



A Home for Every Child

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

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2020 and 2019

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, 2020 and 2019, 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 Consolidated 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, 2020 and 2019, 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.

Capin Crouse LLP

Lawrenceville, Georgia
March 22, 2021

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

Consolidated Statements of Financial Position

	June 30,	
	2020	2019
ASSETS:		
Cash and cash equivalents	\$ 3,623,127	\$ 1,648,156
Accounts and other receivables	445,911	468,619
Contribution receivable–net	112,209	57,066
Prepaid expenses and other assets	102,223	161,636
Property and equipment–net	6,486,247	6,703,324
Total Assets	\$ 10,769,717	\$ 9,038,801
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 85,188	\$ 9,519
Accrued expenses	494,966	409,126
Mortgage notes payable (Note 6)	1,955,771	1,955,771
Accrued interest on mortgage notes payable (Note 8)	269,683	269,683
	2,805,608	2,644,099
Net assets:		
Without donor restrictions:		
Undesignated	2,737,656	1,519,070
Equity in property and equipment	4,530,476	4,747,553
	7,268,132	6,266,623
With donor restrictions	695,977	128,079
	7,964,109	6,394,702
Total Liabilities and Net Assets	\$ 10,769,717	\$ 9,038,801

See notes to consolidated financial statements

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

Consolidated Statement of Activities

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Support:			
Contributions	\$ 5,564,549	\$ 828,000	\$ 6,392,549
Contributions from related party	120,000	-	120,000
Special events	409,468	-	409,468
Noncash contributions	155,501	-	155,501
	6,249,518	828,000	7,077,518
Revenue:			
Government grants	2,830,660	-	2,830,660
Rental income	53,474	-	53,474
Other income	34,787	-	34,787
	2,918,921	-	2,918,921
Total Support and Revenue	9,168,439	828,000	9,996,439
RECLASSIFICATIONS:			
Satisfaction of purpose or time restrictions	260,102	(260,102)	-
	260,102	(260,102)	-
EXPENSES:			
Program services:			
Foster care	2,005,932	-	2,005,932
SafePlace	537,297	-	537,297
Residential foster care	736,500	-	736,500
Family Advocacy Ministry	867,691	-	867,691
His Caring Place	350,635	-	350,635
Spirit of Success Institute	460,094	-	460,094
EPIC Program	1,208,918	-	1,208,918
	6,167,067	-	6,167,067

(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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES, continued:			
Supporting activities:			
General and administrative	955,534	-	955,534
Fundraising:			
Donor relations	1,016,661	-	1,016,661
Special events	74,549	-	74,549
Marketing	213,221	-	213,221
	1,304,431	-	1,304,431
	2,259,965	-	2,259,965
Total Expenses	8,427,032	-	8,427,032
Change in Net Assets	1,001,509	567,898	1,569,407
Net Assets, Beginning of Year	6,266,623	128,079	6,394,702
Net Assets, End of Year	\$ 7,268,132	\$ 695,977	\$ 7,964,109

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
SUPPORT AND REVENUE:			
Support:			
Contributions	\$ 4,008,632	\$ 53,700	\$ 4,062,332
Contributions from related party	206,000	-	206,000
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
Total Support and Revenue	7,669,765	53,700	7,723,465
RECLASSIFICATIONS:			
Satisfaction of purpose or time restrictions	70,514	(70,514)	-
	70,514	(70,514)	-
EXPENSES:			
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	541,955	-	541,955
	5,221,357	-	5,221,357

(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	141,908	-	141,908
Marketing	275,573	-	275,573
	1,460,609	-	1,460,609
	2,194,344	-	2,194,344
Total Expenses	7,415,701	-	7,415,701
Change in Net Assets	324,578	(16,814)	307,764
Net Assets, Beginning of Year	5,942,045	144,893	6,086,938
Net Assets, End of Year	\$ 6,266,623	\$ 128,079	\$ 6,394,702

