



A Home for Every Child

4KIDS OF SOUTH FLORIDA, INC.  
and 4KIDS OF AMERICA, LLC

Consolidated Financial Statements  
With Independent Auditors' Report

June 30, 2019 and 2018

# 4KIDS OF SOUTH FLORIDA, INC. AND 4KIDS OF AMERICA, LLC

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
4KIDS of South Florida, Inc. and 4KIDS of America, LLC  
Fort Lauderdale, Florida

We have audited the accompanying consolidated financial statements of 4KIDS of South Florida, Inc. and 4KIDS of America, LLC (a nonprofit corporation), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Board of Directors  
4KIDS of South Florida, Inc. and 4KIDS of America, LLC  
Fort Lauderdale, Florida

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of 4KIDS of South Florida, Inc. and 4KIDS of America, LLC as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 2 to the consolidated financial statements, 4KIDS of South Florida, Inc. and 4KIDS of America, LLC has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This has had a material effect on the presentation of the June 30, 2019 and 2018 consolidated financial statements. Our opinion is not modified with respect to this matter.

*Capin Crouse LLP*

Lawrenceville, Georgia  
February 4, 2020

# 4KIDS OF SOUTH FLORIDA, INC. AND 4KIDS OF AMERICA, LLC

## Consolidated Statements of Financial Position

	June 30,	
	2019	2018
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 1,648,156	\$ 1,520,612
Accounts and other receivables	525,685	418,422
Prepaid expenses and other assets	161,636	81,350
Property and equipment–net	6,703,324	6,735,686
<b>Total Assets</b>	<b>\$ 9,038,801</b>	<b>\$ 8,756,070</b>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 9,519	\$ 55,901
Amounts due to related party (Note 8)	-	38,368
Accrued expenses	409,126	349,409
Mortgage notes payable (Note 6)	1,955,771	1,955,771
Accrued interest on mortgage notes payable (Note 8)	269,683	269,683
	2,644,099	2,669,132
<b>Net assets:</b>		
<b>Without donor restrictions:</b>		
Undesignated	1,576,136	1,162,130
Equity in property and equipment	4,747,553	4,779,915
	6,323,689	5,942,045
<b>With donor restrictions</b>	71,013	144,893
	6,394,702	6,086,938
<b>Total Liabilities and Net Assets</b>	<b>\$ 9,038,801</b>	<b>\$ 8,756,070</b>

See notes to consolidated financial statements

# 4KIDS OF SOUTH FLORIDA, INC. AND 4KIDS OF AMERICA, LLC

## Consolidated Statement of Activities

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>			
Support:			
Contributions	\$ 3,967,218	\$ 53,700	\$ 4,020,918
Contributions from related party	247,414	-	247,414
Special events	760,728	-	760,728
Noncash contributions	138,068	-	138,068
	5,113,428	53,700	5,167,128
Revenue:			
Government grants	2,448,205	-	2,448,205
Rental income	78,822	-	78,822
Other income	29,310	-	29,310
	2,556,337	-	2,556,337
<b>Total Support and Revenue</b>	<b>7,669,765</b>	<b>53,700</b>	<b>7,723,465</b>
<b>RECLASSIFICATIONS:</b>			
Satisfaction of purpose or time restrictions	127,580	(127,580)	-
	127,580	(127,580)	-
<b>EXPENSES:</b>			
Program services:			
Foster care	1,814,363	-	1,814,363
SafePlace	507,480	-	507,480
Residential foster care	753,730	-	753,730
Family Advocacy Ministry	747,342	-	747,342
His Caring Place	415,630	-	415,630
Spirit of Success Institute	440,857	-	440,857
EPIC Program	541,766	-	541,766
	5,221,168	-	5,221,168

(continued)

