



4KIDS OF SOUTH FLORIDA, INC.

Financial Statements  
With Independent Auditors' Report

June 30, 2017 and 2016

# 4KIDS OF SOUTH FLORIDA, INC.

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of 4KIDS of South Florida, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities 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 misstatement, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 4KIDS of South Florida, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

The accompanying financial statements are those of 4KIDS of South Florida, Inc., under control as described in Note 2, and are not those of the primary reporting entity. This report should be read and understood in connection with the consolidated financial statements of the primary reporting entity, Calvary Chapel Church, Inc. d/b/a Calvary Chapel Fort Lauderdale and Affiliates, presented separately.

*Capin Crouse LLP*

Lawrenceville, Georgia  
November 14, 2017

# 4KIDS OF SOUTH FLORIDA, INC.

## Statements of Financial Position

	June 30,	
	2017	2016
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 1,525,568	\$ 333,323
Accounts and other receivables–net	561,380	665,013
Prepaid expenses and other assets	108,030	77,521
Property and equipment–net	6,875,009	7,024,020
<b>Total Assets</b>	<b>\$ 9,069,987</b>	<b>\$ 8,099,877</b>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 108,709	\$ 106,444
Amounts due to affiliate (Note 8)	12,661	57,664
Accrued expenses	325,634	346,287
Mortgage notes payable (Note 6)	1,955,771	1,955,771
Accrued interest on mortgage notes payable (Note 8)	269,683	269,683
	<u>2,672,458</u>	<u>2,735,849</u>
<b>Net assets:</b>		
<b>Unrestricted:</b>		
Undesignated	1,254,298	12,454
Equity in property and equipment	4,919,238	5,068,249
	<u>6,173,536</u>	<u>5,080,703</u>
Temporarily restricted	223,993	283,325
	<u>6,397,529</u>	<u>5,364,028</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ 9,069,987</b>	<b>\$ 8,099,877</b>

See notes to financial statements

# 4KIDS OF SOUTH FLORIDA, INC.

## Statement of Activities

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>			
Support:			
Contributions	\$ 2,958,371	\$ 152,200	\$ 3,110,571
Contributions from affiliate	293,589	-	293,589
Special events revenue	441,899	-	441,899
Noncash contributions	1,030,226	-	1,030,226
	4,724,085	152,200	4,876,285
Revenue:			
Government grants	2,287,487	-	2,287,487
Service fee revenue	4,140	-	4,140
Rental income	87,956	-	87,956
Other income	5,576	-	5,576
	2,385,159	-	2,385,159
<b>Total Support and Revenue</b>	<b>7,109,244</b>	<b>152,200</b>	<b>7,261,444</b>
<b>RECLASSIFICATIONS:</b>			
Satisfaction of purpose or time restrictions	211,532	(211,532)	-
	211,532	(211,532)	-
<b>EXPENSES:</b>			
Program services:			
Foster care	2,270,602	-	2,270,602
Residential foster care	805,562	-	805,562
His Caring Place	498,899	-	498,899
Spirit of Success Institute	385,646	-	385,646
Emotions, Physical, Intellectual, Character Program	92,524	-	92,524
	4,053,233	-	4,053,233
Supporting activities:			
General and administrative	758,558	-	758,558
Fundraising	1,416,152	-	1,416,152
	2,174,710	-	2,174,710
<b>Total Expenses</b>	<b>6,227,943</b>	<b>-</b>	<b>6,227,943</b>
<b>Change in Net Assets</b>	<b>1,092,833</b>	<b>(59,332)</b>	<b>1,033,501</b>
Net Assets, Beginning of Year	5,080,703	283,325	5,364,028
<b>Net Assets, End of Year</b>	<b>\$ 6,173,536</b>	<b>\$ 223,993</b>	<b>\$ 6,397,529</b>