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, 2020

	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	\$ 1,608,854	\$ 500,618	\$ 428,968	\$ 670,615	\$ 151,831	\$ 278,797	\$ 1,027,738	\$ 4,667,421
Payments to foster parents	25,064	-	53,176	-	1,131	-	468	79,839
Professional services	79,143	892	5,223	99,600	1,650	10,431	38,527	235,466
Other operating expenses	87,588	20,932	101,070	52,805	67,405	49,943	58,878	438,621
Occupancy and depreciation	177,042	13,006	141,862	41,682	126,496	112,166	78,137	690,391
Community awareness	28,241	1,851	6,201	2,988	2,122	8,758	5,171	55,330
	<u>\$ 2,005,932</u>	<u>\$ 537,297</u>	<u>\$ 736,500</u>	<u>\$ 867,691</u>	<u>\$ 350,635</u>	<u>\$ 460,094</u>	<u>\$ 1,208,918</u>	<u>\$ 6,167,067</u>
	Supporting Services							
	Fundraising				Total Supporting Services		Total Expenses	
General and Administrative	Donor Relations	Special Events	Marketing	Total Fundraising				
Compensation and benefits	\$ 455,033	\$ 771,970	\$ -	\$ 149,652	\$ 921,622	\$ 1,376,654	\$ 6,044,075	
Payments to foster parents	-	-	-	-	-	-	79,839	
Professional services	200,079	49,238	-	21,290	70,528	270,607	506,073	
Other operating expenses	131,031	81,241	-	2,217	83,458	214,489	653,110	
Occupancy and depreciation	160,789	97,055	-	19,458	116,513	277,302	967,693	
Community awareness	8,602	17,157	74,549	20,604	112,310	120,912	176,242	
	<u>\$ 955,534</u>	<u>\$ 1,016,661</u>	<u>\$ 74,549</u>	<u>\$ 213,221</u>	<u>\$ 1,304,431</u>	<u>\$ 2,259,965</u>	<u>\$ 8,427,032</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, 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	99,346	23,125	108,838	44,764	69,171	54,166	24,054	423,464
Occupancy and depreciation	163,999	16,420	133,880	37,151	116,260	114,164	43,771	625,645
Community awareness	41,750	150	1,238	2,813	1,000	10,079	189	57,219
	<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>\$ 541,955</u>	<u>\$ 5,221,357</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	51,406	-	14,198	65,604	178,137		410,148
Other operating expenses	70,467	63,441	-	51,398	114,839	185,306		608,770
Occupancy and depreciation	113,490	67,097	-	12,574	79,671	193,161		818,806
Community awareness	3,975	36,173	141,908	13,315	191,396	195,371		252,590
	<u>\$ 733,735</u>	<u>\$ 1,043,128</u>	<u>\$ 141,908</u>	<u>\$ 275,573</u>	<u>\$ 1,460,609</u>	<u>\$ 2,194,344</u>		<u>\$ 7,415,701</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,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,569,407	\$ 307,764
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	287,703	275,083
Noncash contribution	(1,025,345)	-
Changes in operating assets and liabilities:		
Accounts and other receivables	22,708	(164,329)
Contribution receivable–net	(55,143)	57,066
Prepaid expenses and other assets	59,413	(80,286)
Accounts payable	75,669	(46,382)
Advances from (to) related party	-	(38,368)
Accrued expenses	85,840	59,717
Net Cash Provided by Operating Activities	1,020,252	370,265
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures for property and equipment	(70,626)	(242,721)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of note payable	1,025,345	-
Net Change in Cash and Cash Equivalents	1,974,971	127,544
Cash and Cash Equivalents, Beginning of Year	1,648,156	1,520,612
Cash and Cash Equivalents, End of Year	\$ 3,623,127	\$ 1,648,156
SUPPLEMENTAL DISCLOSURES:		
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, 2020 and 2019

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 program services:

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 care 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, 2020 and 2019

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 care 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, 2020 and 2019

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. At June 30, 2020 and 2019, the Organization's cash balances exceeded federally insured limits by \$3,767,883 and \$1,609,568, respectively. Subsequent to the date of these consolidated financial statements, management determined that the risk from deposits in excess of federally insured limits required addressing and as a result transferred a certain amount of cash and cash equivalents into a separate financial institution. Management believes that, due to this action, the risk has been sufficiently reduced.

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.

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. For both years ended June 30, 2020 and 2019, management has determined that no allowance is necessary, as all balances are considered collectible.

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, 2020 and 2019, the Organization had receivables from ChildNet in the amounts of \$317,619 and \$310,399, respectively. In addition, for both years ended June 30, 2020 and 2019, 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, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTION RECEIVABLE–NET

Contribution receivable-net includes an unconditional promise made by a certain donor wherein the donor has unconditionally promised noncash contributions to the Organization in future periods. Unconditional promises expected to be collected within one year are recorded as support and a receivable at net realizable value. Unconditional promises expected to be collected in future years are recorded as support and a receivable at the present value of the expected future cash flows. Discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. For the contribution receivable received during the years ended June 30, 2020 and 2019, the discount rate used was 1.37% and 1.75%, respectively. Amortization of discounts is included in contributions in the accompanying consolidated statements of activities. Management has not recorded an allowance on the contribution receivable due to their expectation that the receivable is fully collectible.

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

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statements of financial position. All other exchange revenue is recognized when earned.

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

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES, continued

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

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.

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, 2020 and 2019, special events revenue is recorded gross of special events related expense of \$126,354 and \$141,908, 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.

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

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CONCENTRATIONS

During the years ended June 30, 2020 and 2019, the Organization received 41% and 44%, respectively, of total contributions from five donors. The Organization's operations and program services could be impacted if these relationships were to terminate and could not be replaced by new donor(s) with comparable donations.

RECENTLY ISSUED ACCOUNTING STANDARD

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. The Organization adopted the provisions of this new standard during the year ended June 30, 2020. The new standard applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited consolidated financial statements were required on a retrospective basis. Adoption of this standard had no effect on change in net assets or net assets in total.

