SIGNIFICANT DEFICIENCIES IDENTIFIED NOT	
CONSIDERED TO BE MATERIAL WEAKNESSES?	NONE REPORTED

FEDERAL AWARDS

INTERNAL CONTROL OVER MAJOR PROGRAMS:	
MATERIAL WEAKNESS(ES) IDENTIFIED?	NO
SIGNIFICANT DEFICIENCIES IDENTIFIED NOT	
CONSIDERED TO BE MATERIAL WEAKNESS?	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 2 CFR SECTION 200.516(a)?	NO

IDENTIFICATION OF MAJOR PROGRAMS:

<u>CFDA NO.</u>	<u>NAME OF FEDERAL PROGRAM OR CLUSTER</u>
10.558	CHILD & ADULT DAY CARE FOOD PROGRAM

DOLLAR THRESHOLD USED TO DISTINGUISH	
BETWEEN TYPE A AND TYPE B PROGRAMS	\$750,000

AUDITEE QUALIFIED AS LOW - RISK AUDITEE?	YES
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SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

## SUPPLEMENTARY INFORMATION



FIRST STEP, INC.  
SCHEDULE OF UNITS OF SERVICE PROVIDED  
FOR THE YEAR ENDED JUNE 30, 2017

SCHEDULE I  
Page 23

<b>Habilitation</b>		
92506	Speech Therapy Eval	0
92523:UA	Speech Therapy Eval	2,476
92507	Speech Therapy	101,961
92507:UB	Speech Therapy Assistant	2,498
92567	Audiology	0
92588	Audiology	0
97001	Physical Therapy Eval	1,118
97003	Occupational Therapy Eval	1,595
97110	Physical Therapy	24,593
97110:52:UB	Physical Therapy Assistant	0
97110:UB	Physical Therapy Assistant	11,849
97530	Occupational Therapy	40,982
97530:UB	Occupational Therapy Assist.	26,221
T1015	Adult	141,751
T1015:U4	Early Intervention	149
T1015:U1	Preschool	836,586
T1023:UB	Hab Evaluation	1,086
T1023:52	Hab Evaluation	0
<b>TOTAL</b>		<b>1,192,865</b>

<b>Stand Alone Therapy</b>		
92523:UA	Speech Therapy Eval	76
92506	Speech Therapy Eval	0
92507	Speech Therapy	2,605
92507:UB	Speech Therapy Assistant	260
92607	Speech Therapy	0
92608	Speech Therapy	0
97001	Physical Therapy Eval	9
97003	Occupational Therapy Eval	11
97110	Physical Therapy	194
97110:UB	Physical Therapy Assistant	52
97530	Occupational Therapy	191
97530:UB	Occupational Therapy Assistant	24
<b>TOTAL</b>		<b>3,422</b>

<b>Transportation</b>		
A0120	Transportation	1,107,415
<b>TOTAL</b>		<b>1,107,415</b>

<b>Personal Care</b>		
T1019	Personal Care	0
T1019:U3	Personal Care	203,419
<b>TOTAL</b>		<b>203,419</b>

<b>Waiver</b>		
H2016	Waiver	36,255
T2025	Waiver Consulting	2
S2022	Waiver	0
<b>TOTAL</b>		<b>36,257</b>

<b>ACS-Waiver Case Management</b>		
H2016	Waiver	0
T2022	ACS Waiver Case Mgmt	1,658
<b>TOTAL</b>		<b>1,658</b>

FIRST STEP, INC.  
SCHEDULE OF UNITS OF SERVICE PROVIDED  
FOR THE YEAR ENDED JUNE 30, 2017

SCHEDULE I  
Page 24

<b>Adaptive Equipment</b>		
T2028	Adaptive Equipment	7
	<b>TOTAL</b>	<b>7</b>
<b>Audiology</b>		
92567	Audiology	461
92588	Audiology	461
	<b>TOTAL</b>	<b>922</b>
S5165:U1	Environmental Modification	2
K0108	Environmental Modification	1
	<b>TOTAL</b>	<b>3</b>
H2019:U1	Lead Therapy	3,132
H2019:U2	Line Therapy	8,505
T1999	Therapeutic Aides & Behav Reinf	22
T2024:U1	Individual Assessment Program	220
T2024:U2	Plan Implementation	691
T2024:U3	Plan Implementation	0
	<b>TOTAL</b>	<b>12,570</b>
<b>Voucher</b>		
92507	Voucher-Speech Therapy	0
96111	Voucher-Developmental Testing	0
97003	Voucher-Occupational Therapy Eval	0
97110	Voucher-Physical Therapy	0
97530	Voucher-Therapeutic Activities	72
97530:UI	Voucher-Occupational Therapy	0
V5008	Voucher-Audiology	0
	<b>TOTAL</b>	<b>72</b>
<b>VIB</b>		
92507-VIB	VIB-Speech Therapy	1,424
92507:UB-VIB	VIB-Speech Therapy Asst.	0
92523:UA-VIB	VIB-Speech Therapy Eval	54
95834-VIB	VIB-Physical Therapy Eval	0
97001-VIB	VIB-Physical Therapy Eval	11
97001-VIB	VIB-Physical Therapy Assistant	0
97003-VIB	VIB-Occup. Therapy Eval	19
97110-VIB	VIB-Physical Therapy	295
97110-UB-VIB	VIB-Physical Therapy Assistant	327
97530-VIB	VIB-Occupational Therapy	0
97530:UB-VIB	VIB-Occupational Therapy Assistant	0
97530:U1-VIB	VIB-Occupational Therapy	920
T1015:U4-VIB	VIB-Preschool	2,290
T2025-VIB	VIB-Case Management	5
	<b>TOTAL</b>	<b>5,345</b>

