MANAGEMENT LETTER

March 31, 2022

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

In planning and performing our audit of the consolidated financial statements of 4KIDS of South Florida, Inc. and Subsidiaries for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the consolidated financial statements but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

Professional standards define a material weakness and a significant deficiency as follows:

> A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.
>
> A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our comments concerning internal control and other significant matters are presented as follows:

- Audit Committee Matters

This communication is intended solely for the information and use of management, the board of directors, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

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We will be pleased to further discuss these matters with you and want to express our sincere appreciation to Mark Churchill as well as many other staff for the cooperation and assistance received during the audit engagement and for the opportunity to serve 4KIDS of South Florida, Inc. and Subsidiaries.

Sincerely yours,

Capin Crouse LLP

CAPIN CROUSE LLP

AUDIT COMMITTEE MATTERS

The following information about our audit, as required by professional standards, is considered to be significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process.

Auditors' Responsibility under U.S. Generally Accepted Auditing Standards

As independent auditors of the consolidated financial statements, we are responsible for:

- Performing the audit in accordance with U.S. generally accepted auditing standards.
- Designing the audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement.
- Forming and expressing an opinion about whether the consolidated financial statements, that have been prepared by management with the oversight of those charged with governance, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

An audit of consolidated financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting.

Our audit of the consolidated financial statements does not relieve management or those charged with governance of their responsibilities. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is the risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

Independence

Under professional standards, including Rule 101 of the American Institute of Certified Public Accountants' Code of Professional Conduct and its interpretations and rulings, we are required to communicate all relationships between CapinCrouse LLP and the board that, in our professional judgment, may reasonably be thought to bear on independence.

We are not aware of any relationships or services that would jeopardize this condition. We affirm our objectivity and independence in performing our audit services in conformity with professional standards.

Qualitative Aspects of Accounting Practices

Accounting policies–Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used are described in Note 2 to the consolidated financial statements.

Changes in accounting policies–No new accounting policies were adopted, and the application of existing policies was not changed during the year.

Recently issued pronouncements–The following pronouncements have been issued by the Financial Accounting Standards Board (FASB). The following are the most significant to not-for-profit organizations. As certain pronouncements could have a significant impact on future consolidated financial statements, we encourage management to begin considering the impact.

AUDIT COMMITTEE MATTERS, continued

Qualitative Aspects of Accounting Practices, continued

Recently issued pronouncements, continued–

Effective for Calendar Year (CY) 2022 and Fiscal Year (FY) 2023:

- ASU 2016-02, Leases:
  - The ASU will require organizations that lease assets to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by the leases. A lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months.
  - The accounting by organizations that own the assets leased by the lessee (lessor accounting) will remain largely unchanged.
  - Early implementation is permitted and a modified retrospective approach is required.
- ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made
  - The new provisions should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance (e.g., Topic 606, Revenue from Contracts with Customers) and (2) determining whether a contribution is conditional.
  - The amendments should be applied only to the portion of revenue or expense that has not yet been recognized before the effective date in accordance with current guidance. No prior-period results should be restated.
  - Early implementation is permitted and a modified retrospective approach is required.

Effective for CY 2022 and FY 2023:

- ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets
  - The new guidance increases transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this ASU address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities.
  - Requires NFPs to present contributed nonfinancial assets as a separate line item in the statement of activities.
  - The following disclosures are also required:
    - Disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets
    - Qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period
    - The policy about monetizing rather than utilizing contributed nonfinancial assets
    - A description of any donor-imposed restrictions associated with the contributed nonfinancial assets
    - A description of the valuation techniques and inputs used to arrive at fair value
    - The principal market (or most advantageous market) used to arrive at fair value if it is a market in which the recipient NFP is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets
  - Effective for annual periods beginning after June 15, 2021.
  - Early implementation is permitted and a retrospective approach is required.

Significant and unusual transactions–Under professional standards, we are required to inform you about transactions we noted that were both significant and unusual, or transactions for which there is a lack of authoritative guidance or consensus. We noted no such transactions entered into by the organization during the year.

AUDIT COMMITTEE MATTERS, continued

Qualitative Aspects of Accounting Practices, continued

Uncorrected misstatements–There were no uncorrected misstatements identified during the audit.

Material corrected misstatements–There were no material corrected misstatements identified during the audit.

Other corrected misstatements–There were no other corrected misstatements identified during the audit.

Accounting estimates–Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events, and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Issues concerning significant estimates made by management include:
- Management's identification of significant accounting estimates
- Management's process for making significant accounting estimates
- Risks of material misstatement
- Indicators of possible management bias
- Disclosure of estimation uncertainty in the consolidated financial statements

The most significant estimates include:
- Allowance for uncollectible accounts receivable based on age, past experience, and relevant current period factors
- Depreciation of property and equipment
- Allocation of expenses on a functional basis

We reviewed the process and basis for management's judgments and estimates impacting key accounting and financial reporting areas and concluded they are reasonable in relation to the consolidated financial statements taken as a whole.

Consolidated financial statements disclosures and related matters–We considered issues involved and related judgments made, in formulating sensitive consolidated financial statements disclosures and believe they are presented with overall neutrality, consistency, and clarity.

Representations requested from management–A copy of the letter containing representations requested from management is attached.

Significant Difficulties Encountered During the Audit

We are pleased to report that there were no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

Professional standards define disagreements with management, whether or not resolved to our satisfaction, as a matter concerning financial accounting, reporting, or auditing that could be significant to the consolidated financial statements or the independent auditors' report.

We are pleased to report that no such disagreements arose during the course of our audit.