See notes to consolidated financial statements

# 4KIDS OF SOUTH FLORIDA, INC. AND 4KIDS OF AMERICA, LLC

## Consolidated Statement of Activities (continued)

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES, continued:			
Supporting activities:			
General and administrative	733,735	-	733,735
Fundraising:			
Donor relations	1,043,128	-	1,043,128
Special events	142,097	-	142,097
Marketing	275,573	-	275,573
	1,460,798	-	1,460,798
	2,194,533	-	2,194,533
Total Expenses	7,415,701	-	7,415,701
Change in Net Assets	381,644	(73,880)	307,764
Net Assets, Beginning of Year	5,942,045	144,893	6,086,938
Net Assets, End of Year	\$ 6,323,689	\$ 71,013	\$ 6,394,702

See notes to consolidated financial statements

# 4KIDS OF SOUTH FLORIDA, INC. AND 4KIDS OF AMERICA, LLC

## Consolidated Statement of Activities

Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>			
Support:			
Contributions	\$ 3,311,623	\$ 162,000	\$ 3,473,623
Contributions from related party	244,299	-	244,299
Special events	584,280	-	584,280
Noncash contributions	51,770	-	51,770
	4,191,972	162,000	4,353,972
Revenue:			
Government grants	2,106,957	-	2,106,957
Rental income	103,134	-	103,134
Other income	20,826	-	20,826
	2,230,917	-	2,230,917
<b>Total Support and Revenue</b>	<b>6,422,889</b>	<b>162,000</b>	<b>6,584,889</b>
<b>RECLASSIFICATIONS:</b>			
Satisfaction of purpose or time restrictions	241,100	(241,100)	-
	241,100	(241,100)	-
<b>EXPENSES:</b>			
Program services:			
Foster care	1,747,641	-	1,747,641
SafePlace	485,853	-	485,853
Residential foster care	676,798	-	676,798
Family Advocacy Ministry	463,630	-	463,630
His Caring Place	482,009	-	482,009
Spirit of Success Institute	392,160	-	392,160
EPIC Program	198,626	-	198,626
	4,446,717	-	4,446,717

(continued)

See notes to consolidated financial statements



# 4KIDS OF SOUTH FLORIDA, INC. AND 4KIDS OF AMERICA, LLC

## Consolidated Statement of Activities (continued)

Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES, continued:			
Supporting activities:			
General and administrative	944,966	-	944,966
Fundraising:			
Donor relations	923,935	-	923,935
Special events	234,395	-	234,395
Marketing	345,467	-	345,467
	1,503,797	-	1,503,797
	2,448,763	-	2,448,763
Total Expenses	6,895,480	-	6,895,480
Change in Net Assets	(231,491)	(79,100)	(310,591)
Net Assets, Beginning of Year	6,173,536	223,993	6,397,529
Net Assets, End of Year	\$ 5,942,045	\$ 144,893	\$ 6,086,938