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the Organization's financial assets as of June 30, 2020 and 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.

	June 30,	
	2020	2019
Financial assets, at year-end:		
Cash and cash equivalents	\$ 3,623,127	\$ 1,648,156
Contribution receivable—net	112,209	57,066
Accounts and other receivables	445,911	468,619
	<u>4,181,247</u>	<u>2,173,841</u>
Less those not available for general expenditure within one year, due to:		
Contribution receivable due beyond one year	<u>(61,537)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,119,710</u>	<u>\$ 2,173,841</u>

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

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

3. LIQUIDITY AND FUNDS AVAILABLE:

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, 2020, the Organization has \$591,581 in net assets with donor restrictions for project support and \$112,209 in net assets with donor restrictions related to the passage of time. 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 9) 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 (1.01% as of June 30, 2020), 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, 2020 and 2019, the Organization is in compliance with all covenants. There were no outstanding borrowings under this line of credit for the years ended June 30, 2020 and 2019.

4. ACCOUNTS AND OTHER RECEIVABLES:

Accounts and other receivables consist of:

	June 30,	
	2020	2019
Government grant receivable	\$ 317,619	\$ 310,399
Receivables due from related party	50	1,306
Other receivables	128,242	156,914
	<u>\$ 445,911</u>	<u>\$ 468,619</u>

5. CONTRIBUTION RECEIVABLE—NET:

Contribution receivable—net consist of:

	June 30,	
	2020	2019
Expected future cash flow from unconditional contribution receivable	\$ 114,012	\$ 57,066
Less present value discount	(1,803)	-
	<u>\$ 112,209</u>	<u>\$ 57,066</u>

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Notes to Consolidated Financial Statements

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5. CONTRIBUTION RECEIVABLE–NET, continued:

	June 30,	
	2020	2019
Amounts due in:		
Less than one year	\$ 50,672	\$ 57,066
One to five years	61,537	-
	\$ 112,209	\$ 57,066

6. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

	June 30,	
	2020	2019
Land and improvements	\$ 1,658,732	\$ 1,658,732
Buildings and improvements	6,044,188	6,007,362
Vehicles	168,952	152,302
Furniture and fixtures	459,492	459,492
	8,331,364	8,277,888
Less accumulated depreciation	(1,856,269)	(1,574,564)
	6,475,095	6,703,324
Construction in progress	11,152	-
	\$ 6,486,247	\$ 6,703,324

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7. MORTGAGE NOTES PAYABLE:

Mortgage notes payable consists of:

	June 30,	
	2020	2019
Mortgage note payable to CCFL (see Note 9) 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 9) 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 9) 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
Mortgage notes payable to CCFL (see Note 9) 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
2021	\$ -
2022	-
2023	-
2024	485,000
2025	1,470,771
	\$ 1,955,771

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8. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions for purpose or time consist of:

	June 30,	
	2020	2019
HCP program	\$ 153,042	\$ 28,700
Contribution receivable–net	112,209	57,066
EPIC program	161,610	13,826
SOSI program	263,909	28,487
Other	5,207	-
	\$ 695,977	\$ 128,079

9. RELATED PARTY TRANSACTIONS:

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

	Year Ended June 30,	
	2020	2019
CCFL-related activity:		
Contributions from related party	\$ 120,000	\$ 206,000
Expenses to CCFL or its affiliates:		
Interest expense	\$ 117,348	\$ 117,348
Management fees expense	29,195	172,546
	\$ 146,543	\$ 289,894
	June 30,	
	2020	2019
Accrued interest on mortgage notes payable to CCFL	\$ 269,683	\$ 269,683
Amounts due from CCFL or its affiliates	\$ 50	\$ 1,306

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Notes to Consolidated Financial Statements

June 30, 2020 and 2019

9. RELATED PARTY TRANSACTIONS, continued:

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

As referenced in Note 7, 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, 2020 and 2019. The notes were set at market rates at the time of acquisition. For the years ended June 30, 2020 and 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.

Effective October 26, 2020, the CCFL board of directors passed a resolution to forgive the mortgage notes payable. The Organization anticipates forgiveness to occur during either fiscal year ending June 30, 2021 or 2022.

10. 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, 2020 and 2019, the Organization made contributions of \$48,910 and \$39,798, respectively, to the Plan.

11. RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Organization for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve. As part of the response to the impact of COVID-19, the Organization applied for a Paycheck Protection Program (PPP) Loan, administered by the Small Business Administration (SBA), under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law in March 2020. The Organization was approved for a loan in the amount of approximately \$1,025,000. For the year ended June 30, 2020, in accordance with FASB ASC 958-605, the Organization has simultaneously recognized a noncash contribution without donor restrictions in the accompanying consolidated statements of activities. Based on the provisions included in the CARES Act, the loan agreement provides for loan forgiveness up to the full amount of the loan provided the Organization overcomes (meets) certain loan stipulations. Effective January 15, 2021, the Organization has filed its application for full forgiveness and is currently pending review.

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12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through March 22, 2021, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.