See notes to financial statements

# 4KIDS OF SOUTH FLORIDA, INC.

## Statement of Activities

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>			
Support:			
Contributions	\$ 2,534,599	\$ 780,371	\$ 3,314,970
Contributions from affiliate	264,175	-	264,175
Special events revenue	394,473	-	394,473
Noncash contributions	811,709	-	811,709
	4,004,956	780,371	4,785,327
Revenue:			
Government grants	2,245,307	-	2,245,307
Service fee revenue	20,178	-	20,178
Rental income	62,435	-	62,435
Other income	3,117	-	3,117
	2,331,037	-	2,331,037
Total Support and Revenue	6,335,993	780,371	7,116,364
<b>RECLASSIFICATIONS:</b>			
Satisfaction of purpose or time restrictions	1,002,589	(1,002,589)	-
	1,002,589	(1,002,589)	-
<b>EXPENSES:</b>			
Program services:			
Foster care	2,281,486	-	2,281,486
Residential foster care	926,548	-	926,548
His Caring Place	587,868	-	587,868
Spirit of Success Institute	375,428	-	375,428
Emotions, Physical, Intellectual, Character Program	68,413	-	68,413
	4,239,743	-	4,239,743
Supporting activities:			
General and administrative	833,834	-	833,834
Fundraising	1,346,305	-	1,346,305
	2,180,139	-	2,180,139
Total Expenses	6,419,882	-	6,419,882
Change in Net Assets	918,700	(222,218)	696,482
Net Assets, Beginning of Year	4,162,003	505,543	4,667,546
Net Assets, End of Year	\$ 5,080,703	\$ 283,325	\$ 5,364,028

See notes to financial statements

# 4KIDS OF SOUTH FLORIDA, INC.

## Statements of Cash Flows

	Year Ended June 30,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,033,501	\$ 696,482
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Noncash donations of property and equipment	(18,500)	(772,109)
Depreciation	260,559	184,822
Changes in operating assets and liabilities:		
Accounts and other receivables	103,633	(113,496)
Prepaid expenses and other assets	(30,509)	31,242
Accounts payable	2,265	27,953
Advances from affiliates	(45,003)	(10,195)
Accrued expenses	(20,653)	16,946
Net Cash Provided by Operating Activities	1,285,293	61,645
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures for property and equipment	(93,048)	(973,187)
Proceeds from sales of property and equipment	-	1,162
Net Cash Used by Investing Activities	(93,048)	(972,025)
Net Change in Cash and Cash Equivalents	1,192,245	(910,380)
Cash and Cash Equivalents, Beginning of Year	333,323	1,243,703
Cash and Cash Equivalents, End of Year	\$ 1,525,568	\$ 333,323
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Interest paid, none capitalized (see Note 8)	\$ 118,392	\$ 117,348

See notes to financial statements



# 4KIDS OF SOUTH FLORIDA, INC.

## Notes to Financial Statements

June 30, 2017 and 2016

### 1. NATURE OF ORGANIZATION:

4KIDS of South Florida, Inc. (4KIDS) was incorporated in February 2002 under the laws of the state of Florida Not-For-Profit Corporation Act. 4KIDS 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 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 (CCCI) pursuant to the changes made in the provisions of its amended Articles of Incorporation and Bylaws filed in 2003.

4KIDS 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. 4KIDS accomplishes its objectives through the following activities:

*Foster care*—4KIDS’ foster care program is dedicated to ensuring that children in the foster care system receive excellent care and quality housing. 4KIDS 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

*Residential foster care*—4KIDS provides options with committed staff members to assist children/teenagers in the process of developing, coping, and learning to trust again in a caring Christian environment through the following programs:

- SafePlace 4KIDS—a short-term shelter to all children (newborn to 17 years of age) after being removed from their families due to abuse, neglect, and/or abandonment
- KidsPlace 1&2—a long-term shelter designed to keep siblings together
- GirlsPlace 1&2—long-term, family-style homes for teens who are not placed with a foster care family

*His Caring Place (HCP)*—HCP operates a registered child care facility to provide residential care, biblical counseling, case management, and medical care assistance for expectant single mothers under age 21 to complete their pregnancy.

*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.

# 4KIDS OF SOUTH FLORIDA, INC.

## Notes to Financial Statements

June 30, 2017 and 2016

1. NATURE OF ORGANIZATION, continued:

*Emotions, Physical, Intellectual, Character* (EPIC)—EPIC is a therapeutic modality 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:

4KIDS maintains its accounts and prepares its 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 financial statements to the reader.

These financial statements reflect only the operations and financial position of 4KIDS, under control of CCCI, and are not those of the primary reporting entity. This report should be read and understood in connection with the consolidated financial statements of CCCI, presented separately.

### USE OF ESTIMATES

The preparation of 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 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. These accounts may, at times, exceed federally insured limits. 4KIDS has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

### ACCOUNTS AND OTHER RECEIVABLES—NET

Accounts and other receivables are reported net of any anticipated losses due to uncollectible accounts. 4KIDS' 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. 4KIDS does not assess late charges on these accounts. The allowance for doubtful accounts is \$3,645 and \$5,197 for the years ended June 30, 2017 and 2016, respectively, netted with other receivables (see Note 3).

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.