AUDIT COMMITTEE MATTERS, continued

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the consolidated financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

Significant Issues Discussed with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the independent auditors. However, any discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

4KIDS OF SOUTH FLORIDA, INC. AND SUBSIDIARIES

March 31, 2022

Capin Crouse LLP:

This representation letter is provided in connection with your audit of the consolidated financial statements of 4KIDS of South Florida, Inc. and Subsidiaries, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements, for the purpose of expressing an opinion as to whether the consolidated financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter the following representations made to you during your audit.

Consolidated Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 29, 2021, including our responsibility for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. GAAP.

2) The consolidated financial statements referred to above are fairly presented in conformity with U.S. GAAP.

3) We acknowledge our responsibility for 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.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP. We have disclosed to you the identity of the Organization's related parties and all the related-party relationships and transactions of which we are aware.

7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the consolidated financial statements that would require adjustment to or disclosure in the consolidated financial statements or in the schedule of expenditures of federal and state awards.

8) Significant estimates and material concentrations have been appropriately disclosed in accordance with U.S. GAAP.

9) Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

10) Revenue from contracts with customers has been appropriately accounted for and disclosed in accordance with *FASB ASC 606, Revenue from Contracts with Customers*. All contracts underlying revenue recognized in the consolidated financial statements have commercial substance and have been approved by appropriate parties. We have considered side agreements, implied promises, and unstated customary business practices in identifying performance obligations in the contracts. We have sufficient and appropriate documentation supporting all estimates and judgments underlying the amount and timing of revenue recognized in the consolidated financial statements.

11) Receivables recorded in the consolidated financial statements represent valid claims against debtors for sales or other charges arising on or before the statement of financial position date and have been reduced to their estimated net realizable value.

12) We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of assets might not be recoverable and have appropriately recorded the adjustment.

13) We have no plans or intentions to discontinue the operations of any program or discontinue any significant services or activities.

14) We have fully disclosed to you all terms of contracts with customers that affect the amount and timing of revenue recognized in the consolidated financial statements, including delivery terms, rights of return or price adjustments, side agreements, implicit provisions, unstated customary business practices, and all warranty provisions.

15) In regard to the assistance with preparation of the consolidated financial statements and related notes, schedule of expenditures of federal and state awards, and supplemental schedule of financial responsibility services performed by you, we have assumed all management responsibilities, designated Mark Churchill, Director of Finance who has suitable skill, knowledge, or experience to oversee the services, evaluated the adequacy and results of the services performed and accepted responsibility for the results of the services.

16) Our entity was the recipient of a Paycheck Protection Program loan. As of the reporting date, we certify that we have received a forgiveness notification from the U.S. Small Business Administration or lender notifying us of the amount forgiven.

Information Provided

17) We have provided you with:
    a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the consolidated financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
    b) Additional information that you have requested from us for the purpose of the audit.
    c) Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
    d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.

18) All material transactions have been recorded in the accounting records and are reflected in the consolidated financial statements or the schedule of expenditures of federal and state awards.

19) We have disclosed to you the results of our assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud.

20) We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:
    a) Management,
    b) Employees who have significant roles in internal control, or
    c) Others where the fraud could have a material effect on the consolidated financial statements.

21) We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's consolidated financial statements communicated by employees, former employees, grantors, regulators, or others.

22) We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse whose effects should be considered when preparing consolidated financial statements.

23) We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the consolidated financial statements.

24) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the consolidated financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.

25) We have disclosed to you the identity of the Organization's related parties and all the related-party relationships and transactions of which we are aware.

26) The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

27) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.

28) 4KIDS of South Florida, Inc. and Subsidiaries is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

29) With respect to federal and state award programs:
    a) We are responsible for understanding and complying with, and have complied with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and State of Florida Chapter 10.650, Rules of Auditor General (Chapter 10.650) relating to preparation of the schedule of expenditures of federal awards and state financial assistance.
    b) We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal awards and state financial assistance (SEFA) and related notes in accordance with the requirements of the Uniform Guidance and Chapter 10.650, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance and Chapter 10.650. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
    c) If the SEFA is not presented with the audited consolidated financial statements, we will make the audited consolidated financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
    d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and Chapter 10.650 compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal and state agencies in the form of federal and state awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
    e) We are responsible for understanding and complying with, and have complied with, the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards related to each of our federal and state programs and have identified and disclosed to you the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards that are considered to have a direct and material effect on each major program.
    f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provides reasonable assurance that we are managing our federal and state awards in compliance with federal and state statutes, regulations, and the terms and conditions of federal and state awards that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended.
    g) We have made available to you all federal and state awards (including amendments, if any) and any other correspondence with federal or state agencies or pass-through entities relevant to federal and state programs and related activities.
    h) We have received no requests from a federal agency to audit one or more specific programs as a major program.
    i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and *Florida Department of Financial Services State Projects Compliance Supplement,* related to state awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal and state awards.

j) We have disclosed any communications from federal and state awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E).
m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance subsequent to the period covered by the auditor's report.
r) Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the consolidated financial statements have been prepared.
s) The copies of federal and state program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal or state agency or pass-through entity, as applicable.
t) We have charged costs to federal and state awards in accordance with applicable cost principles.
u) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
v) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
w) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
x) We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

30) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

31) We have identified and disclosed to you all instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

32) We have disclosed and provided to you all documents containing the audited consolidated financial statements that we have issued or expect to issue. The audited consolidated financial statements and the other information contained in the documents are consistent with one another, and the other information does not contain any material misstatements.

33) We have developed processes and controls to identify and evaluate whether conditions or events exist that raise substantial doubt about the organization's ability to continue as a going concern. We have performed this assessment and there are no material uncertainties that may cast significant doubt about the organization's ability to continue as a going concern through one year after the financial statement issuance date.

Mark Churchill

Mark Churchill
Director of Finance

Shelley Baker
Vice President of Programs