FIRST STEP, INC.  
SCHEDULE OF UNITS OF SERVICE PROVIDED  
FOR THE YEAR ENDED JUNE 30, 2017

SCHEDULE I  
Page 25

<b>Developmental Rehab Services</b>		
97530	Therapeutic Activities	336
	<b>TOTAL</b>	<b>336</b>
<b>Meals-Day Care Center</b>		
BREAKFAST		181,366
SNACK		177,589
LUNCH		209,299
	<b>TOTAL</b>	<b>568,254</b>
<b>National School Lunch Program</b>		
BREAKFAST		5,189
LUNCH		5,213
	<b>TOTAL</b>	<b>10,402</b>
<b>Extended Care</b>		
	Extended Care	48
	Extended Care - Voucher	1,625
<b>Supported Employment</b>		
	Referral	9
	Job Development	0
	Job Match	6
	Stabilization	8
	Closure	10
	<b>TOTAL</b>	<b>1,706</b>
<b>Contract Therapy/Services</b>		
97003	Occupational Therapy	39
97530	Occupational Therapy	1,540
97530:UB	Occupational Therapy	0
OT CoPay	AR Kids Copay	1
97001	Physical Therapy	10
97110	Physical Therapy	1,484
97110:UB	Physical Therapy Assistant	707
PT CoPay	AR Kids CoPay	1
92507	Speech Therapy	6,638
92523:UA	Speech Therapy Evaluation	43
ST Copay	AR Kids CoPay	20
	<b>TOTAL</b>	<b>10,483</b>
<b>ICF/MR-PARK PLACE</b>		
NU:0183-281	ICF/MR	624
NU:0194-280	ICF/MR	5,018
NU:0185	ICF/MR	5
	<b>TOTAL</b>	<b>5,647</b>

FIRST STEP, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017

SCHEDULE II  
Page 26

GRANTOR	FEDERAL CFDA NUMBER	EXPENDI- TURES
<b><i>CCDF Cluster</i></b>		
U.S. Department of Health & Human Services		
Passed through Arkansas Department of Human Services:		
Child Care & Development Block Grant	93.575	\$ 9,042
DCCECE - Child Care Match	93.596	379
		<u>9,421</u>
<i>Total U.S. Department of Health and Human Services</i>		
<b><i>Total CCDF Cluster</i></b>		<b><u>9,421</u></b>
 <b><i>Other Programs</i></b>		
Department of Education		
Passed through the Arkansas Department of Human Service:		
Special Education Grants for Infants & Families with Disabilities	84.181	1,296
Special Education Grants to States	84.027	220,399
Passed through Arkansas Rehabilitation Services:		
Vocational Rehabilitation Grants to States	84.187	<u>67,000</u>
<b><i>Total Department of Education</i></b>		<b><u>288,695</u></b>
Department of Health and Human Services		
Foster Care - Title IV-E	93.658	5,771
Social Services Block Grant	93.667	3,763
<b><i>Total Department of Health and Human Services</i></b>		<b><u>9,534</u></b>
U.S. Department of Agriculture		
Passed through Arkansas Department of Human Service:		
Child & Adult Day Care Food Program	10.558	1,062,779
National School Lunch Program	10.555	21,134
Commodities Received	10.565	<u>45,046</u>
<b><i>Total U.S. Department of Agriculture</i></b>		<b><u>1,128,959</u></b>
<b><i>Total Other Programs</i></b>		<b><u>1,427,188</u></b>
 <b>Total Expenditures of Federal Awards</b>		 <b><u><u>\$1,436,609</u></u></b>

See accompanying notes to schedule of expenditures of federal awards.

FIRST STEP, INC. SCHEDULE II  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Page 27  
FOR THE YEAR ENDED JUNE 30, 2017

- NOTE A: The Schedule of Expenditures of Federal Awards reflects all federal financial assistance available to fund operations of First Step, Inc. for the year ended June 30, 2017. No in-kind or cash matching funds are included. Medicaid funding received totaled \$32,457,133; \$23,693,707 was federal funds and \$8,763,426 was state funds.
- NOTE B: BASIS OF PRESENTATION - The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of First Step, Inc. under programs of the federal government for the year ended June 30, 2017. 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 First Step, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of First Step, Inc.
- NOTE C: 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.
- NOTE D: INDIRECT COST RATE - First Step, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
- NOTE E: There were no awards passed through to subrecipients.

FIRST STEP, INC  
SCHEDULE OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017

SCHEDULE III  
Page 28

<u>GRANTOR</u>	<u>AWARDS RECEIVED</u>	<u>AWARDS EXPENDED</u>
Arkansas Department of Human Services:		
Foster Care - Title IV-E	\$ 1,628	\$ 1,628
Foster Care - State	8,936	8,936
Child Care & Development Block Grant Match	400	400
Department of Education Arkansas Better Chance	97,800	97,800
TOTAL STATE AWARDS	<u>\$ 108,764</u>	<u>\$ 108,764</u>

Note: The Schedule of State Awards reflects all state financial assistance available to fund operations of First Step, Inc. for the year ended June 30, 2017. No in-kind or cash matching funds are included.

This schedule is prepared on the accrual basis of accounting.

See accompanying Independent Auditor's Report.

FIRST STEP, INC.  
ENTITY DATA  
JUNE 30, 2017

SCHEDULE IV  
Page 29

NAME:	First Step, Inc.
ADDRESS:	P.O. Box 2440 Hot Springs, AR 71914
TELEPHONE:	501-620-5585
DIRECTOR:	Brett Chancellor
CONTACT PERSON:	Chris Smith
AUDIT COST:	\$26,750