See notes to consolidated financial statements

# 4KIDS OF SOUTH FLORIDA, INC. AND 4KIDS OF AMERICA, LLC

## Consolidated Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services							Total Program Services
	Foster Care	SafePlace	Residential Foster Care	Family Advocacy Ministry	His Caring Place	Spirit of Success Institute	EPIC Program	
Compensation and benefits	\$ 1,401,129	\$ 461,801	\$ 408,109	\$ 579,207	\$ 217,607	\$ 245,874	\$ 460,662	\$ 3,774,389
Payments to foster parents	28,622	26	78,550	-	1,431	-	-	108,629
Professional services	79,517	5,958	23,115	83,407	10,161	16,574	13,279	232,011
Other operating expenses	81,135	21,266	107,212	39,117	67,812	51,398	18,784	386,724
Occupancy costs	136,066	18,279	91,375	22,290	69,193	95,084	28,533	460,820
Depreciation	46,144	-	44,131	20,508	48,426	21,848	20,508	201,565
Community awareness	41,750	150	1,238	2,813	1,000	10,079	-	57,030
	<u>\$ 1,814,363</u>	<u>\$ 507,480</u>	<u>\$ 753,730</u>	<u>\$ 747,342</u>	<u>\$ 415,630</u>	<u>\$ 440,857</u>	<u>\$ 541,766</u>	<u>\$ 5,221,168</u>
	Supporting Services							
	Fundraising					Total		
	General and Administrative	Donor Relations	Special Events	Marketing	Total Fundraising	Supporting Services		Total Expenses
Compensation and benefits	\$ 433,270	\$ 825,011	\$ -	\$ 184,088	\$ 1,009,099	\$ 1,442,369		\$ 5,216,758
Payments to foster parents	-	-	-	-	-	-		108,629
Professional services	112,533	65,604	-	-	65,604	178,137		410,148
Other operating expenses	65,484	14,247	-	91,485	105,732	171,216		557,940
Occupancy costs	77,462	56,271	-	-	56,271	133,733		594,553
Depreciation	41,011	32,507	-	-	32,507	73,518		275,083
Community awareness	3,975	49,488	142,097	-	191,585	195,560		252,590
	<u>\$ 733,735</u>	<u>\$ 1,043,128</u>	<u>\$ 142,097</u>	<u>\$ 275,573</u>	<u>\$ 1,460,798</u>	<u>\$ 2,194,533</u>		<u>\$ 7,415,701</u>

See notes to consolidated financial statements

## 4KIDS OF SOUTH FLORIDA, INC. AND 4KIDS OF AMERICA, LLC

### Consolidated Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services							Total Program Services
	Foster Care	SafePlace	Residential Foster Care	Family Advocacy Ministry	His Caring Place	Spirit of Success Institute	EPIC Program	
Compensation and benefits	\$ 1,444,518	\$ 448,212	\$ 374,842	\$ 403,853	\$ 240,177	\$ 190,243	\$ 173,251	\$ 3,275,096
Payments to foster parents	40,718	235	50,030	-	2,587	-	-	93,570
Professional services	74,473	7,097	25,939	18,176	13,823	16,087	967	156,562
Other operating expenses	70,945	16,128	101,957	28,111	76,756	60,947	11,390	366,234
Occupancy costs	83,527	14,181	81,176	11,544	96,254	95,777	13,018	395,477
Depreciation	-	-	41,813	-	51,134	15,087	-	108,034
Community awareness	33,460	-	1,041	1,946	1,278	14,019	-	51,744
	<u>\$ 1,747,641</u>	<u>\$ 485,853</u>	<u>\$ 676,798</u>	<u>\$ 463,630</u>	<u>\$ 482,009</u>	<u>\$ 392,160</u>	<u>\$ 198,626</u>	<u>\$ 4,446,717</u>
	Supporting Services							
	Fundraising					Total		
	General and Administrative	Donor Relations	Special Events	Marketing	Total Fundraising	Supporting Services		Total Expenses
Compensation and benefits	\$ 439,807	\$ 757,607	\$ -	\$ 187,975	\$ 945,582	\$ 1,385,389		\$ 4,660,485
Payments to foster parents	-	-	-	-	-	-		93,570
Professional services	79,773	120,785	-	-	120,785	200,558		357,120
Other operating expenses	115,052	14,518	-	101,341	115,859	230,911		597,145
Occupancy costs	150,806	25,756	-	-	25,756	176,562		572,039
Depreciation	155,484	3,512	-	-	3,512	158,996		267,030
Community awareness	4,044	1,757	234,395	56,151	292,303	296,347		348,091
	<u>\$ 944,966</u>	<u>\$ 923,935</u>	<u>\$ 234,395</u>	<u>\$ 345,467</u>	<u>\$ 1,503,797</u>	<u>\$ 2,448,763</u>		<u>\$ 6,895,480</u>