# 4KIDS OF SOUTH FLORIDA, INC.

## Notes to Financial Statements

June 30, 2017 and 2016

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

#### ACCOUNTS AND OTHER RECEIVABLES–NET, continued

As part of accounts receivable, 4KIDS has certain receivables due from ChildNet, a Florida not-for-profit corporation, that provides funds to 4KIDS as an agent of the Florida Department of Children and Families in exchange for the child protective services that 4KIDS provides in Broward and Palm Beach Counties. For the years ended June 30, 2017 and 2016, 4KIDS had receivables from ChildNet in the amounts of \$438,575 and \$500,269, respectively. In addition, for both years ended June 30, 2017 and 2016, ChildNet has provided approximately 92% of total government grants revenue in the accompanying statements of activities. The implications, if any, of this concentration are recognized by 4KIDS.

#### 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. 4KIDS capitalizes all property and equipment expenditures greater than \$2,000. 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 financial statements report amounts separately by class of net assets:

*Unrestricted* amounts are currently available at the discretion of the board for use in operations. Equity in property and equipment represents amounts invested in property and equipment net of accumulated depreciation and related debt.

*Temporarily restricted* amounts 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 4KIDS.

4KIDS 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as reclassifications. Temporarily restricted contributions which have been fully expended for their intended purposes within the reporting period are reported as unrestricted.

# 4KIDS OF SOUTH FLORIDA, INC.

## Notes to Financial Statements

June 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES, continued

4KIDS reports donations of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, 4KIDS reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

4KIDS conducted several special events designed to inform supporters about its ministry and expose itself to potential new donors.

Donated goods (including securities, property, 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 costs of providing various program services and supporting activities of 4KIDS are summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and activities benefited.

3. ACCOUNTS AND OTHER RECEIVABLES—NET:

Accounts and other receivables—net consist of:

	June 30,	
	2017	2016
Government grant receivable	\$ 438,575	\$ 500,269
Receivables due from affiliates	34,663	13,042
Other receivables—net	88,142	151,702
	<u>\$ 561,380</u>	<u>\$ 665,013</u>

# 4KIDS OF SOUTH FLORIDA, INC.

## Notes to Financial Statements

June 30, 2017 and 2016

4. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consist of:

	June 30,	
	2017	2016
Land and land improvements	\$ 1,658,732	\$ 1,658,732
Buildings and building improvements	5,703,462	5,637,023
Vehicles	121,136	121,136
Software development costs	15,838	10,604
Leasehold improvements	10,627	10,627
Furniture and fixtures	407,414	372,391
	<u>7,917,209</u>	<u>7,810,513</u>
Less accumulated depreciation	(1,047,053)	(786,493)
Construction in progress	4,853	-
	<u>\$ 6,875,009</u>	<u>\$ 7,024,020</u>

5. LINE OF CREDIT:

Effective August 2016, 4KIDS has a \$500,000 revolving working capital line of credit with CCCI 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 (2.08% as of June 30, 2017), and subject to change by CCCI on the fifth day of each month. Borrowings under this line of credit are collateralized by certain real property in Fort Lauderdale, Florida. 4KIDS is subject to certain time covenants related to this facility and, as of June 30, 2017, 4KIDS is in compliance with all covenants. There were no outstanding borrowings under this line of credit for the year ended June 30, 2017.

6. MORTGAGE NOTES PAYABLE:

Mortgage notes payable consists of:

	June 30,	
	2017	2016
Mortgage note payable to Calvary Chapel of Fort Lauderdale, Inc. (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

(continued)

# 4KIDS OF SOUTH FLORIDA, INC.

## Notes to Financial Statements

June 30, 2017 and 2016

6. MORTGAGE NOTES PAYABLE, continued:

Mortgage notes payable consists of, continued:

	June 30,	
	2017	2016
Mortgage note payable to Calvary Chapel of Fort Lauderdale, Inc. (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 Calvary Chapel of Fort Lauderdale, Inc. (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
Mortgage notes payable to Calvary Chapel of Fort Lauderdale, Inc. (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
2018	\$ -
2019	-
2020	-
2021	-
2022	-
Thereafter	1,955,771
	\$ 1,955,771



# 4KIDS OF SOUTH FLORIDA, INC.

## Notes to Financial Statements

June 30, 2017 and 2016

8. RELATED PARTY TRANSACTIONS, continued:

CCFL-RELATED ACTIVITY

As referenced in Note 6, CCFL, an affiliate of CCCI, has facilitated the acquisition of 4KIDS' properties and holds the related mortgage notes payable totaling \$1,955,771 for both years ended June 30, 2017 and 2016. In this regard, 4KIDS is economically dependent upon CCFL for its financing arrangements.

9. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through November 14, 2017, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.