See notes to consolidated financial statements

# 4KIDS OF SOUTH FLORIDA, INC. AND 4KIDS OF AMERICA, LLC

## Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 307,764	\$ (310,591)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Gain on sale of property and equipment	-	(6,825)
Depreciation	275,083	267,030
Changes in operating assets and liabilities:		
Accounts and other receivables	(107,263)	142,958
Prepaid expenses and other assets	(80,286)	26,680
Accounts payable	(46,382)	(52,808)
Advances from (to) related party	(38,368)	25,707
Accrued expenses	59,717	23,775
Net Cash Provided by Operating Activities	370,265	115,926
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures for property and equipment	(242,721)	(140,120)
Proceeds from sales of property and equipment	-	19,238
Net Cash Used by Investing Activities	(242,721)	(120,882)
Net Change in Cash and Cash Equivalents	127,544	(4,956)
Cash and Cash Equivalents, Beginning of Year	1,520,612	1,525,568
Cash and Cash Equivalents, End of Year	\$ 1,648,156	\$ 1,520,612
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Interest paid (see Note 8)	\$ 117,348	\$ 117,348

See notes to consolidated financial statements

# 4KIDS OF SOUTH FLORIDA, INC. AND 4KIDS OF AMERICA, LLC

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

1. NATURE OF ORGANIZATION:

4KIDS of South Florida, Inc. and 4KIDS of America, LLC (collectively referred to as the Organization) is the consolidated financial reporting entity for 4KIDS of South Florida, Inc. (4KIDS South Florida) and its subsidiary, 4KIDS of America, LLC (4KIDS America).

4KIDS South Florida was incorporated in February 2002 under the laws of the state of Florida Not-For-Profit Corporation Act. 4KIDS South Florida is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, is classified as an entity that is not a private foundation within the meaning of the Section 509(a), and is qualified for deductible contributions as provided in Section 170(b)(1)(A)(vi).

In December 2006, 4KIDS South Florida received acknowledgment by the Internal Revenue Service of its status as an integrated auxiliary of Calvary Chapel Church, Inc. d/b/a Calvary Chapel Fort Lauderdale and Affiliates (CCFL) pursuant to the changes made in the provisions of its amended Articles of Incorporation and Bylaws filed in 2003.

4KIDS America was organized in February 2014 under the laws of the state of Florida Revised Limited Liability Company Act. 4KIDS America exists to further the purposes of 4KIDS South Florida. Control of 4KIDS America by 4KIDS South Florida is complete because 4KIDS South Florida is the sole member of 4KIDS America.

The Organization exists to serve at-risk children and families in collaboration with local and legal authorities by mobilizing and equipping the faith community to rescue, protect, and nurture children in the foster care system. The Organization accomplishes its objectives through the following activities:

*Foster care*—The Organization’s foster care program is dedicated to ensuring that children in the foster care system receive excellent care and quality housing. The Organization does this by ensuring their needs are met in the following four key areas: physical, emotional, social, and spiritual. The services currently provided include but are not limited to:

- Recruitment of foster families
- Training and continuing education of foster families
- Licensing of foster families
- Placement of children into licensed foster homes
- Support services for biological and foster families and the children involved

*SafePlace 4KIDS*—A licensed child caring program designed to serve all children by providing a safe environment to reduce the trauma of being removed from their families. SafePlace 4KIDS also serves children that have had a failed placement and are transitioning to another placement.

# 4KIDS OF SOUTH FLORIDA, INC. AND 4KIDS OF AMERICA, LLC

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

### 1. NATURE OF ORGANIZATION, continued:

*Residential foster care*—This program provides homes with committed families and staff members to assist children and teenagers in the process of developing, coping, and learning to trust again in a caring Christian environment through the following programs:

- KidsPlace 1&2—specialized foster homes that allow larger sibling groups to be placed together
- GirlsPlace & MercyPlace—specialized foster homes for teens that would otherwise likely be placed in group homes

*Family Advocacy Ministry (FAM)*—Children in foster care need a loving community around them. FAM equips church volunteers to be like extended family to our foster parents. A FAM team consists of 4 to 8 committed volunteers who support a foster family through prayer and additional services (i.e., supplying meals, providing childcare, transporting children to appointments, mentoring children, supplying or sourcing practical needs such as: bunk beds, cribs, strollers, car seats, clothing, etc.).

*His Caring Place (HCP)*—HCP is a licensed child caring program providing maternity care to pregnant teens and young adults. HCP serves young women during their pregnancy and after they have given birth by providing physical, emotional and spiritual support as well as case management services designed to lead them to independence.

*Spirit of Success Institute (SOSI)*—SOSI exists to assist young men and women who have “aged out” of foster care. By providing comprehensive services including housing, life skills, mentoring, financial planning, etc., young adults are able to transition from foster care to independent living.

*Emotions, Physical, Intellectual, Character (EPIC)*—EPIC is a therapeutic program which addresses the individual needs of the children in the aspects of their emotions, physical, and intellectual well-being and development of character.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Organization maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

#### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the operations of 4KIDS South Florida and 4KIDS America. All significant inter-company balances and transactions have been eliminated.

# 4KIDS OF SOUTH FLORIDA, INC. AND 4KIDS OF AMERICA, LLC

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### USE OF ESTIMATES

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated 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

Cash and cash equivalents consist of cash held in checking and savings accounts. While deposits may be in excess of federally insured limits, the Organization has not experienced any losses in such accounts, and management believes that it is not exposed to any significant credit risk on cash and cash equivalents. At June 30, 2019 and 2018, the Organization's cash balances exceeded federally insured limits by \$1,609,568 and \$1,083,132, respectively.

#### ACCOUNTS AND OTHER RECEIVABLES

Accounts and other receivables are reported net of any anticipated losses due to uncollectible accounts. The Organization's policy for determining when receivables are past due or delinquent is when a tenant from the SOSI leaves with a balance. Uncollectible accounts are reported as additions to the allowance for bad debts when it is determined the amounts will become uncollectible, which is typically when the account is 90 days old. The Organization does not assess late charges on these accounts. For both years ended June 30, 2019 and 2018, management has determined that no allowance is necessary, as all balances are considered collectible.

The allowance for doubtful accounts is maintained at a level which, in management's judgment, is adequate to absorb potential losses inherent in the receivable portfolio. The amount of the allowance is based on management's evaluation of the collectability of the receivable portfolio, including the nature of the portfolio, trends in historical loss experience, specific impaired accounts, and economic conditions.

As part of accounts receivable, the Organization has certain receivables due from ChildNet, a Florida not-for-profit corporation, that provides funds to the Organization as an agent of the Florida Department of Children and Families in exchange for the child protective services that the Organization provides in Broward and Palm Beach Counties. For the years ended June 30, 2019 and 2018, the Organization had receivables from ChildNet in the amounts of \$310,399 and \$366,096, respectively. In addition, for both years ended June 30, 2019 and 2018, ChildNet has provided approximately 95% of total government grants revenue in the accompanying consolidated statements of activities. The Organization's operations and program services could be impacted if this relationship was to terminate and could not be replaced by new donor(s) with comparable donations.

# 4KIDS OF SOUTH FLORIDA, INC. AND 4KIDS OF AMERICA, LLC

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### PROPERTY AND EQUIPMENT—NET

Items capitalized as property and equipment are stated at cost or, if donated, at market value on the date of donation. The Organization capitalizes all property and equipment expenditures greater than \$10,000. Expenditures for repairs and maintenance are charged to expense as incurred, and additions and improvements that significantly extend the lives of assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years.

#### CLASSES OF NET ASSETS

The consolidated financial statements report amounts separately by class of net assets:

*Net assets without donor restrictions* are currently available at the discretion of the board for use in operations or designated by the board for specific purposes and/or projects. Equity in property and equipment represents amounts invested in property and equipment, net of accumulated depreciation and related debt.

*Net assets with donor restrictions* are stipulated by donors for specific operating purposes, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

#### SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as reclassifications. Contributions with donor restrictions which have been fully expended for their intended purposes within the reporting period are reported as contributions without donor restrictions.

The Organization reports donations of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.



# 4KIDS OF SOUTH FLORIDA, INC. AND 4KIDS OF AMERICA, LLC

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES, continued

The Organization conducted several special events designed to inform supporters about its ministry and expose itself to potential new donors. Special events consist of revenue generated from the Organization's annual events. As of June 30, 2019 and 2018, special events revenue is recorded gross of special events related expense of \$142,097 and \$234,395, respectively.

Donated goods and services (including securities, property, rent and equipment) are recorded at fair value at the date of the gift.

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. These expenses include depreciation, facilities operations, and other expenses. Depreciation is allocated based on square footage and the programmatic purpose of the asset being depreciated. Costs of other categories were allocated based on programmatic purpose of the employees directly affected by the expense.

#### CONCENTRATIONS

During the years ended June 30, 2019 and 2018, the Organization received 44% and 37%, respectively, of total contributions from five donors. The Organization's operations and program services could be impacted if this relationship was to terminate and could not be replaced by new donor(s) with comparable donations.

#### RECLASSIFICATIONS

Certain information in the current year consolidated financial statements has been reclassified. These reclassifications pertain primarily to the special events revenue and expense. These reclassifications pertain primarily to the presentation of special event related expenditures. In prior years special event revenue was reported net of related expenses but in the current year presentation special event revenue and expenses are reported gross.

#### RECENTLY ISSUED ACCOUNTING STANDARD

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization adopted the provisions of this new standard during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the consolidated financial statements, new disclosures were added regarding liquidity and the availability of resources (see Note 3), and disclosures related to functional allocation of expenses were expanded (see Note 2).

# 4KIDS OF SOUTH FLORIDA, INC. AND 4KIDS OF AMERICA, LLC

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

### 3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the Organization's financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Organization considers general expenditures to be all expenditures related to its ongoing activities to achieve its mission and vision as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets, at year-end:	
Cash and cash equivalents	\$ 1,648,156
Accounts and other receivables	<u>525,685</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,173,841</u></u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As of June 30, 2019, the Organization has \$71,013 in net assets with donor restrictions for project support. These funds are considered available to meet needs for general expenditures as funds are used for their donor restricted purposes.

In addition to the financial assets noted above, the Organization has a \$500,000 revolving working capital line of credit with CCFL (see Note 8) that is due on demand, subject to renewal in June 2021, and bears interest at the variable rate of the thirty day London Interbank Offer Rate (LIBOR) plus 85 basis points (3.03% as of June 30, 2019), and subject to change by CCFL on the fifth day of each month. Borrowings under this line of credit are collateralized by certain real property in Fort Lauderdale, Florida. The Organization is subject to certain time covenants related to this facility and, as of June 30, 2019 and 2018, the Organization is in compliance with all covenants. There were no outstanding borrowings under this line of credit for the years ended June 30, 2019 and 2018.

### 4. ACCOUNTS AND OTHER RECEIVABLES:

Accounts and other receivables consist of:

	June 30,	
	<u>2019</u>	<u>2018</u>
Government grant receivable	\$ 310,399	\$ 366,096
Receivables due from related party	1,306	32,694
Other receivables	<u>213,980</u>	<u>19,632</u>
	<u><u>\$ 525,685</u></u>	<u><u>\$ 418,422</u></u>

# 4KIDS OF SOUTH FLORIDA, INC. AND 4KIDS OF AMERICA, LLC

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

5. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consist of:

	June 30,	
	2019	2018
Land and improvements	\$ 1,658,732	\$ 1,658,732
Buildings and improvements	6,007,362	5,776,425
Vehicles	152,302	140,518
Furniture and fixtures	459,492	459,492
	8,277,888	8,035,167
Less accumulated depreciation	(1,574,564)	(1,299,481)
	\$ 6,703,324	\$ 6,735,686

6. MORTGAGE NOTES PAYABLE:

Mortgage notes payable consists of:

	June 30,	
	2019	2018
Mortgage note payable to CCFL (see Note 8) with a fixed interest rate of 6%. Note requires annual interest-only payments in the amount of \$18,300 and matures March 1, 2025. The note is secured by certain real estate.	\$ 305,000	\$ 305,000
Mortgage note payable to CCFL (see Note 8) with a fixed interest rate of 6%. Note requires annual interest-only payments in the amount of \$24,000 and matures May 1, 2025. The note is secured by certain real estate.	400,000	400,000
Mortgage notes payable to CCFL (see Note 8) with a fixed interest rate of 6%. Notes require annual interest-only payments in the amount of \$29,100 and mature April 30, 2024. The notes are secured by certain real estate.	485,000	485,000

(continued)

# 4KIDS OF SOUTH FLORIDA, INC. AND 4KIDS OF AMERICA, LLC

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

6. MORTGAGE NOTES PAYABLE, continued:

Mortgage notes payable consists of, continued:

	June 30,	
	2019	2018
Mortgage notes payable to CCFL (see Note 8) with a fixed interest rate of 6%. Notes require annual interest-only payments in the amount of \$45,946 and mature October 1, 2025. The notes are secured by certain real estate.	765,771	765,771
	\$ 1,955,771	\$ 1,955,771

Principal maturities of mortgage notes payable are as follows:

Years Ending June 30,	Amounts
2020	\$ -
2021	-
2022	-
2023	-
2024	485,000
Thereafter	1,470,771
	\$ 1,955,771

7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	June 30,	
	2019	2018
SOSI program	\$ 28,487	\$ 13,909
HCP program	28,700	92,000
EPIC program	13,826	13,826
Building fund	-	15,158
Other	-	10,000
	\$ 71,013	\$ 144,893

# 4KIDS OF SOUTH FLORIDA, INC. AND 4KIDS OF AMERICA, LLC

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

8. RELATED PARTY TRANSACTIONS:

The following related party transactions occurred between the Organization and organizations affiliated with CCFL:

	Year Ended June 30,	
	2019	2018
CCFL-related activity:		
Contributions from related party	\$ 247,414	\$ 244,299
Expenses to CCFL or its affiliates:		
Interest expense	\$ 117,348	\$ 117,348
Management fees expense	172,546	198,601
Other expense	-	11,366
	\$ 289,894	\$ 327,315
	June 30,	
	2019	2018
Accrued interest on mortgage notes payable to CCFL	\$ 269,683	\$ 269,683
Amounts due to CCFL or its affiliates	\$ -	\$ 38,368
Amounts due from CCFL or its affiliates	\$ 1,306	\$ -

As referenced in Note 3, CCFL has facilitated in issuing a revolving working capital line of credit to the Organization.

As referenced in Note 6, CCFL has facilitated the acquisition of the Organization's properties and holds the related mortgage notes payable totaling \$1,955,771 for both years ended June 30, 2019 and 2018. The notes were set at market rates at the time of acquisition. For the year ended June 30, 2019, CCFL has forgiven the annual interest expense through a donation made to the Organization for the full amount of the expense. CCFL has historically agreed to make annual gifts to the Organization in the amount of the interest only portion of the debt.

# 4KIDS OF SOUTH FLORIDA, INC. AND 4KIDS OF AMERICA, LLC

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

9. EMPLOYEE BENEFIT PLAN:

The Organization offers all eligible employees the opportunity to participate in a Section 403(b) Retirement Savings Plan (the Plan). The Plan allows voluntary employee contributions and includes employer matching contributions of 50% of employee voluntary contributions up to 3% of salary. For the years ended June 30, 2019 and 2018, the Organization made contributions of \$39,798 and \$34,729, respectively, to the Plan.

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through February 4, 2020, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.